Cathay United Bank Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CATHAY UNITED BANK CO., LTD.

By:

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March 5, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Cathay United Bank Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Cathay United Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Company for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Company's consolidated financial statements for the year ended December 31, 2023 is as follows:

Impairment Assessment of Loans

The domestic loans of the Bank which amounted to $2,134,975,661 thousand were considered material to the financial statements as a whole. The assessment of impairment of loans involves accounting estimates and management's significant judgment, and since the amount of impairment assessed on loans under the relevant regulations issued by the authorities is substantially larger than those assessed under IFRS 9, we determined the impairment of the loans assessed under the relevant regulations prescribed by the authorities as a key audit matter.

The Bank's management regularly assesses its loans for impairment. Recognition of impairment loss on loans is based on compliance with regulations issued by the authorities regarding the classification of credit assets and the provision of impairment loss. For the accounting policies and relevant information on the impairment assessment of loans, refer to Notes 4, 5 and 14.

The main audit procedures we performed in response to the key audit matter described above were as follows:

1. We obtained an understanding of and tested its internal controls of impairment assessment on loans.

2. We tested the classification of the credit assets into their respective categories out of the total five categories and confirmed that such classification complies with the relevant regulations issued by the authorities.

3. We performed the tests on selected samples and confirmed the appropriateness of impairment by the length of the overdue period and the value of the collateral for each respective loan.

4. We calculated the provision of impairment loss by classifying the credit assets into their respective categories and confirmed that such provision complies with the relevant regulations issued by the authorities.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the year ended December 31, 2023, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shiuh-Ran Cheng and Shu-Wan Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	$ 105,837,938	2	$ 119,616,535	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 7, 44 and 45)	336,768,960	8	266,322,216	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	322,291,636	8	234,300,043	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 44, 45 and 49)	296,069,646	7	480,180,321	12
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 45 and 49)	677,745,166	16	516,862,982	13
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	24,166,326	-	22,766,209	1
RECEIVABLES, NET (Notes 4, 13, 15 and 44)	116,540,618	3	119,638,809	3
CURRENT INCOME TAX ASSETS (Note 4)	60,174	-	9,243	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 44)	2,280,571,067	54	2,045,082,457	53
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 17)	1,792,673	-	1,622,125	-
OTHER FINANCIAL ASSETS, NET	153,713	-	-	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	24,373,269	1	24,261,902	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 19 and 44)	3,640,704	-	3,613,004	-
INVESTMENT PROPERTIES, NET (Notes 4 and 20)	2,287,293	-	2,220,443	-
INTANGIBLE ASSETS, NET (Notes 4 and 21)	8,302,654	-	8,378,349	-
DEFERRED TAX ASSETS (Notes 4 and 42)	4,195,335	-	4,139,231	-
OTHER ASSETS, NET (Notes 22 and 44)	28,903,636	1	38,017,257	1
TOTAL	$ 4,233,700,808	100	$ 3,887,031,126	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	$ 117,130,854	3	$ 97,309,239	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	123,125,951	3	121,052,878	3
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 24)	18,318,492	-	30,731,806	1
PAYABLES (Notes 25 and 44)	41,715,928	1	34,397,688	1
CURRENT TAX LIABILITIES (Notes 4 and 42)	323,344	-	324,437	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	3,543,557,812	84	3,246,161,847	84
FINANCIAL DEBENTURES PAYABLE (Note 27)	27,100,000	1	37,147,398	1
OTHER FINANCIAL LIABILITIES (Note 28)	64,668,563	1	56,019,197	1
PROVISIONS (Notes 4, 15 and 29)	3,827,230	-	3,942,660	-
LEASE LIABILITIES (Notes 4, 19 and 44)	3,673,568	-	3,636,660	-
DEFERRED TAX LIABILITIES (Notes 4 and 42)	2,210,371	-	1,633,989	-
OTHER LIABILITIES (Notes 4, 31 and 44)	12,183,020	-	12,949,241	-
Total liabilities	3,957,835,133	93	3,645,307,040	94
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 32)				
Capital stock				
Common stock	108,598,655	3	108,598,655	3
Capital surplus	38,869,080	1	38,858,661	1
Retained earnings				
Legal reserve	85,964,149	2	78,748,709	2
Special reserve	16,832,170	-	2,077,665	-
Unappropriated earnings	27,823,633	1	24,025,533	1
Total retained earnings	130,619,952	3	104,851,907	3
Other equity	(6,156,444)	-	(14,574,995)	(1)
Total equity attributable to owners of the Bank	271,931,243	7	237,734,228	6
NON-CONTROLLING INTERESTS (Note 32)	3,934,432	-	3,989,858	-
Total equity	275,865,675	7	241,724,086	6
TOTAL	$ 4,233,700,808	100	$ 3,887,031,126	100

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022		Changes
	Amount	%	Amount	%	(%)
NET INTEREST REVENUE (Notes 4, 32 and 44)					
Interest income	$ 109,474,073	126	$ 70,173,678	94	56
Interest expense	(57,730,783)	(66)	(21,469,188)	(29)	169
Total net interest revenue	51,743,290	60	48,704,490	65	6
NET REVENUE OTHER THAN INTEREST					
Net service fee revenue (Notes 4, 34 and 44)	20,843,725	24	18,245,515	24	14
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 35 and 44)	14,324,548	16	5,204,765	7	175
Realized loss on financial assets at fair value through other comprehensive income (Notes 4, 9 and 36)	(2,466,912)	(3)	(484,378)	(1)	409
Loss arising from derecognition of financial assets measured at amortised cost (Notes 4, 10 and 14)	(107,531)	-	(128,826)	-	(17)
Foreign exchange gain (Notes 4 and 50)	1,814,170	2	2,180,645	3	(17)
Impairment loss on assets (Notes 4 and 37)	(127,675)	-	(90,202)	-	42
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 17)	38,927	-	29,074	-	34
Net other revenue other than interest income (Notes 4 and 44)	835,288	1	1,180,365	2	(29)
Total net revenue other than interest	35,154,540	40	26,136,958	35	35
NET REVENUE	86,897,830	100	74,841,448	100	16
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 13, 14, 15 and 38)	(5,076,962)	(6)	(5,523,994)	(8)	(8)

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CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022		Changes
	Amount	**%**	**Amount**	**%**	**(%)**
TOTAL OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 39 and 44)	$ (21,966,481)	(25)	$ (19,304,586)	(26)	14
Depreciation and amortization expense (Notes 4, 18, 19, 21 and 40)	(3,834,527)	(5)	(3,635,350)	(5)	5
Other general and administrative expense (Notes 4, 41 and 44)	(19,950,667)	(23)	(15,367,198)	(20)	30
Total operating expenses	(45,751,675)	(53)	(38,307,134)	(51)	19
PROFIT BEFORE TAX	36,069,193	41	31,010,320	41	16
INCOME TAX EXPENSE (Notes 4 and 42)	(7,102,387)	(8)	(5,298,617)	(7)	34
NET INCOME	28,966,806	33	25,711,703	34	13
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 32)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss, net of tax					
Remeasurement of defined benefit plans	(320,076)	-	(418,071)	(1)	(23)
Gain on property revaluation	-	-	1,322,404	2	(100)
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	991,102	1	(4,133,074)	(5)	124
Change in fair value of financial liability attributable to change in credit risk of liability	(506,248)	-	575,753	1	(188)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	3,552	-	(5,073)	-	170
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 42)	201,371	-	103,523	-	95

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CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022		Changes
	Amount	%	Amount	%	(%)
Components of other comprehensive income (loss) that will be reclassified to profit or loss, net of tax					
Exchange differences on translating the financial statements of foreign operations	$ (285,523)	-	$ 2,225,364	3	(113)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	128,084	-	(170,735)	-	175
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	7,897,238	9	(18,289,400)	(24)	143
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 42)	(419,132)	(1)	368,985	-	(214)
Other comprehensive income (loss), net of tax	7,690,368	9	(18,420,324)	(24)	142
TOTAL COMPREHENSIVE INCOME	$ 36,657,174	42	$ 7,291,379	10	403
PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	$ 28,805,499	33	$ 25,590,195	34	13
Non-controlling interests	161,307	-	121,508	-	33
	$ 28,966,806	33	$ 25,711,703	34	13
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 36,242,199	42	$ 7,259,606	10	399
Non-controlling interests	414,975	-	31,773	-	1206
	$ 36,657,174	42	$ 7,291,379	10	403
EARNINGS PER SHARE (Note 43)					
Basic	$ 2.65		$ 2.36		

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank												
			Retained Earnings			Other Equity							
	Capital Stock Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Changes in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Losses on Remeasurements of Defined Benefit Plans	Gain on Property Revaluation	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2022	$ 106,985,830	$ 38,687,276	$ 71,182,447	$ 2,083,756	$ 25,236,235	$ (2,766,438)	$ 7,527,083	$ (889,397)	$ (1,980,688)	$ 285,008	$ 2,175,568	$ 4,376,091	$ 250,727,203
Appropriation of 2021 earnings													
Legal reserve	-	-	7,566,262	-	(7,566,262)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(16,047,875)	-	-	-	-	-	-	-	(16,047,875)
Stock dividends	1,612,825	-	-	-	(1,612,825)	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	25,590,195	-	-	-	-	-	-	121,508	25,711,703
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	1,474,468	(21,245,202)	460,602	(332,184)	1,311,727	(18,330,589)	(89,735)	(18,420,324)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	25,590,195	1,474,468	(21,245,202)	460,602	(332,184)	1,311,727	(18,330,589)	31,773	7,291,379
Recognition of share-based payments granted by the parent company	-	171,385	-	-	-	-	-	-	-	-	-	-	171,385
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(418,006)	(418,006)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(1,564,662)	-	1,564,662	-	-	-	1,564,662	-	-
Others	-	-	-	(6,091)	(9,273)	-	-	-	-	15,364	15,364	-	-
BALANCE AT DECEMBER 31, 2022	108,598,655	38,858,661	78,748,709	2,077,665	24,025,533	(1,291,970)	(12,153,457)	(428,795)	(2,312,872)	1,612,099	(14,574,995)	3,989,858	241,724,086
Changes in equity of associates accounted for using the equity method	-	-	-	-	(15)	-	-	-	-	-	-	-	(15)
Appropriation of 2022 earnings													
Legal reserve	-	-	7,215,440	-	(7,215,440)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	14,783,830	(14,783,830)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,055,588)	-	-	-	-	-	-	-	(2,055,588)
Net income for the year ended December 31, 2023	-	-	-	-	28,805,499	-	-	-	-	-	-	161,307	28,966,806
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(228,490)	8,324,353	(404,998)	(254,165)	-	7,436,700	253,668	7,690,368
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	28,805,499	(228,490)	8,324,353	(404,998)	(254,165)	-	7,436,700	414,975	36,657,174
Recognition of share-based payments granted by the parent company	-	10,419	-	-	-	-	-	-	-	-	-	-	10,419
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(470,401)	(470,401)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(981,851)	-	981,851	-	-	-	981,851	-	-
Others	-	-	-	(29,325)	29,325	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2023	$ 108,598,655	$ 38,869,080	$ 85,964,149	$ 16,832,170	$ 27,823,633	$ (1,520,460)	$ (2,847,253)	$ (833,793)	$ (2,567,037)	$ 1,612,099	$ (6,156,444)	$ 3,934,432	$ 275,865,675

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 36,069,193	$ 31,010,320
Adjustments:		
Depreciation expense	3,185,448	3,061,162
Amortization expense	649,079	574,188
Expected credit loss/bad debt expense	5,076,962	5,523,994
Net gains on financial assets and liabilities at fair value through profit or loss	(14,324,548)	(5,204,765)
Interest expense	57,730,783	21,469,188
Net losses arising from derecognition of financial assets measured at amortised cost	107,531	128,826
Interest income	(109,474,073)	(70,173,678)
Dividend income	(1,582,814)	(1,452,773)
Compensation costs of share-based payments	10,419	171,385
Share of profit of associates and joint ventures accounted for using equity method	(38,927)	(29,074)
(Gains) losses on disposal of property and equipment	(153,308)	26,692
Gains on disposal of investment properties	-	(2,300)
Gains on disposal of assets held for sale	-	(440,613)
Losses on disposal of investments	4,049,726	1,937,151
Impairment loss on financial assets	127,675	90,202
Gains on fair value adjustment of investment property	(111,774)	(208,109)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(2,648,951)	(8,406,645)
Financial assets at fair value through profit or loss	4,227,486	182,416,550
Financial assets at fair value through other comprehensive income	188,830,511	(191,248,975)
Investments in debt instruments at amortised cost	(160,998,612)	54,897,299
Receivables	7,358,792	(12,348,330)
Discounts and loans	(239,732,485)	(243,452,897)
Other financial assets	(153,713)	4,346,973
Other assets	(160,381)	(852,568)
Deposits from the Central Bank and banks	19,821,615	22,704,065
Financial liabilities at fair value through profit or loss	(80,405,426)	(81,213,178)
Notes and bonds issued under repurchase agreement	(12,413,314)	(6,429,846)
Payables	1,398,069	1,710,451
Deposits and remittances	297,395,965	310,467,880
Other financial liabilities	8,649,366	24,516,468
Provisions	(799,051)	(326,584)
Other liabilities	(136,129)	511,333
Cash generated from operations	11,555,114	43,773,792
Interest received	110,244,130	69,112,725
Dividends received	1,632,065	1,493,044

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
Interest paid	$ (54,611,491)	$ (19,819,761)
Income tax paid	(5,509,919)	(2,765,287)
Net cash generated from operating activities	63,309,899	91,794,513
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets held for sale	-	723,700
Acquisition of property and equipment	(1,468,930)	(1,400,606)
Proceeds from disposal of property and equipment	10,696	2,115
Acquisition of intangible assets	(265,580)	(325,823)
Proceeds from disposal of investment properties	-	36,800
Other assets	8,957,312	(9,873,814)
Dividends received	-	63,407
Net cash generated from (used in) investing activities	7,233,498	(10,774,221)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and banks	-	(1,076,000)
Proceeds from issuance of financial debentures	-	693,116
Repayments of financial debentures payable	(10,048,944)	(10,384,260)
Payments of the principal portion of lease liabilities	(1,666,792)	(1,561,131)
Other liabilities	(601,867)	4,019,118
Cash dividends paid	(2,525,989)	(16,465,881)
Net cash used in financing activities	(14,843,592)	(24,775,038)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(296,365)	2,068,728
NET INCREASE IN CASH AND CASH EQUIVALENTS	55,403,440	58,313,982
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	312,895,760	254,581,778
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 368,299,200	$ 312,895,760

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	December 31	
	2023	**2022**
RECONCILIATIONS OF CASH AND CASH EQUIVALENTS REPORTED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THOSE REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2023 AND 2022		
Cash and cash equivalents reported in the consolidated balance sheets	$ 105,837,938	$ 119,616,535
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	238,294,936	170,513,016
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	24,166,326	22,766,209
Cash and cash equivalents at the end of the year	$ 368,299,200	$ 312,895,760

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. INFORMATION ON THE BUSINESS

Cathay United Bank Co., Ltd. (the "Bank"), originally named United World Chinese Commercial Bank (UWCCB), was established in December 1974 after obtaining approval from the Ministry of Finance, Republic of China (ROC) and officially started operations on May 20, 1975. The Bank is mainly engaged in the following operations: (1) all commercial banking operations authorized by the ROC Banking Act ("Banking Act"); (2) international banking business and related operations; (3) trust business; (4) offshore banking business; and (5) other financial operations related to the promotion of investments by overseas Chinese. The Bank's registered office and main business location is at No. 7, Songren Rd., Xinyi District, Taipei City, Republic of China (ROC).

The Bank's stock was originally trading on the Taiwan Stock Exchange (TWSE) until December 18, 2002, where it was delisted after becoming a wholly-owned subsidiary of Cathay Financial Holding Co., Ltd. ("Cathay Financial Holdings") on the same date through a share swap. Under the Financial Institutions Merger Act, the Bank merged with the former Cathay Commercial Bank, a wholly-owned subsidiary of Cathay Financial Holdings on October 27, 2003, with UWCCB as the surviving entity and was renamed Cathay United Bank Co., Ltd.

The Bank merged with Lucky Bank on January 1, 2007. The Bank was the surviving entity after this merger and Lucky Bank was the extinguished entity. In addition, the Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (CUTIC) on December 29, 2007.

Cathay Financial Holdings is the Bank's ultimate parent company.

The consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Bank and its subsidiaries (collectively, the "Company") were approved by the Bank's board of directors on March 5, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Company's accounting policies:

Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"

The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Company should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Company to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Company should disclose qualitative and quantitative information that helps users of financial statements understand the Company's exposure to Pillar Two income taxes. The requirements that the Company applies the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

The Company assessed that the application of the above standards and interpretations will not have a material impact on the Company's financial position and financial performance.

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: A Company shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the Company recognizes any effect as an adjustment to the opening balance of retained earnings. When the Company uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Company assessed that the application of the above standards and interpretations will not have a material impact. The Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

Principles for preparing the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (Indovina Bank, CUBC Bank and CUBCN Bank).

The accounting policies of the consolidated entities are same.

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Bank.

The Bank's financial statements include the accounts of the head office, all branches, and OBU, in addition to the subsidiaries' accounts. All interbank transactions and accounts balances have been eliminated when compiling financial statements.

Entities included in the consolidated financial statements

See Note 16 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Foreign Currencies

In preparing the financial statements of each entity in the group, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the exchange rates prevailing at the time of the transactions or the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Bank and non-controlling interests as appropriate).

Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the consolidated financial statements of the Company were not classified as current or non-current. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity.

Cash and Cash Equivalents

In the consolidated balance sheets, cash and cash equivalents comprise cash on hand, due from banks, and short-term, highly liquid time deposits that mature within 12 months from the date of acquisition and readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the consolidated statements of cash flows, cash and cash equivalents comprise cash and cash equivalents, due from the Central Bank, call loans to other banks, and securities purchased under resell agreements as reported in the consolidated balance sheets that correspond to the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows," as endorsed and issued into effect by the FSC.

Financial Instruments

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

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

a. Financial assets

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

   1) Measurement categories

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

      a) Financial assets at FVTPL

         A financial asset is classified as at FVTPL when the financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Fair value is determined in the manner described in Note 49.

b) Financial assets at amortised cost

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

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

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost, including cash and cash equivalents, due from the Central Bank and call loans to banks, investments in debt instruments at amortised cost, receivables and discounts and loans, are measured at amortised cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset; and

ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortised cost of such financial assets in subsequent reporting periods.

A financial asset is credit-impaired when one or more of the following events have occurred:

i. Significant financial difficulty of the issuer or the borrower;

ii. Breach of contract, such as a default;

iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

c) Investments in debt instruments at FVTOCI

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

i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortised cost, and investments in debt instruments measured at FVTOCI.

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable and lease receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

For receivables that do not contain a significant financing component, the allowance for losses is recognized at an amount equal to lifetime ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. A 12-month ECL represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The definition of the financial assets in default is described in Note 50.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

According to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, the Bank assesses the customers' financial position, the overdue payments of the principal and interest, and the value of collateral to classify credit assets into normal credit assets (excluding loans to the ROC government) and unsound assets which should be further classified as special mention, substandard, doubtful and losses, for which the minimum provisions are 1%, 2%, 10%, 50%, and 100% of the outstanding balance, respectively. Furthermore, the FSC stipulates that banks should recognize provision of at least 1.5% of normal credit assets in mainland China (including short-term advances for trade finance) and loans for mortgage and construction loans that have been classified as normal assets, and further determine the allowance for losses based on the higher of the above-mentioned provision and the assessment of the expected credit losses.

The Company writes off credits deemed uncollectable after the write-off is proposed and approved by the board of directors. Recoveries of credits written off are recognized as a reversal of loss provision in the current period.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortised cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types and calculated separately by repurchase category. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for the cases stated below, all financial liabilities are measured at amortised cost using the effective interest method:

a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

A financial liability is classified as designated as at FVTPL upon initial recognition if:

i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. The changes in fair value of the outstanding liabilities are recognized in profit or loss. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 49.

b) Financial guarantee contracts

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of:

i. The amount of the loss allowance reflecting expected credit loss; and

ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

e. Modification of financial instruments

When a financial instrument is modified, the Bank assesses whether the modification will result in derecognition. If modification of a financial instrument results in derecognition, it is accounted for as derecognition of financial assets or liabilities. If the modification does not result in derecognition, the Bank recalculates the gross carrying amount of the financial asset or the amortised cost of the financial liability based on the modified cash flows discounted at the original effective interest rate with any modification gain or loss recognized in profit or loss. The cost incurred is adjusted to the carrying amount of the modified financial asset or financial liability and amortised over the modified remaining period.

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Bank elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Bank first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

Investments in Associates

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Bank uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associate. The Bank also recognizes the changes in the Bank's share of the equity of associates attributable to the Bank.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortised. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

When the Bank subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Bank's proportionate interest in the associate. The Bank records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Bank's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments measured by equity method is insufficient, the shortage is debited to retained earnings.

When the Bank's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Bank's net investment in the associate), the Bank discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Bank has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Bank discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Bank accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not remeasure the retained interest.

Profits or losses resulting from downstream transactions are eliminated in full only in the Bank's financial statements. Profits and losses resulting from upstream transactions and transactions between associates are recognized only in the Bank's financial statements only to the extent of interests in the associates that are not related to the Bank.

Nonperforming Loans

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the authorities, loans and other credits (including the accrued interest) that remain unpaid on their maturity are transferred immediately to nonperforming loans if the transfer is approved by the board of directors.

Nonperforming loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

Securities purchased under resell agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds and cost are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for their intended use.

Freehold land is not depreciated. Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property and equipment is shorter than its useful life, such asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

If the house that is exchanged for land under the jointly constructed with house divided contract is classified as real estate and equipment and the exchange has commercial substance, the exchange gains and losses are recognized when exchanged.

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

Investment Properties

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

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

The Bank decides to transfer assets to or from investment property based on the actual use of assets.

For a transfer from the property and equipment classification to investment property based on the actual use of assets, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income and accumulated in gain on property revaluation under other equity that will be transferred directly to retained earnings when the asset is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Foreclosed Collateral

Collateral assumed (recorded in other assets) are recognized at cost, which includes the assumed prices and any necessary repairs to make the collateral saleable, and evaluated at the lower of cost or net realizable value as of the balance sheet date.

Intangible Assets (Excluding Goodwill)

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment loss.

b. Derecognition

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

Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets (Excluding Goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

a. The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortised cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Provisions

Provisions are recognized when a present obligation (legal or constructive) is due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are the best estimate of the consideration required to settle a present obligation at the consolidated balance sheet date, taking the risks and uncertainties on the obligation into account. Provisions are measured using the discounted cash flows estimated to settle the present obligation.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

d. Employee preferential interest rate deposits

The Bank offers preferential interest rate deposits for its current employees, which include preferential deposits and post-retirement preferential deposits for its current employees as well as preferential deposits for its retired employees, limited to a certain amount. The difference between the preferential interest rate and the market rate is considered as employee benefits.

In accordance with Article 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess of the interests incurred in post-employment preferential interest deposits over those imputed at the market rate should qualify as post-employment benefits under IAS 19 "Employee Benefits" since the beneficiaries are retired employees. The retirement benefits should be accrued by actuarial method.

Income Tax

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

a. Current tax

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

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Since 2002, in accordance with Article 49 of the Financial Holding Company Act, the Bank's financial holding company, as the taxpayer, and the Bank elected to jointly declare and report income tax of profit-seeking enterprise and tax surcharge on surplus retained earnings of profit-seeking enterprise in accordance with the relevant provisions of the Income Tax Act. Additional tax payable or tax receivable due to the joint declaration of income tax is recognized under the payables or receivables for allocation of integrated income tax system account.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and these differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets should reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

The Company has applied the exception to the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes. Accordingly, the Company neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Recognition of Interest Revenue and Expense

Except for the financial assets and liabilities at fair value through profit or loss, the interest revenue and interest expense arising from all interest-bearing financial instruments are calculated using the effective interest method in accordance with the relevant regulations and standards and recognized in the consolidated statement of profit or loss under "interest revenue" and "interest expense" items.

Recognition of Service Fee Revenue and Expense

The service fee revenue and expense are generally recognized upon completion of the service to the customer for loan or other services; the service fee earned by the execution of the major project is recognized at the completion of the major project; the service fee revenue and expense related to subsequent lending services are either recognized over the service period or included in the calculation of the effective interest rate on loans and receivables.

Customer Loyalty Program

The points earned by customers under loyalty programs are treated as multiple-element revenue arrangements, in which consideration is allocated to the goods or services and the award credits based on their fair values through the eyes of the customer. The consideration is not recognized as earnings at the time of the original sales transaction but at the time when the points are redeemed and the obligation is fulfilled.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Assessment of Impairment of Loans

The assessment of impairment of loans is based on the value of the collateral, amount of principal and interest due, and the length of the overdue period. Changes in credit ratings on individual assets and the status of the collection are also considered during classification of the loans. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. The inputs include risk of default and expected loss rates. For details of the key assumptions and inputs used, refer to Note 50.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	**2022**
Cash on hand	$ 27,744,892	$ 25,744,576
Checks for clearance	5,947,591	5,633,023
Due from banks	72,206,499	88,281,746
	105,898,982	119,659,345
Less: Allowance for impairment loss	(61,044)	(42,810)
	$ 105,837,938	$ 119,616,535

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2023	**2022**
Deposit reserves - general account	$ 88,367,789	$ 83,990,724
Deposit reserves - foreign currency account	10,142,523	11,854,260
Deposits in the Central Bank - general account	26,257,299	25,215,119
Call loans and overdrafts	212,037,637	145,297,897
	336,805,248	266,358,000
Less: Allowance for impairment loss	(36,288)	(35,784)
	$ 336,768,960	$ 266,322,216

The Bank

As provided by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on the average balances of customers' NTD-denominated deposits, and the deposit reserves account B is subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits and recorded as deposit reserves - foreign currency account. These non-interest bearing reserves may be withdrawn at any time. As of December 31, 2023 and 2022, the balances of foreign-currency deposit reserves were $2,315,127 thousand and $4,298,282 thousand, respectively.

Indovina Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the State Bank of Vietnam were $1,386,267 thousand and $1,381,026 thousand as of December 31, 2023 and 2022, respectively.

CUBC Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the National Bank of Cambodia were $1,281,214 thousand and $1,182,039 thousand as of December 31, 2023 and 2022, respectively.

CUBCN Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the People's Bank of China were $5,159,915 thousand and $4,992,913 thousand as of December 31, 2023 and 2022, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	**2022**
Financial assets mandatorily classified as at fair value through profit or loss		
Treasury bills	$ 9,785,086	$ 4,917,106
Commercial paper	133,425,456	86,829,486
Government bonds	2,633,293	8,409,187
Corporate bonds	17,986,951	10,367,120
Financial debentures	68,299,923	35,099,739
Negotiable certificates of deposit	9,187,557	3,859,257
Stock investments	1,157,662	132,394
Fund beneficiary certificates	-	52,075
	242,475,928	149,666,364
Derivative financial instruments		
Foreign exchange forward contracts	43,796,706	42,758,817
Interest rate swap contracts	30,815,168	34,242,846
Options	3,093,077	4,981,547
Cross-currency swap contracts	1,842,232	2,229,121
Others	268,525	421,348
	79,815,708	84,633,679
	$ 322,291,636	$ 234,300,043
Financial liabilities designated as at fair value through profit or loss		
Bonds	$ 40,481,221	$ 39,076,751
Financial liabilities held for trading		
Derivative financial instruments		
Foreign exchange forward contracts	44,518,614	39,069,048
Interest rate swap contracts	30,515,151	33,295,671
Options	5,147,729	6,295,307
Cross-currency swap contracts	2,171,803	3,031,966
Others	291,433	284,135
	82,644,730	81,976,127
	$ 123,125,951	$ 121,052,878

The Company engages in derivative transactions mainly to accommodate customers' needs, and to manage its exposure positions. The financial risk management objective of the Company is to minimize risk due to changes in fair value or cash flows.

The contract amounts (nominal amounts) of derivative transactions for accommodating customers' needs and for managing the Company's exposure positions as of December 31, 2023 and 2022 were as follows:

(Unit: Thousands of U.S. Dollars)

	Contract Amounts	
	December 31	
	2023	2022
The Bank		
Foreign exchange forward contracts	$ 128,266,087	$ 117,307,501
Interest rate swap contracts	41,592,820	47,107,566
Cross-currency swap contracts	4,691,641	3,147,051
Options	4,327,293	5,433,124
Equity swap contracts	1,080,320	295,240
Futures	1,071,785	536,581
Commodity swap contracts	793	7,702

	Contract Amounts	
	December 31	
	2023	2022
Indovina Bank		
Foreign exchange forward contracts	$ 141,000	$ 362,768

	Contract Amounts	
	December 31	
	2023	2022
CUBCN Bank		
Foreign exchange forward contracts	$ 14,426,128	$ 6,672,220
Interest rate swap contracts	4,965,620	3,360,319
Cross-currency swap contracts	9,600	9,597
Options	3,379	16,260

As of December 31, 2023 and 2022, none of the financial assets at FVTPL was sold under repurchase agreements.

Financial Liabilities Designated as at Fair Value through Profit or Loss

In September 2014, the Bank was authorized to issue subordinated financial debentures amounting to US$990 million; as of October 8, 2014, the issued subordinated financial debentures were US$660 million (perpetual) and US$330 million (fifteen years) with a fixed interest rate of 5.10% and 4.00%, respectively, and the interest is payable annually. The Bank is authorized by the authorities to redeem the US$660 million of bonds at book value after 12 years and after fulfilling the specified conditions.

In March 2017, the Bank was authorized to issue unsubordinated financial debentures amounting to US$300 million (thirty-years), which were subsequently issued on November 24, 2017. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity; the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.10%.

The Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the years ended December 31, 2023 and 2022, such interest rate swaps were valued with a net gain of $254,352 thousand and a net loss of $6,342,801 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	**2022**
Investments in equity instruments		
Domestic listed shares	$ 9,905,782	$ 3,361,854
Overseas stock investments	9,578,784	9,669,582
Domestic unlisted shares	5,285,115	4,154,125
	24,769,681	17,185,561
Investments in debt instruments		
Corporate bonds	74,772,295	73,261,694
Financial debentures	51,748,813	56,897,017
Asset-backed securities	18,546,743	7,052,947
Negotiable certificates of deposit	31,934,434	246,261,699
Government bonds	94,297,680	79,521,403
	271,299,965	462,994,760
	$ 296,069,646	$ 480,180,321

These investments in equity instruments are held for medium to long-term strategic purposes and expect to profit from long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

In consideration of its investment strategy, the Bank sold its investments in equity instruments at FVTOCI with the fair value of $25,770,281 thousand and $27,789,536 thousand during the years ended December 31, 2023 and 2022, respectively, and the related unrealized losses of $981,851 thousand and $1,564,662 thousand were transferred from other equity to retained earnings, accordingly.

Dividends of $1,582,814 thousand and $1,452,773 thousand were recognized as income for the years ended December 31, 2023 and 2022, respectively. Those related to investments held as of December 31, 2023 and 2022 were $1,212,780 thousand and $679,009 thousand, respectively, and the remaining amounts were related to investments derecognized for the years ended December 31, 2023 and 2022.

As of December 31, 2023 and 2022, certain financial assets at FVTOCI were sold under repurchase agreements with notional amounts of $21,084,718 thousand and $20,288,287 thousand, respectively. The proceeds amounting to $17,909,086 thousand and $18,969,910 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for $18,024,511 thousand and $19,113,099 thousand before the end of May 2024 and May 2023, respectively.

Refer to Note 45 for information relating to financial assets at fair value through other comprehensive income pledged as security.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST

	December 31	
	2023	**2022**
Short-term bills	$ 429,259,324	$ 325,589,626
Government bonds	61,268,043	46,855,258
Corporate bonds	25,394,982	25,976,684
Financial debentures	91,130,103	53,881,003
Asset-backed bonds	70,746,917	64,605,102
	677,799,369	516,907,673
Less: Allowance for impairment loss	(54,203)	(44,691)
	$ 677,745,166	$ 516,862,982

For the years ended December 31, 2023 and 2022, the Bank disposed of certain bonds in advance due to the expected increase in credit risk, and recognized the gain or loss arising from derecognition of financial assets measured at amortised cost amounting to loss of $107,531 thousand and gain of $81,293 thousand, respectively.

As of December 31, 2023 and 2022, certain financial assets measured at amortised cost were sold under repurchase agreements with notional amounts of $491,760 thousand and $16,286,483 thousand, respectively. The proceeds amounting to $409,406 thousand and $11,761,896 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for $415,453 thousand and $11,835,606 thousand before the end of February 2024 and March 2023, respectively.

Refer to Note 45 for information relating to investments in debt instruments at amortised cost pledged as security.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

The credit risk management of the Company’s financial assets at FVTOCI and investments in debt instruments at amortised cost is described as follows:

December 31, 2023

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 279,643,435	$ 677,799,369	$ 957,442,804
Less: Allowance for impairment loss	(126,431)	(54,203)	(180,634)
Adjustment to fair value	(8,217,039)	-	(8,217,039)
	$ 271,299,965	$ 677,745,166	$ 949,045,131

December 31, 2022

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 479,373,514	$ 516,907,673	$ 996,281,187
Less: Allowance for impairment loss	(195,806)	(44,691)	(240,497)
Adjustment to fair value	(16,182,948)	-	(16,182,948)
	$ 462,994,760	$ 516,862,982	$ 979,857,742

The Company monitors the external credit rating information and price movements of their investments in debt instruments in order to assess whether there has been a significant increase in credit risk since initial recognition.

The Company takes into consideration the multi-period default probability table for each credit rating supplied by external rating agencies, and recovery rates of different types of bonds to assess the 12-month or lifetime expected credit losses.

The carrying amounts of financial assets at FVTOCI and investments in debt instruments at amortised cost sorted by credit rating of the Company are as follows:

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at December 31, 2023
Low credit risk	Low credit risk at the reporting date	12-month ECLs	$ 956,937,282
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	436,904
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	68,618

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at December 31, 2022
Low credit risk	Low credit risk at the reporting date	12-month ECLs	$ 995,403,595
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	623,950
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	253,642

The changes in allowance for impairment loss of financial assets at FVTOCI and investments in debt instruments at amortised cost sorted by credit rating of the Company are as follows:

For the year ended December 31, 2023

	Credit Rating		
	Low Credit Risk (12-month ECLs)	**Doubtful (Lifetime ECLs - Not Credit-impaired)**	**In Default (Lifetime ECLs - Credit-impaired)**
Balance at the beginning of the period	$ 148,750	$ 13,424	$ 78,323
New debt instruments purchased	83,116	-	108,369
Derecognition	(68,512)	-	(187,252)
Effect of exchange rate changes and others	10,863	(7,007)	560
Balance at the end of the period	$ 174,217	$ 6,417	$ -

For the year ended December 31, 2022

	Credit Rating		
	Low Credit Risk (12-month ECLs)	**Doubtful (Lifetime ECLs - Not Credit-impaired)**	**In Default (Lifetime ECLs - Credit-impaired)**
Balance at the beginning of the period	$ 122,072	$ 12,576	$ -
Changes in credit risk classification			
Low credit risk transferred to in default	(26,685)	-	80,110
New debt instruments purchased	115,376	-	-
Derecognition	(79,409)	-	(4,304)
Effect of exchange rate changes and others	17,396	848	2,517
Balance at the end of the period	$ 148,750	$ 13,424	$ 78,323

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2023	**2022**
Corporate bonds	$ 15,367,864	$ 10,159,241
Government bonds	7,720,628	7,710,509
Financial debentures	1,080,009	4,909,562
	24,168,501	22,779,312
Less: Allowance for impairment loss	(2,175)	(13,103)
	$ 24,166,326	$ 22,766,209

As of December 31, 2023 and 2022, none of the securities purchased under resell agreements were sold under repurchase agreements.

13. RECEIVABLES, NET

	December 31 2023	December 31 2022
Notes and accounts receivables	$ 95,543,659	$ 98,831,933
Interest receivable	14,014,235	9,325,062
Acceptance	1,316,484	996,607
Factoring receivable	2,695,574	4,523,885
Others	5,717,630	8,478,332
	119,287,582	122,155,819
Less: Allowance for impairment loss	(2,746,964)	(2,517,010)
	$ 116,540,618	$ 119,638,809

Refer to Note 50 for impairment loss analysis of receivables.

The changes in the gross carrying amounts of the Company's receivables were as follows:

For the year ended December 31, 2023

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 118,271,889	$ 1,880,551	$ 2,003,379	$ 122,155,819
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(490,224)	493,220	(2,996)	-
Transferred to credit-impaired financial assets	(476,441)	(170,752)	647,193	-
Transferred to 12-month ECLs	289,602	(285,101)	(4,501)	-
Derecognition of financial assets in the period	(87,623,995)	(1,649,933)	(400,680)	(89,674,608)
New financial assets purchased or originated	85,501,873	1,589,457	558,879	87,650,209
Written-off as bad debt expense	-	-	(645,789)	(645,789)
Effects of exchange rate changes and others	(196,628)	(1,065)	(356)	(198,049)
Balance at the end of the period	$ 115,276,076	$ 1,856,377	$ 2,155,129	$ 119,287,582

For the year ended December 31, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 101,532,216	$ 2,692,899	$ 2,105,098	$ 106,330,213
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(468,820)	470,837	(2,017)	-
Transferred to credit-impaired financial assets	(63,787)	(18,981)	82,768	-
Transferred to 12-month ECLs	803,485	(800,774)	(2,711)	-
Derecognition of financial assets in the period	(83,364,876)	(1,838,847)	(176,139)	(85,379,862)
New financial assets purchased or originated	99,659,550	1,370,739	376,828	101,407,117
Written-off as bad debt expense	-	-	(387,020)	(387,020)
Effects of exchange rate changes and others	174,121	4,678	6,572	185,371
Balance at the end of the period	$ 118,271,889	$ 1,880,551	$ 2,003,379	$ 122,155,819

The changes in allowance for impairment loss of the Company’s receivables were as follows:

For the year ended December 31, 2023

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 506,839	$ 360,011	$ 1,591,166	$ 2,458,016	$ 58,994	$ 2,517,010
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(15,909)	192,785	(2,148)	174,728	-	174,728
Transferred to credit-impaired financial assets	(20,810)	(72,889)	614,736	521,037	-	521,037
Transferred to 12-month ECLs	11,044	(101,358)	(3,162)	(93,476)	-	(93,476)
Derecognition of financial assets in the period	(309,925)	(140,863)	(261,008)	(711,796)	-	(711,796)
New financial assets purchased or originated	315,039	146,900	389,701	851,640	-	851,640
Differences of impairment loss under the regulations	-	-	-	-	(1,739)	(1,739)
Written-off as bad debt expense	-	-	(645,789)	(645,789)	-	(645,789)
Effects of exchange rate changes and others	79,076	9,385	46,888	135,349	-	135,349
Balance at the end of the period	$ 565,354	$ 393,971	$ 1,730,384	$ 2,689,709	$ 57,255	$ 2,746,964

For the year ended December 31, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 418,248	$ 288,704	$ 1,658,913	$ 2,365,865	$ 69,669	$ 2,435,534
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(4,470)	190,986	(1,287)	185,229	-	185,229
Transferred to credit-impaired financial assets	(1,173)	(3,929)	114,964	109,862	-	109,862
Transferred to 12-month ECLs	22,288	(164,304)	(1,924)	(143,940)	-	(143,940)
Derecognition of financial assets in the period	(347,571)	(105,202)	(89,433)	(542,206)	-	(542,206)
New financial assets purchased or originated	248,195	109,888	255,448	613,531	-	613,531
Differences of impairment loss under the regulations	-	-	-	-	(10,675)	(10,675)
Written-off as bad debt expense	-	-	(387,020)	(387,020)	-	(387,020)
Effects of exchange rate changes and others	171,322	43,868	41,505	256,695	-	256,695
Balance at the end of the period	$ 506,839	$ 360,011	$ 1,591,166	$ 2,458,016	$ 58,994	$ 2,517,010

14. DISCOUNTS AND LOANS, NET

	December 31	
	2023	2022
Discounts and overdrafts	$ 1,279,933	$ 1,328,114
Short-term loans	539,297,933	477,974,557
Medium-term loans	592,246,028	519,849,556
Long-term loans	1,178,654,623	1,073,727,040
Export negotiations	1,249,512	1,246,793
Overdue loans	6,751,086	5,974,697
	2,319,479,115	2,080,100,757
Less: Allowance for impairment loss	(38,908,048)	(35,018,300)
	$ 2,280,571,067	$ 2,045,082,457

As of December 31, 2023, the amount of the domestic loans of the Bank was $2,134,975,661 thousand and allowance for impairment loss was $35,080,127 thousand.

For the years ended December 31, 2023 and 2022, the Bank disposed credit assets in order to increase debt recovery, and recognized the losses arising from the derecognition of credit assets measured at amortised cost amounting to $0 thousand and $210,119 thousand, respectively.

As of December 31, 2023 and 2022, the loan and credit balances of nonaccrual loans were $6,751,086 thousand and $5,974,697 thousand, respectively. For the years ended December 31, 2023 and 2022, the Company did not write off certain credits without completing the required legal procedures.

Refer to Note 50 for the impairment loss analysis of discounts and loans.

The changes in the gross carrying amounts of the Company's discounts and loans were as follows:

For the year ended December 31, 2023

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 1,996,179,020	$ 66,527,131	$ 17,394,606	$ 2,080,100,757
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(34,203,912)	34,353,357	(149,445)	-
Transferred to credit-impaired financial assets	(4,367,780)	(808,435)	5,176,215	-
Transferred to 12-month ECLs	27,600,042	(26,736,649)	(863,393)	-
Derecognition of financial assets in the period	(614,676,723)	(26,735,900)	(1,854,547)	(643,267,170)
New financial assets purchased or originated	862,803,923	22,834,280	2,008,441	887,646,644
Written-off as bad debt expense	-	-	(2,749,476)	(2,749,476)
Effects of exchange rate changes and others	(2,036,819)	(35,603)	(179,218)	(2,251,640)
Balance at the end of the period	$ 2,231,297,751	$ 69,398,181	$ 18,783,183	$ 2,319,479,115

For the year ended December 31, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 1,763,964,944	$ 60,965,797	$ 12,124,070	$ 1,837,054,811
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(27,346,268)	27,458,018	(111,750)	-
Transferred to credit-impaired financial assets	(2,730,203)	(2,554,899)	5,285,102	-
Transferred to 12-month ECLs	20,228,289	(19,961,440)	(266,849)	-
Derecognition of financial assets in the period	(573,498,422)	(23,625,402)	(3,230,779)	(600,354,603)
New financial assets purchased or originated	804,347,543	21,687,133	4,408,441	830,443,117
Written-off as bad debt expense	-	-	(1,101,143)	(1,101,143)
Effects of exchange rate changes and others	11,213,137	2,557,924	287,514	14,058,575
Balance at the end of the period	$ 1,996,179,020	$ 66,527,131	$ 17,394,606	$ 2,080,100,757

The changes in allowance for impairment loss of the Company’s discounts and loans were as follows:

For the year ended December 31, 2023

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 3,408,785	$ 2,480,491	$ 6,433,892	$ 12,323,168	$ 22,695,132	$ 35,018,300
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(143,697)	1,732,965	(43,899)	1,545,369	-	1,545,369
Transferred to credit-impaired financial assets	(29,600)	(133,134)	3,081,441	2,918,707	-	2,918,707
Transferred to 12-month ECLs	81,471	(743,747)	(159,716)	(821,992)	-	(821,992)
Derecognition of financial assets in the period	(1,452,905)	(978,231)	(1,233,927)	(3,665,063)	-	(3,665,063)
New financial assets purchased or originated	1,977,555	1,048,936	1,371,609	4,398,100	-	4,398,100
Differences of impairment loss under the regulations	-	-	-	-	1,526,691	1,526,691
Written-off as bad debt expense	-	-	(2,749,476)	(2,749,476)	-	(2,749,476)
Effects of exchange rate changes and others	367,119	(152,611)	522,904	737,412	-	737,412
Balance at the end of the period	$ 4,208,728	$ 3,254,669	$ 7,222,828	$ 14,686,225	$ 24,221,823	$ 38,908,048

For the year ended December 31, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 3,442,880	$ 1,990,988	$ 5,005,473	$ 10,439,341	$ 19,538,811	$ 29,978,152
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(81,193)	1,080,204	(22,786)	976,225	-	976,225
Transferred to credit-impaired financial assets	(20,584)	(91,642)	1,822,236	1,710,010	-	1,710,010
Transferred to 12-month ECLs	137,543	(796,822)	(44,544)	(703,823)	-	(703,823)
Derecognition of financial assets in the period	(1,509,476)	(571,063)	(1,061,679)	(3,142,218)	-	(3,142,218)
New financial assets purchased or originated	1,722,256	703,288	1,290,838	3,716,382	-	3,716,382
Differences of impairment loss under the regulations	-	-	-	-	3,156,321	3,156,321
Written-off as bad debt expense	-	-	(1,101,143)	(1,101,143)	-	(1,101,143)
Effects of exchange rate changes and others	(282,641)	165,538	545,497	428,394	-	428,394
Balance at the end of the period	$ 3,408,785	$ 2,480,491	$ 6,433,892	$ 12,323,168	$ 22,695,132	$ 35,018,300

15. RESERVES FOR LOSSES ON GUARANTEES, LETTER OF CREDIT RECEIVABLE AND FINANCING COMMITMENTS

The changes in the Company's guarantee liability provisions, letter of credit receivable and provision of commitments were as follows:

For the year ended December 31, 2023

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 185,168	$ 63,139	$ 5,801	$ 254,108	$ 192,553	$ 446,661
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(1,828)	25,284	(12)	23,444	-	23,444
Transferred to credit-impaired financial assets	(134)	(7,733)	69,097	61,230	-	61,230
Transferred to 12-month ECLs	1,384	(13,567)	(373)	(12,556)	-	(12,556)
Derecognition of financial assets in the period	(81,818)	(51,723)	(1,954)	(135,495)	-	(135,495)
New financial assets purchased or originated	104,832	58,660	2,659	166,151	-	166,151
Differences of impairment loss under the regulations	-	-	-	-	(3,802)	(3,802)
Effects of exchange rate changes and others	8,359	(1,005)	12,320	19,674	-	19,674
Balance at the end of the period	$ 215,963	$ 73,055	$ 87,538	$ 376,556	$ 188,751	$ 565,307

For the year ended December 31, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 173,324	$ 72,005	$ 4,532	$ 249,861	$ 184,559	$ 434,420
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(2,076)	29,896	(21)	27,799	-	27,799
Transferred to credit-impaired financial assets	(29)	(75)	4,663	4,559	-	4,559
Transferred to 12-month ECLs	2,877	(43,980)	(265)	(41,368)	-	(41,368)
Derecognition of financial assets in the period	(65,954)	(30,296)	(925)	(97,175)	-	(97,175)
New financial assets purchased or originated	86,608	15,771	1,594	103,973	-	103,973
Differences of impairment loss under the regulations	-	-	-	-	7,994	7,994
Effects of exchange rate changes and others	(9,582)	19,818	(3,777)	6,459	-	6,459
Balance at the end of the period	$ 185,168	$ 63,139	$ 5,801	$ 254,108	$ 192,553	$ 446,661

16. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%) December 31 2023	Proportion of Ownership (%) December 31 2022	Description
The Bank	Indovina Bank Limited (Indovina Bank) (Note 1)	Bank business	50	50	Incorporated in Vietnam on November 21, 1990
	Cathay United Bank (Cambodia) Corporation Limited (CUBC Bank) (Note 2)	Bank business	100	100	SBC Bank was incorporated in Cambodia on July 5, 1993, and renamed as CUBC Bank as of January 14, 2014
	Cathay United Bank (China) Limited (CUBCN Bank) (Note 3)	Bank business	100	100	Incorporated in China on September 3, 2018
Cambodia CUBC Bank	CUBC Investment Co., LTD. (CUBC-I) (Note 2)	Invest business	49 (Note 4)	49 (Note 4)	Incorporated in Cambodia on August 14, 2012

Note 1: Immaterial subsidiary, but its financial statements have been audited.

Note 2: As an immaterial subsidiary, its financial statements have not been audited.

Note 3: As a major subsidiary, its financial statements have been audited. Please refer to Table 3 for the relevant investment information.

Note 4: Cambodia CUBC Bank held 49% of the shares of CUBC-I. Through an agency agreement with the rest of shareholders, it actually controls the operations of CUBC-I and the composition of its board of directors, and obtains 100% of its economic benefits, therefore, CUBC-I is listed as a subsidiary of CUBC Bank.

17. INVESTMENTS MEASURED BY EQUITY METHOD, NET

	December 31 2023	December 31 2022
Associates that are not individually material		
Taiwan Real-estate Management Corp.	$ 99,255	$ 95,880
Taiwan Finance Corp.	1,693,418	1,526,245
	$ 1,792,673	$ 1,622,125

Aggregate information on the Bank’s associates that are not individually material is as follows:

	For the Year Ended December 31 2023	For the Year Ended December 31 2022
The Bank’s share of		
Current net profit	$ 38,927	$ 29,074
Current other comprehensive income (loss)	131,636	(175,808)
Current comprehensive income (loss)	$ 170,563	$ (146,734)

Investments measured by equity method and the Bank's share of profit and loss and other comprehensive income are calculated based on the financial statements which were not audited; however, management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements which have not been audited.

18. PROPERTY AND EQUIPMENT, NET

For the year ended December 31, 2023

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
Cost								
Balance at the beginning of the period	$ 15,319,962	$ 9,697,850	$ 5,505,376	$ 122,611	$ 8,226,357	$ 401,536	$ 434,585	$ 39,708,277
Additions	-	-	282,643	1,154	227,960	1,290	955,883	1,468,930
Disposals	-	-	(202,900)	(972)	(289,651)	(24)	-	(493,547)
Reclassification	-	-	215,574	5,567	384,498	22,060	(633,620)	(5,921)
Others (Note)	(31,559)	105,401	-	-	80,625	-	-	154,467
Exchange differences	512	292	(4,953)	52	(1,861)	(5,146)	(288)	(11,392)
Balance at the end of the period	15,288,915	9,803,543	5,795,740	128,412	8,627,928	419,716	756,560	40,820,814
Accumulated depreciation and impairment								
Balance at the beginning of the period	-	4,841,740	4,023,962	88,215	6,257,643	234,815	-	15,446,375
Depreciation	-	206,013	668,939	8,327	567,562	40,344	-	1,491,185
Disposals	-	-	(202,591)	(972)	(278,105)	(24)	-	(481,692)
Reclassification	-	-	1,366	-	(1,366)	-	-	-
Exchange differences	-	(61)	(3,596)	(15)	(1,903)	(2,748)	-	(8,323)
Balance at the end of the period	-	5,047,692	4,488,080	95,555	6,543,831	272,387	-	16,447,545
Net								
Balance at the end of the period	$ 15,288,915	$ 4,755,851	$ 1,307,660	$ 32,857	$ 2,084,097	$ 147,329	$ 756,560	$ 24,373,269

For the year ended December 31, 2022

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
Cost								
Balance at the beginning of the period	$ 15,440,070	$ 9,886,194	$ 5,223,402	$ 114,426	$ 7,899,628	$ 377,974	$ 299,800	$ 39,241,494
Additions	-	-	455,780	880	273,943	5,794	664,209	1,400,606
Disposals	-	(4,363)	(313,884)	(6,794)	(389,301)	-	-	(714,342)
Reclassification	(177,256)	(216,908)	88,484	1,850	425,087	2,568	(532,869)	(409,044)
Exchange differences	57,148	32,927	51,594	12,249	17,000	15,200	3,445	189,563
Balance at the end of the period	15,319,962	9,697,850	5,505,376	122,611	8,226,357	401,536	434,585	39,708,277
Accumulated depreciation and impairment								
Balance at the beginning of the period	-	4,762,428	3,616,695	77,200	6,094,199	186,884	-	14,737,406
Depreciation	-	204,791	680,776	8,652	515,955	39,053	-	1,449,227
Disposals	-	(3,276)	(313,447)	(6,033)	(362,779)	-	-	(685,535)
Reclassification	-	(136,359)	744	-	501	-	-	(135,114)
Exchange differences	-	14,156	39,194	8,396	9,767	8,878	-	80,391
Balance at the end of the period	-	4,841,740	4,023,962	88,215	6,257,643	234,815	-	15,446,375
Net								
Balance at the end of the period	$ 15,319,962	$ 4,856,110	$ 1,481,414	$ 34,396	$ 1,968,714	$ 166,721	$ 434,585	$ 24,261,902

Note: In May 2023, the Bank completed the handover of the houses exchanged with the land under the jointly constructed with house divided contract. A compensation of $10,487 thousand was received from the builder, and a disposal gain of $164,954 thousand was recognized.

Depreciation of the above-mentioned items of property and equipment is calculated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	35 to 60 years
Buildings renovation	5 years
Equipment	3 to 8 years
Transportation equipment	3 to 7 years
Other equipment	3 to 15 years
Leasehold improvements	5 years

As of December 31, 2023 and 2022, no property and equipment was pledged.

In January and April 2022, the Bank disposed of two vacant premises with a carrying amount of $283,087 thousand for proceeds of $23,700 thousand and $700,000 thousand, respectively, and recognized a disposal gain of $440,613 thousand.

19. LEASE AGREEMENTS

a. Right-of-use assets

	December 31	
	2023	**2022**
Carrying amount of right-of-use assets		
Land and buildings	$ 3,585,526	$ 3,560,288
Equipment	1,710	2,435
Transportation equipment	53,468	50,281
	$ 3,640,704	$ 3,613,004

	For the Year Ended December 31	
	2023	**2022**
Additions of right-of-use assets	$ 1,764,542	$ 1,498,942
Depreciation expense of right-of-use assets		
Land and buildings	$ 1,659,087	$ 1,581,010
Equipment	931	877
Transportation equipment	34,245	30,048
	$ 1,694,263	$ 1,611,935

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	**2022**
Carrying amount of lease liabilities	$ 3,673,568	$ 3,636,660

The discount rate intervals of lease liabilities are as follows:

	December 31	
	2023	2022
Land and buildings	0.05%-8.12%	0.05%-4.68%
Equipment	0.36%-3.49%	0.36%-4.15%
Transportation equipment	0.25%-8.76%	0.22%-4.12%

c. Other lease information

	For the Year Ended December 31	
	2023	2022
Short-term rental expenses	$ 520,382	$ 515,371
Low-value assets rental expenses	$ 331,105	$ 300,362
Variable lease payment expenses not included in measurable lease liabilities	$ 36	$ 3
Gross cash outflow for leases	$ 2,555,447	$ 2,414,935

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

20. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
Balance at January 1, 2023	$ 2,115,138	$ 105,305	$ 2,220,443
Gain on fair value adjustment	90,711	21,063	111,774
Others (Note)	(44,924)	-	(44,924)
Balance at December 31, 2023	$ 2,160,925	$ 126,368	$ 2,287,293
Balance at January 1, 2022	$ 542,841	$ 114,599	$ 657,440
Transfers from property and equipment	1,446,280	134,720	1,581,000
Disposals	(28,829)	(5,671)	(34,500)
Reclassification	134,720	(134,720)	-
Gain (loss) on fair value adjustment	211,732	(3,623)	208,109
Others (Note)	(191,606)	-	(191,606)
Balance at December 31, 2022	$ 2,115,138	$ 105,305	$ 2,220,443

Note: Compensation for urban renewal and demolition.

a. As of December 31, 2023 and 2022, no investment property was pledged.

b. Some of the Bank's properties are held for earning rental income or for capital appreciation, while some are for self-use. When the part held for self-use is less than 5% of the individual real estate, the real estate is classified as investment properties.

c. The fair values of the Bank's investment properties were based on the valuations carried out by qualified real estate appraisers in Taiwan in accordance with the "Regulations on Real Estate Appraisal." The valuation dates were December 31, 2023 and 2022, respectively.

Appraiser Office	December 31 2023	2022
Euro-Asia Real Estate Appraisers Firm	Zong-Ting, Xie	-
REPro Knight Frank Real Estate Appraiser Firm	-	Xiang-Yi, Hsu; You-Xiang, Cai

The fair value is supported by observable evidence in the market. The main appraisal approaches applied include the income approach (such as discounted cash flow model and direct capitalization approach), comparison approach and cost approach. The significant unobservable inputs mainly include discount rates and the related adjustments, and categorized as level 3 of fair value hierarchy.

1) As office buildings have market liquidity and the rentals are similar to those of comparable properties in neighboring areas, the fair values have been mainly determined using the comparison approach and the income approach.

   Net rental income is based on current market practices, assuming an annual rental increase between 0% to 1.5% to extrapolate the total income of the underlying property, excluding losses as a result of idle and other reasons and related operation costs.

   According to the ROC Real Estate Appraisers Association Gazette No. 5, the house tax is determined based on the reference tables of current house values provided by each city/county to estimate the total current house value considering the area of the subject property and related public utilities. House tax is calculated based on the tax rates in the House Tax Act and the actual payment data.

   Land value tax is calculated based on the changes in the announced land values of the underlying property in the past years and the actual payment data.

   According to the ROC Real Estate Appraisers Association Gazette No. 5, replacement allowance for significant renovation cost is calculated based on 10% of construction costs and amortised over its estimated useful life of 20 years.

   The main inputs used are as follows:

	December 31 2023	2022
Direct capitalization rates	1.50%-1.94%	1.13%-4.03%
Overall capital interest rate	1.09%-1.18%	0.84%-2.50%

   Operating expenses directly related to investment properties

	For the Year Ended December 31 2023	2022
Generating rental income	$ -	$ -
Not generating rental income	4,502	10,710
	$ 4,502	$ 10,710

2) The fair values of hillside conservation zones, farmlands, scenic areas and suburban houses have been determined mainly by the land development analysis, cost approach and comparison approach due to fewer market transactions in such areas as a result of legal restrictions, furthermore, no significant changes are expected in these areas that will affect the market in the near future.

21. INTANGIBLE ASSETS, NET

For the year ended December 31, 2023

	Computer Software	Goodwill	Others	Total
Cost				
Balance at the beginning of the period	$ 3,493,480	$ 6,997,679	$ -	$ 10,491,159
Additions	262,585	-	2,995	265,580
Disposals	(554,466)	-	-	(554,466)
Reclassification	310,610	-	-	310,610
Exchange differences	(7,185)	286	-	(6,899)
Balance at the end of the period	3,505,024	6,997,965	2,995	10,505,984
Accumulated amortization				
Balance at the beginning of the period	2,112,810	-	-	2,112,810
Amortization	649,079	-	-	649,079
Disposals	(554,466)	-	-	(554,466)
Exchange differences	(4,093)	-	-	(4,093)
Balance at the end of the period	2,203,330	-	-	2,203,330
Net				
Balance at the end of the period	$ 1,301,694	$ 6,997,965	$ 2,995	$ 8,302,654

For the year ended December 31, 2022

	Computer Software	Goodwill	Others	Total
Cost				
Balance at the beginning of the period	$ 3,050,318	$ 6,965,778	$ -	$ 10,016,096
Additions	325,823	-	-	325,823
Disposals	(246,939)	-	-	(246,939)
Reclassification	336,004	-	-	336,004
Exchange differences	28,274	31,901	-	60,175
Balance at the end of the period	3,493,480	6,997,679	-	10,491,159
Accumulated amortization				
Balance at the beginning of the period	1,765,496	-	-	1,765,496
Amortization	574,188	-	-	574,188
Disposals	(246,939)	-	-	(246,939)
Exchange differences	20,065	-	-	20,065
Balance at the end of the period	2,112,810	-	-	2,112,810
Net				
Balance at the end of the period	$ 1,380,670	$ 6,997,679	$ -	$ 8,378,349

The Bank acquired China United Trust & Investment Corporation on December 29, 2007 and recognized goodwill amounting to $6,673,083 thousand.

The Bank acquired 70% of the shares of CUBC Bank on December 13, 2012 and recognized goodwill amounting to US$10,570 thousand, then further acquired the remaining 30% of shares on September 16, 2013.

During impairment testing of goodwill, the Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast for the future based on the going-concern assumption. Future cash flows were estimated on the basis of present operations and will be adjusted depending on the business outlook and economic trends.

22. OTHER ASSETS, NET

	December 31	
	2023	**2022**
Prepayments	$ 1,205,013	$ 1,248,126
Temporary payments and suspense accounts	343,907	533,747
Interbank clearing funds	10,468,668	10,413,892
Refundable deposits, net	16,094,677	25,220,365
Operating deposits	632,890	464,514
Others	158,481	136,613
	$ 28,903,636	$ 38,017,257

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2023	**2022**
Deposits from the Central Bank and banks	$ 51,480,935	$ 44,266,725
Call loans from the Central Bank and banks	47,925,529	34,635,693
Due to Chunghwa Post Co., Ltd.	17,709,405	17,709,405
Bank overdrafts	14,985	697,416
	$ 117,130,854	$ 97,309,239

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2023	**2022**
Government bonds	$ 16,415,766	$ 11,322,277
Financial debentures	1,493,320	8,752,284
Asset-backed securities	409,406	10,657,245
	$ 18,318,492	$ 30,731,806

25. PAYABLES

	December 31 2023	December 31 2022
Interest payable	$ 10,983,630	$ 6,405,434
Accrued expenses	10,475,775	9,637,585
Accounts payable	6,387,180	6,104,036
Payable on notes and bonds trade settle	1,856,690	2,225,148
Banker's acceptances	1,316,820	1,087,703
Receipts under custody	929,754	692,669
Others	9,766,079	8,245,113
	$ 41,715,928	$ 34,397,688

26. DEPOSITS AND REMITTANCES

	December 31 2023	December 31 2022
Checking deposits	$ 17,487,151	$ 17,098,557
Demand deposits	794,495,204	851,018,644
Demand savings deposits	1,417,582,060	1,331,212,632
Time deposits	874,530,259	646,620,918
Time savings deposits	432,986,511	392,058,316
Negotiable certificates of deposits	3,906,933	5,897,706
Outward remittances and remittances payable	2,569,694	2,255,074
	$ 3,543,557,812	$ 3,246,161,847

27. FINANCIAL DEBENTURES PAYABLE

	December 31 2023	December 31 2022
1st issue of subordinated financial debentures in 2013; fixed rate at 1.70%; maturity: April 2023	$ -	$ 9,900,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.50%; maturity: April 2024	2,400,000	2,400,000
6-month USD linked structured note; rate at 4.8%-5.6%; maturity: June 2023 (US$4,800 thousand)	-	147,398
	$ 27,100,000	$ 37,147,398

28. OTHER FINANCIAL LIABILITIES

	December 31 2023	December 31 2022
Principal of structured products	$ 64,668,563	$ 56,019,197

29. PROVISIONS

	December 31 2023	December 31 2022
Reserve for employee benefits		
Defined benefit plan	$ 1,843,617	$ 2,420,093
Retired employees' preferential interest rate deposits	1,045,707	941,750
Reserve for losses on guarantees	218,049	211,478
Reserve for finance commitments	342,686	233,293
Other operating reserve	372,599	134,156
Other reserve - letter of credit	4,572	1,890
	$ 3,827,230	$ 3,942,660

30. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Bank adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Bank makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts in the Bureau of Labor Insurance.

For the years ended December 31, 2023 and 2022, the Company recognized expenses of $539,237 thousand and $461,876 thousand in the consolidated statements of comprehensive income in accordance with the defined contribution plan, respectively.

b. Defined benefit plan

The defined benefit plan adopted by domestic branches of the Bank under the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contributes a fixed proportion of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Bank has no right to influence the investment policy and strategy.

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

	December 31	
	2023	**2022**
Present value of defined benefit obligation	$ 5,415,574	$ 5,435,881
Fair value of plan assets	(3,571,957)	(3,015,788)
Net defined benefit liabilities	$ 1,843,617	$ 2,420,093

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2022	$ 5,505,898	$ (2,907,122)	$ 2,598,776
Service cost			
Current service cost	147,407	-	147,407
Net interest expense (income)	36,022	(19,035)	16,987
Recognized in profit or loss	183,429	(19,035)	164,394
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(161,492)	(161,492)
Actuarial (gain) loss			
Changes in financial assumptions	(241,705)	-	(241,705)
Experience adjustments	461,416	-	461,416
Recognized in other comprehensive income	219,711	(161,492)	58,219
Contributions from the employer	-	(401,416)	(401,416)
Benefits paid	(473,277)	473,277	-
Effects of exchange rate change	120	-	120
Balance at December 31, 2022	5,435,881	(3,015,788)	2,420,093
Service cost			
Current service cost	225,514	-	225,514
Net interest expense (income)	65,829	(41,139)	24,690
Recognized in profit or loss	291,343	(41,139)	250,204
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(33,055)	(33,055)
Actuarial (gain) loss			
Changes in financial assumptions	27,390	-	27,390
Experience adjustments	108,064	-	108,064
Recognized in other comprehensive income	135,454	(33,055)	102,399
Contributions from the employer	-	(929,110)	(929,110)
Benefits paid	(447,135)	447,135	-
Effects of exchange rate change	31	-	31
Balance at December 31, 2023	$ 5,415,574	$ (3,571,957)	$ 1,843,617

Through the defined benefit plans under the Labor Standards Act, the Bank is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	**2022**
Discount rate(s)	1.18%	1.25%
Expected rate(s) of salary increase	2.00%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will have increased (decreased) as follows:

	December 31	
	2023	**2022**
Discount rate(s)		
0.25% increase	$ (97,392)	$ (103,207)
0.25% decrease	$ 97,392	$ 103,207
Expected rate(s) of salary increase		
0.50% increase	$ 194,783	$ 206,413
0.50% decrease	$ (183,962)	$ (195,550)

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

	December 31	
	2023	**2022**
Expected contributions to the plans for the next year	$ 360,000	$ 977,000
Average duration of the defined benefit obligation	7.6 years	7.8 years

c. Employee preferential interest rate deposit plan

The Bank's obligations on preferential interest rate deposits for current employees and those retired employees and current employees after retirement are in compliance with the Bank's internal rules. Under the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess of the interests incurred from post-employment preferential interest rate deposits over those inputted by the market rate should be applicable to the requirements for defined benefit plans in IAS 19 Employee Benefits since the employee's retirement and accrued by actuarial method.

The amounts included in the consolidated balance sheets arising from the Bank's obligation on the post-employment preferential interest rate deposits plan were as follows:

	December 31	
	2023	**2022**
Present value of defined benefit obligation	$ 1,045,707	$ 941,750
Fair value of plan assets	-	-
Net defined benefit liabilities	$ 1,045,707	$ 941,750

The changes in present value of obligations on the post-employment preferential interest rate deposits were as follows:

	Present Value of the Defined Benefit Obligation
Balance at January 1, 2022	$ 673,225
Net interest expense (income)	24,983
Recognized in profit or loss	24,983
Remeasurement	
Experience adjustments	137,279
Changes in financial assumptions	222,573
Recognized in other comprehensive income	359,852
Benefits paid	(116,310)
Balance at December 31, 2022	941,750
Net interest expense (income)	34,667
Recognized in profit or loss	34,667
Remeasurement	
Experience adjustments	171,258
Changes in financial assumptions	46,419
Recognized in other comprehensive income	217,677
Benefits paid	(148,387)
Balance at December 31, 2023	$ 1,045,707

Under Order No. 10110000850 issued by the FSC, effective March 15, 2012, the actuarial assumptions for the employee benefits expense of the post-employment preferential interest rate deposit were as follows:

	December 31	
	2023	**2022**
Discount rate(s)	4.00%	4.00%
Return on deposits	2.00%	2.00%
Withdrawal rate of post-employment preferential rate deposits	1.00%	1.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of obligations on the post-employment preferential interest rate deposits will increase (decrease) as follows:

	December 31	
	2023	**2022**
Discount rate(s)		
0.5% increase	$ (52,285)	$ (47,088)
0.5% decrease	$ 57,514	$ 51,796
Mortality rate(s)		
Adjusted to 105%	$ (9,411)	$ (8,476)
Adjusted to 95%	$ 9,411	$ 8,476
Excess interest rate of employee preferential interest rate deposits		
0.5% increase	$ 201,821	$ 190,234
0.5% decrease	$ (201,821)	$ (190,234)

The sensitivity analysis presented above shows the effect on the present value of obligations on the post-employment preferential interest rate deposits of a change in single assumption while all other assumptions remain unchanged. The sensitivity analysis presented above might not be representative of the actual change in the present value of obligations on the post-employment because it was unlikely that the change in assumptions would occur independently of each other because some of the assumptions might be correlated.

	December 31	
	2023	**2022**
Expected contributions to the plans for the next year	$ 167,499	$ 150,148
Average duration of the defined benefit obligation	10.8 years	10.9 years

31. OTHER LIABILITIES

	December 31	
	2023	**2022**
Guarantee deposits received	$ 7,885,919	$ 8,487,786
Temporary receipts and suspense accounts	2,454,512	2,563,454
Contract liabilities	1,621,833	1,619,078
Advance receipts	219,761	278,382
Others	995	541
	$ 12,183,020	$ 12,949,241

32. EQUITY

a. Capital stock

Common stock

	December 31	
	2023	2022
Number of authorized shares (in thousands)	10,859,866	10,859,866
Amount of authorized shares	$ 108,598,655	$ 108,598,655
Number of shares issued and fully paid (in thousands)	10,859,866	10,859,866
Amount of shares issued	$ 108,598,655	$ 108,598,655

On May 4, 2022, the Bank's board of directors resolved on behalf of the shareholders to transfer the retained earnings of $1,612,825 thousand in the form of dividends to increase capital and issued 161,283 thousand new shares for total authorized capital of $108,598,655 thousand. The capital increase was approved by the FSC on June 21, 2022 and the recapitalization record date was June 29, 2022.

b. Capital surplus

	December 31	
	2023	2022
Capital surplus from the merger	$ 10,949,303	$ 10,949,303
Additional paid-in capital	27,648,873	27,648,873
Others	270,904	260,485
	$ 38,869,080	$ 38,858,661

c. Legal reserve

According to the Banking Act, the Bank shall set aside 30% of its after-tax earnings as a legal reserve at the time of distributing its earnings for each fiscal year. According to the Company Act, retained earnings are appropriated to legal reserve until the amount of legal reserve equals the Bank's paid-in capital. The legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of its paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, based on the Banking Act, if the legal reserve is less than the Bank's paid-in capital, the amount that may be distributed in cash should not exceed 15% of the Bank's paid-in-capital. In the event that the accumulated legal reserve equals or exceeds the Bank's paid-in capital or the Bank is sound in both its finance and business operations and had already set aside a legal reserve in compliance with the Banking Act, the restrictions stipulated above shall not apply.

d. Special reserve

	December 31	
	2023	2022
The debit balance of other equity	$ 14,574,995	$ -
Investment properties at fair value	1,698,493	1,518,983
Financial technology development employee transfer and placement expenditure	287,673	287,673
Trading loss reserve transfer	268,791	268,791
Changes recognized under the equity method	2,218	2,218
	$ 16,832,170	$ 2,077,665

According to Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards," the Bank should appropriate to or reverse from its special reserve certain specified amounts. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses, and thereafter distributed.

According to Rule No. 10901500221 issued by the FSC, on the first-time adoption of the fair value model for investment properties, the Bank should appropriate as special reserve an amount equivalent to the amount of the net increase in fair value transferred to retained earnings. In the subsequent fair value measurement of investment properties, the incremental fair value of investment properties is recognized in profit or loss and the same amount is appropriated from retained earnings to the special reserve. For any subsequent reversal of accumulated incremental fair value of investment properties upon disposal of investment properties, the reversed amount can be distributed accordingly.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate between 0.5% and 1% of net income after tax to the special reserve during the appropriation of earnings from 2016 through 2018. Since 2017, the Company is allowed to reverse special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology.
According to Rule issued by the FSC, the Bank transferred the trading loss reserve as of December 31, 2010 to the special reserve and the special reserve may not be used unless it reaches the matters specified by the authority to reversal.

e. Retained earnings and dividends policy

According to the Bank's Articles of Incorporation, if the Bank made a profit in a fiscal year, the profit shall be first utilized for paying taxes and offsetting deficits of prior years, if any. If the legal reserve is less than the paid-in capital, profit shall be appropriated to legal reserve and special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing a plan for the distribution of dividends and bonuses to shareholders, which should be resolved by the shareholders.

In consideration of the competitive environment, business growth, and capital adequacy, the Bank adopts a residual dividend policy. According to the Bank's business plan, except for a necessary amount of earnings to be reserved for dividend distribution, the remainder shall be distributed as cash dividends in principle. However, the maximum cash dividend may not exceed the regulatory limit.

The appropriations of earnings for 2022 and 2021 which were approved by the Bank's board of directors on behalf of the shareholders in accordance with the Company Act on April 27, 2023 and May 4, 2022, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2022	2021	2022	2021
Legal reserve	$ 7,215,440	$ 7,566,262		
Special reserve	14,783,830	-		
Cash dividends	2,055,588	16,047,875	$ 0.19	$ 1.50
Stock dividends	-	1,612,825	-	0.15

The appropriation of earnings for 2023 had been proposed by the Bank's board of directors on March 5, 2024; the amounts were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 8,347,090	
Special reserve	(8,327,738)	
Cash dividends	16,289,798	$ 1.50
Stock dividends	11,514,483	1.06

The appropriation of earnings for 2023 is subject to the resolution of the shareholders in the shareholder's meeting.

f. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at the beginning of the period	$ (1,291,970)	$ (2,766,438)
Exchange differences generated from translating the net assets of foreign operations	(285,612)	1,843,083
Tax effect	57,122	(368,615)
Other comprehensive (loss) income	(228,490)	1,474,468
Balance at the end of the period	$ (1,520,460)	$ (1,291,970)

2) Unrealized gains (losses) on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance at the beginning of the period	$ (12,153,457)	$ 7,527,083
Recognized for the period		
Unrealized gains (losses)		
Debt instruments	3,636,792	(19,804,889)
Equity instruments	991,102	(4,133,074)
Net remeasurement of loss allowance	(42,859)	50,354
Share from subsidiaries and associates accounted for using equity method	129,740	(178,081)

(Continued)

	For the Year Ended December 31	
	2023	2022
Reclassification adjustments		
Disposal of investment in debt instruments	$ 4,049,726	$ 1,937,151
Tax effect	(440,148)	883,337
Other comprehensive income (loss)	8,324,353	(21,245,202)
Accumulated unrealized gains on equity instruments transferred to retained earnings due to disposal	981,851	1,564,662
Balance at the end of the period	$ (2,847,253)	$ (12,153,457)

(Concluded)

3) Changes in the fair value of financial liabilities attributable to changes in the credit risk of financial liabilities designated as at FVTPL

	For the Year Ended December 31	
	2023	2022
Balance at the beginning of the period	$ (428,795)	$ (889,397)
Changes in fair value attributed to changes in credit risk	(506,248)	575,753
Tax effect	101,250	(115,151)
Other comprehensive (loss) income	(404,998)	460,602
Balance at the end of the period	$ (833,793)	$ (428,795)

4) Remeasurement of the defined benefit plans

	For the Year Ended December 31	
	2023	2022
Balance at the beginning of the period	$ (2,312,872)	$ (1,980,688)
Remeasurement	(320,076)	(418,071)
Share from associates accounted for using equity method	1,896	2,273
Tax effect	64,015	83,614
Other comprehensive loss	(254,165)	(332,184)
Balance at the end of the period	$ (2,567,037)	$ (2,312,872)

5) Gain on property revaluation

	For the Year Ended December 31	
	2023	2022
Balance at the beginning of the period	$ 1,612,099	$ 285,008
Gain on property revaluation	-	1,322,404
Tax effect	-	(10,677)
Other comprehensive income	-	1,311,727
Transferred to retained earnings	-	15,364
Balance at the end of the period	$ 1,612,099	$ 1,612,099

g. Non-controlling interests

	For the Year Ended December 31	
	2023	2022
Balance at the beginning of the period	$ 3,989,858	$ 4,376,091
Net income attributable to non-controlling interests	161,307	121,508
Exchange differences on translating the financial statements of foreign operations	89	382,281
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	253,579	(472,016)
Change in non-controlling interests	(470,401)	(418,006)
Balance at the end of the period	$ 3,934,432	$ 3,989,858

33. NET INTEREST REVENUE

	For the Year Ended December 31	
	2023	2022
Interest income		
Discounts and loans	$ 70,411,258	$ 49,534,577
Investment securities	18,379,584	11,709,986
Due from banks and call loans to banks	16,201,851	5,683,967
Revolving credit	2,678,156	2,448,538
Others	1,803,224	796,610
	109,474,073	70,173,678
Interest expense		
Deposits	47,296,704	17,332,117
Structured products	3,480,267	1,058,461
Due to the Central Bank and other banks	4,288,462	1,449,375
Notes and bonds issued under repurchase agreements	1,573,209	651,068
Financial debentures	547,839	748,297
Interest on lease liabilities	37,132	38,068
Others	507,170	191,802
	57,730,783	21,469,188
	$ 51,743,290	$ 48,704,490

34. NET SERVICE FEE REVENUE

	For the Year Ended December 31	
	2023	2022
Service fee income		
Credit card business	$ 13,076,104	$ 9,751,259
Trust business	5,207,243	4,257,904
Loan business	1,092,226	1,006,199
Cross-selling marketing	6,223,767	6,417,276
Others	3,055,684	3,207,372
	28,655,024	24,640,010

(Continued)

	For the Year Ended December 31	
	2023	2022
Service fee expenses		
Credit card business	$ 6,294,499	$ 4,780,451
Others	1,516,800	1,614,044
	7,811,299	6,394,495
	$ 20,843,725	$ 18,245,515

(Concluded)

The Bank also engaged in the business of online payment services. For the years ended December 31, 2023 and 2022, service fee revenue was $589 thousand and $866 thousand, respectively, and the revenue and other income resulting from the funds collected were both zero.

35. GAIN (LOSS) ON FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2023	2022
Stock	$ 67,851	$ (174,831)
Short-term bills	1,838,223	815,497
Fund beneficiary certificates	(23,707)	(29,687)
Investments in debt instruments	5,044,315	4,137,172
Derivative financial instruments	7,397,866	456,614
	$ 14,324,548	$ 5,204,765
Realized gain (loss)		
Gain on disposal	$ 8,881,712	$ 6,028,441
Interest income	5,487,455	2,163,886
Dividend income	49,169	37,692
Interest expense	(1,458,904)	(1,401,995)
Unrealized gain (loss)		
Valuation gain (loss)	1,365,116	(1,623,259)
	$ 14,324,548	$ 5,204,765

36. REALIZED GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2023	2022
Net loss on disposal - debt instruments	$ (4,049,726)	$ (1,937,151)
Dividend income	1,582,814	1,452,773
	$ (2,466,912)	$ (484,378)

37. IMPAIRMENT LOSS ON ASSETS

	For the Year Ended December 31	
	2023	2022
Debt instruments at FVTOCI	$ (118,778)	$ (77,567)
Debt instruments at amortised cost	(8,897)	(12,635)
	$ (127,675)	$ (90,202)

38. BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION

	For the Year Ended December 31	
	2023	2022
Discounts and loans	$ 4,243,875	$ 5,447,099
Receivables	470,945	36,234
Guarantee liability provisions	10,681	(2,067)
Financial commitment provisions	115,185	13,105
Others	236,276	29,623
	$ 5,076,962	$ 5,523,994

39. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2023	2022
Salaries	$ 19,260,014	$ 17,096,006
Insurance	1,368,460	1,239,491
Post-employment benefits	839,423	666,319
Remuneration of directors	8,885	9,420
Others	489,699	293,350
	$ 21,966,481	$ 19,304,586

For the years ended December 31, 2023 and 2022, the average number of the Company’s employees was 12,842 and 12,315, including 19 and 21 non-executive directors, respectively.

As of December 31, 2023 and 2022, the number of employees of the Company was 13,093 and 12,500, respectively.

Under the Articles of Incorporation of the Bank, the Bank accrued compensation of employees and remuneration of directors at the rates of 0.05% and no higher than 0.1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors (after offsetting accumulated deficits).

Compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022, which have been approved by the Bank's board of directors on March 5, 2024 and March 9, 2023, respectively, were as follows:

	For the Year Ended December 31	
	2023	2022
Compensation of employees	$ 17,839	$ 15,400
Remuneration of directors	$ 5,400	$ 5,400

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021, respectively.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2023	2022
Depreciation expense		
Property and equipment	$ 1,491,185	$ 1,449,227
Right-of-use assets	1,694,263	1,611,935
Amortization expense		
Intangible assets	649,079	574,188
	$ 3,834,527	$ 3,635,350

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2023	2022
Product promotion expenses	$ 7,397,243	$ 4,742,318
Tax expenses	3,816,112	3,092,973
Insurance expenses	1,004,105	919,241
Rental expenses	851,523	815,736
Others	6,881,684	5,796,930
	$ 19,950,667	$ 15,367,198

42. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	$ 6,788,063	$ 5,046,456
Adjustments for prior year	28,770	2,456
Deferred tax		
In respect of the current year	33,167	141,088
Income tax of overseas subsidiaries	252,387	108,617
Income tax expense recognized in profit or loss	$ 7,102,387	$ 5,298,617

Reconciliations of accounting profit and income tax expense were as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	$ 36,069,193	$ 31,010,320
Income tax expense calculated at the statutory rate	$ 7,213,839	$ 6,202,064
Nondeductible expenses in determining taxable income/ tax-exempt income	(826,078)	(1,245,626)
Unrecognized deductible temporary differences	157,386	242,172
Income tax of overseas branches	276,083	(11,066)
Adjustments for prior years' tax	28,770	2,456
Income tax of overseas subsidiaries	252,387	108,617
Income tax expense recognized in profit or loss	$ 7,102,387	$ 5,298,617

According to the Ministry of Finance's Taiwan Finance Tax No. 910458039, "The joint declaration of business income tax by profit-seeking enterprises in accordance with Article 49 of the Financial Holding Company Act and Article 40 of the Business Mergers and Acquisitions Act" released on February 12, 2003, where a Financial Holding Company holds more than or equal to 90% of the outstanding issued shares of a domestic subsidiary, and the period of shareholdings in the subsidiary has reached 12 months of the tax year, the Financial Holding Company may elect to be the taxpayer and jointly declare profit-seeking enterprise tax. The Bank elected to jointly declare the profit-seeking enterprise income tax since 2003 and the undistributed retained earnings since 2002 with its parent company Cathay Financial Holding Co., Ltd. and its subsidiaries. Additional tax payable or receivable due to the joint declaration of income tax is recognized under the receivables (payables) for allocation of integrated income tax systems account.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2023	2022
Current tax		
Derecognition of equity instruments at FVTOCI	$ (92,229)	$ (50,080)
Deferred tax		
Derecognition of equity instruments at FVTOCI	92,229	50,080
Total income tax recognized directly in equity	$ -	$ -

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
Recognized in other comprehensive income		
Remeasurement of defined benefit plans	$ (64,015)	$ (83,614)
Gain on property revaluation	-	10,677
Changes in the fair value of financial liabilities attributable to changes in the credit risk	(101,250)	115,151
Exchange differences on translating the financial statements of foreign operations	(57,122)	368,615
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	440,148	(883,337)
Total income tax expense (benefit) recognized in other comprehensive income	$ 217,761	$ (472,508)

d. Deferred tax assets and liabilities

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Ending Balance
Temporary differences					
Allowance for doubtful account	$ 2,431,785	$ 266,146	$ -	$ -	$ 2,697,931
Financial assets at FVTPL	(15,888)	7,239	101,250	-	92,601
Investment property	(73,412)	(32,800)	-	-	(106,212)
Equity instruments at FVTOCI	(503,584)	-	36,106	(92,229)	(559,707)
Debt instruments at FVTOCI	637,347	-	(476,254)	-	161,093
Impairment of property and equipment	129,773	(2,128)	-	-	127,645
Investments measured by equity method	(541,131)	(99,529)	-	-	(640,660)
Fair value adjustments arising from business combinations	(900,868)	(46,712)	-	-	(947,580)
Reserve for land value increment tax	(262,340)	(16,749)	-	-	(279,089)
Defined benefit plans	483,995	(135,752)	20,480	-	368,723
Retired employees' preferential interest rate deposits	188,350	(22,744)	43,535	-	209,141
Income tax resulting from translating the financial statements of foreign operations	322,994	-	57,122	-	380,116
Deferred income of customer loyalty programs	323,815	551	-	-	324,366
Other	41,293	49,311	-	-	90,604
Deferred tax expense/(income)		$ (33,167)	$ (217,761)	$ (92,229)	
Net deferred tax assets/(liabilities)	$ 2,262,129				$ 1,918,972
Net deferred tax assets/(liabilities) of overseas branches	$ 16,236				$ 31,948
Net deferred tax assets/(liabilities) of overseas subsidiaries	$ 226,877				$ 34,044
Reflected in balance sheets as follows:					
Deferred tax assets	$ 4,139,231				$ 4,195,335
Deferred tax liabilities	$ (1,633,989)				$ (2,210,371)

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Ending Balance
Temporary differences					
Allowance for doubtful account	$ 2,118,355	$ 313,430	$ -	$ -	$ 2,431,785
Financial assets at FVTPL	246,221	(146,958)	(115,151)	-	(15,888)
Investment property	(89,013)	26,278	(10,677)	-	(73,412)
Equity instruments at FVTOCI	(599,241)	-	145,737	(50,080)	(503,584)
Debt instruments at FVTOCI	(100,253)	-	737,600	-	637,347
Impairment of property and equipment	148,216	(18,443)	-	-	129,773
Investments measured by equity method	(352,071)	(189,060)	-	-	(541,131)
Fair value adjustments arising from business combinations	(854,156)	(46,712)	-	-	(900,868)
Reserve for land value increment tax	(216,149)	(46,191)	-	-	(262,340)
Defined benefit plans	519,756	(47,405)	11,644	-	483,995
Retired employees' preferential interest rate deposits	134,645	(18,265)	71,970	-	188,350
Income tax resulting from translating the financial statements of foreign operations	691,609	-	(368,615)	-	322,994
Deferred income of customer loyalty programs	291,577	32,238	-	-	323,815
Other	41,293	-	-	-	41,293
Deferred tax expense/(income)		$ (141,088)	$ 472,508	$ (50,080)	
Net deferred tax assets/(liabilities)	$ 1,980,789				$ 2,262,129
Net deferred tax assets/(liabilities) of overseas branches	$ 77,465				$ 16,236
Net deferred tax assets/(liabilities) of overseas subsidiaries	$ (318,102)				$ 226,877
Reflected in balance sheets as follows:					
Deferred tax assets	$ 4,612,273				$ 4,139,231
Deferred tax liabilities	$ (2,872,121)				$ (1,633,989)

e. As of December 31, 2023 and 2022, the deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets were $1,476,215 thousand and $978,535 thousand, respectively.

f. Income tax assessments

The Bank's income tax returns through 2017 have been assessed by the tax authority; however, the Bank was dissatisfied and invoked the administrative remedy for fiscal years from 2015 to 2017. The Bank assessed relevant income tax based on prudence principle.

g. Pillar Two income tax legislation

In November 2023, the government of Vietnam, where the Ho Chi Minh City branch of the Bank and the Indovina Bank, the subsidiary of the Bank, are incorporated, enacted the Pillar Two income tax legislation effective January 1, 2024. Since the Pillar Two income tax legislation was not effective at the reporting date, the Company has no related current tax exposure.

In accordance with Article 49 of the Financial Holding Company Act, the Company elects its parent company, Cathay Financial Holding, as the taxpayer, to jointly declare and report profit-seeking enterprise income tax and the tax surcharge on surplus retained earnings of a profit-seeking enterprise with parent company's subsidiaries, which have existed for the entire 12 months of the tax year in compliance with the relevant provisions of the Income Tax Act.

43. EARNINGS PER SHARE

The numerator and denominator used in calculating earnings per share were adjusted retroactively as follows:

Unit: Dollar Per Share

	For the Year Ended December 31	
	2023	**2022**
Basic earnings per share	$ 2.65	$ 2.36

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were retrospectively adjusted as follows:

Net income

	For the Year Ended December 31	
	2023	**2022**
Net income for calculating basic earnings per share	$ 28,805,499	$ 25,590,195

Number of shares

Unit: In Thousands

	For the Year Ended December 31	
	2023	**2022**
Weighted average number of ordinary shares used for calculating basic earnings per share	10,859,866	10,859,866

44. RELATED-PARTY TRANSACTIONS

Transactions between the Company and its related parties are summarized as follows:

a. Related parties and relationships

Related Party	Relationship with the Company
Cathay Financial Holding Co., Ltd.	Parent company
Taiwan Real-estate Management Corp.	Associate
Taiwan Finance Corp.	Associate
Cathay Life Insurance Co., Ltd.	Other related party
Cathay Century Insurance Co., Ltd.	Other related party
Cathay Securities Co., Ltd.	Other related party
Cathay Venture Inc.	Other related party
Cathay Securities Investment Trust Co., Ltd.	Other related party
Cathay Securities Investment Consulting Co., Ltd.	Other related party
Cathay Futures Co., Ltd.	Other related party
Cathay Life Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Insurance (Vietnam) Co., Ltd.	Other related party

(Continued)

Related Party	Relationship with the Company
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Cultural Foundation	Other related party
Cathay United Bank Employees’ Welfare Committee	Other related party
Cathay Life Insurance Employees’ Welfare Committee	Other related party
Cathay Real Estate Development Employees’ Welfare Committee	Other related party
Vietinbank	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Lin Yuan Property Management Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Sino Greenergy Group	Other related party
TaiYang Solar Power Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Other related party
Cathay Industrial Research and Design Center Co., Ltd.	Other related party
Sanchong Realty Co., Ltd.	Other related party
Cathay Real Estate Management Co., Ltd.	Other related party
TPIsoftware Corporation	Other related party
An Feng Enterprise Co., Ltd.	Other related party
Daiwa-Cathay Capital Markets Co., Ltd.	Other related party
EasyCard Corporation	Other related party
PSS Co., Ltd.	Other related party
Zhulun Realty Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Srisawad Corporation Public Company Limited	Other related party
Quantifeed Holdings Limited	Other related party
Taiwan Asset Management Corporation	Other related party
HanTech Venture Capital Corporation	Other related party
Taipei Forex Inc.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Financial Information Service Co., Ltd.	Other related party
Hongtaiyi Energy Co., Ltd.	Other related party (Note 1)
Kee Fresh & Safe Foodtech Co., Ltd.	Other related party
Witraise Industrial Technologies, Inc.	Other related party (Note 1)
Private Equity Funds managed by Cathay Private Equity	Other related party
Directors, supervisors, managers, and their relatives and affiliates	Other related party (Note 2)

(Concluded)

Note 1: Starting from the third quarter of the year 2023, it has been newly categorized as a related party.

Note 2: The Bank established audit committee on June 30, 2022. Therefore, supervisors have not been related parties since then.

b. Significant transactions between the Company and related parties

1) Loans and deposits

Loans and interest revenue

December 31, 2023

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction with Those for Unrelated Parties	Bad Debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	26	$ 93,626	$ 15,318	V	$ -	None	None	$ (20)	$ 664
Self-used housing mortgage loans	271	3,130,261	2,728,107	V	-	Real estate, stocks and certificates of deposits	None	2,796	34,468
Others	Taiwan Real-estate Management Corp.	33,000	31,000	V	-	Real estate	None	(20)	310
Others	Sino Greenergy Group	67,919	60,372	V	-	Property	None	(75)	604
Others	TaiYang Solar Power Co., Ltd.	54,647	49,320	V	-	Property	None	(53)	493
Others	Cathay Real Estate Development Co., Ltd.	2,420,000	800,000	V	-	Real estate	None	18,000	24,200
Others	Hongtaiyi Energy Co., Ltd.	95,216	84,637	V	-	Property	None	(106)	846
Others	Kee Fresh & Safe Foodtech Co., Ltd.	20,000	-	V	-	None	None	-	-
Others	Witraise Industrial Technologies, Inc.	68,576	60,956	V	-	Property	None	(76)	610

December 31, 2022

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction with Those for Unrelated Parties	Bad Debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	29	$ 259,204	$ 11,735	V	$ -	None	None	$ (233)	$ 184
Self-used housing mortgage loans	262	2,986,723	2,644,407	V	-	Real estate, stocks and certificates of deposits	None	6,687	33,375
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	-	330
Others	Sino Greenergy Group	75,465	67,919	V	-	Property	None	(76)	679
Others	TaiYang Solar Power Co., Ltd.	59,939	54,647	V	-	Property	None	(53)	546
Others	Cathay Real Estate Development Co., Ltd.	2,420,000	620,000	V	-	Real estate	None	6,200	6,200
Others	Daiwa-Cathay Capital Markets Co., Ltd.	3,600	-	V	-	None	None	-	-

Related Parties	Interest Revenue For the Year Ended December 31 2023	2022
Associate		
Taiwan Real-estate Management Corp.	$ 776	$ 635
Other related parties		
Sino Greenergy Group	1,826	1,648
TaiYang Solar Power Co., Ltd.	1,425	1,318
Cathay Real Estate Development Co., Ltd.	19,737	11,113
Hongtaiyi Energy Co., Ltd.	2,560	-
Kee Fresh & Safe Foodtech Co., Ltd.	92	-
Witraise Industrial Technologies, Inc.	1,844	-
Others	54,411	40,123
	81,895	54,202
	$ 82,671	$ 54,837

Deposits and interest expense

Related Parties	For the Year Ended December 31 2023 Ending Balance	2023 Interest Expense	2022 Ending Balance	2022 Interest Expense
Parent company				
Cathay Financial Holding Co., Ltd.	$ 81,256	$ 3,950	$ 438,003	$ 4,388
Associate				
Other	13,548	62	13,424	23
Other related parties				
Cathay Life Insurance Co., Ltd.	33,200,245	380,888	44,848,736	135,469
Cathay Century Insurance Co., Ltd.	2,525,605	20,586	3,790,370	7,074
Cathay Securities Co., Ltd.	2,776,622	29,325	3,365,442	8,703
Cathay Venture Inc.	209,748	254	410,300	122
Cathay Futures Co., Ltd.	965,712	54,667	1,722,934	15,206
Cathay Real Estate Management Co., Ltd.	155,810	1,407	110,936	815
Cathay Securities Investment Trust Co., Ltd.	212,960	715	216,349	239
Cathay Securities Investment Consulting Co., Ltd.	616,660	7,727	621,212	1,369
Cathay Real Estate Development Co., Ltd.	341,027	2,089	429,818	289
Cathay Medical Care Corp.	326,077	2,500	522,260	570
Cathay Hospitality Management Co., Ltd.	142,382	901	263,959	260
Cathay Life Insurance (Vietnam) Co., Ltd.	2,640,257	212,391	3,234,204	148,787
Cathay Insurance (Vietnam) Co., Ltd.	272,326	17,373	272,684	13,676
Symphox Information Co., Ltd.	83,270	605	220,167	217
Cathay United Bank Foundation	563,916	7,851	556,325	5,623
Cathay Charity Foundation	312,693	4,389	311,735	2,862
Cathay Cultural Foundation	227,113	3,195	210,841	2,245
Cathay United Bank Employees' Welfare Committee	837,374	32,446	761,220	30,417
Cathay Life Insurance Employees' Welfare Committee	2,201,734	34,545	2,301,702	24,533
Cathay Real Estate Development Employees' Welfare Committee	472,994	7,241	467,213	5,215
Lin Yuan Property Management Co., Ltd.	305,118	2,399	247,327	1,606
Bannan Realty Co., Ltd.	332,397	1,734	544,195	532
Yua-Yung Marketing (Taiwan) Co., Ltd.	199,817	856	168,200	238
Cathay Industrial Research and Design Center Co., Ltd.	1,507,881	5,407	514,600	838
Sanchong Realty Co., Ltd.	75,820	560	479,732	594
Cathay Hospitality Consulting Co., Ltd.	187,679	1,241	410,749	230
Zhulun Realty Co., Ltd.	214,504	1,063	-	-
EasyCard Corporation	123,746	1,476	101,163	474
Private Equity Funds managed by Cathay Private Equity	665,735	1,710	551,457	683
Cathay Healthcare Management Co., Ltd.	114,136	487	53,942	105
PSS Co., Ltd.	157,891	464	67,840	104
Lin Yuan (Shanghai) Real Estate Co., Ltd.	1,929,924	18,900	1,626,645	40,546
Others	9,068,805	117,731	8,913,867	70,051
	63,967,978	975,123	78,318,124	519,692
	$ 64,062,782	$ 979,135	$ 78,769,551	$ 524,103

Ending balance of due from/to commercial banks and interest income (expense)

Accounts/Related Parties	For the Year Ended December 31			
	2023		2022	
	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
Due from commercial banks				
Other related party				
Vietinbank	$ 27,974	$ 72	$ 169,946	$ 139
Due to commercial banks				
Other related party				
Vietinbank	27,223	(30,645)	1,296,629	(4,111)

Transactions terms with related parties are similar to those with third parties, except for the preferential interest rates set by the employees' interest rates on deposits and loans within prescribed limits.

2) Investments in marketable securities (recorded as financial assets at FVTOCI)

Accounts/Related Parties	For the Year Ended December 31			
	2023		2022	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Bond investment				
Other related party				
Vietinbank	$ -	$ 11,222	$ 386,264	$ 24,266

Accounts/Related Parties	December 31	
	2023	2022
Stock investment		
Other related parties		
Srisawad Corporation Public Company Limited	$ 2,312,077	$ 2,793,164
Quantifeed Holdings Limited	63,062	62,162
Taiwan Asset Management Corporation	984,621	1,021,279
HanTech Venture Capital Corporation	71,983	72,622
Taipei Forex Inc.	57,197	58,603
Financial Information Service Co., Ltd.	758,469	577,792
CDIB & PARTNERS Investment Holding Corporation	822,480	694,781
An Feng Enterprise Co., Ltd.	16,536	14,463
EasyCard Corporation	123,697	14,940

3) Guarantees

December 31, 2023

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collateral
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	$ 49,443	$ 38,892	$ 3	0.65%-0.8%	Demand deposits

December 31, 2022

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collateral
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	$ 63,513	$ 49,443	$ 6	0.65%-0.8%	Demand deposits

4) Derivatives

December 31, 2023

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	Currency swap contracts (USD)	2023.03.16-2024.03.25	$ 42,721,650	$ 1,237,609	Valuation adjustment for FVTPL financial assets	$ 1,237,609
					Valuation adjustment for FVTPL financial liabilities	-
Cathay Century Insurance Co., Ltd.	Currency swap contracts (USD)	2023.01.11-2024.12.23	2,716,974	(12,383)	Valuation adjustment for FVTPL financial assets	21,541
					Valuation adjustment for FVTPL financial liabilities	(33,924)

December 31, 2022

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	Currency swap contracts (USD)	2022.04.08-2023.12.21	$ 133,272,720	$ 3,066,201	Valuation adjustment for FVTPL financial assets	$ 3,095,742
					Valuation adjustment for FVTPL financial liabilities	(29,541)
	Cross-currency swap contracts (USD)	2021.04.29-2023.05.04	1,535,400	(13,862)	Valuation adjustment for FVTPL financial assets	126,487
					Valuation adjustment for FVTPL financial liabilities	(142,400)
Cathay Century Insurance Co., Ltd.	Currency swap contracts (USD)	2022.01.11-2023.12.21	2,791,357	52,130	Valuation adjustment for FVTPL financial assets	78,977
					Valuation adjustment for FVTPL financial liabilities	(26,847)
	Currency swap contracts (EUR)	2022.02.22-2023.06.06	57,251	2,061	Valuation adjustment for FVTPL financial assets	2,061
					Valuation adjustment for FVTPL financial liabilities	-

The realized profit that resulted from the derivative financial instruments transactions with related parties was as follows:

Item/Related Parties	For the Year Ended December 31	
	2023	2022
Gain on financial assets or liabilities at fair value through profit or loss		
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 4,116,740	$ 356,622
Cathay Century Insurance Co., Ltd.	89,286	12,767
Taiwan Finance Corp.	521	420
	$ 4,206,547	$ 369,809

5) Lease agreement - the Company as lessee

Related Parties	Acquisition of Right-of-use Assets For the Year Ended December 31	
	2023	2022
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 44,529	$ 690,622
Cathay Real Estate Development Co., Ltd.	-	29,491

The lease period and the method of rent payment are in accordance with the contract provisions, the general lease terms are two to five years and the payments are mainly made on a monthly basis.

Related Parties	Lease Liabilities December 31 2023	2022
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 377,428	$ 1,074,210
Cathay Real Estate Development Co., Ltd.	14,034	23,799

Related Parties	Interest Expense For the Year Ended December 31 2023	2022
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 3,262	$ 6,808
Cathay Real Estate Development Co., Ltd.	67	58

Related Parties	Rental Expense For the Year Ended December 31 2023	2022	Payment Term
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 5,334	$ -	Monthly
Cathay Real Estate Development Co., Ltd.	9,190	9,190	Monthly

Related Parties	Refundable Deposits December 31 2023	2022
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 196,542	$ 191,579
Cathay Real Estate Development Co., Ltd.	4,482	4,482

6) Lease agreement - the Company as lessor

Related Parties	Rental Income For the Year Ended December 31 2023	2022	Receive Term
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 30,768	$ 31,916	Monthly
Cathay Century Insurance Co., Ltd.	8,102	8,743	Monthly
Cathay Securities Co., Ltd.	9,322	9,361	Monthly

Related Parties	Guarantee Deposits Received December 31 2023	2022
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 7,283	$ 7,694
Cathay Century Insurance Co., Ltd.	2,003	1,994
Cathay Securities Co., Ltd.	1,816	2,662

The lease period and the method of rent collection are in accordance with the contract provisions, the general lease terms are one to three years and the payments are mainly made on a monthly basis.

7) Others

Item/Related Parties	For the Year Ended December 31 2023	2022
Service fee income		
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 6,917,152	$ 6,848,712
Cathay Century Insurance Co., Ltd.	265,854	220,554
Cathay Securities Co., Ltd.	171,693	211,477
Cathay Securities Investment Trust Co., Ltd.	93,033	61,825
Cathay Securities Investment Consulting Co., Ltd.	40,402	38,288
Cathay Real Estate Development Co., Ltd.	6,520	7,403
Securities underwriting income		
Parent company		
Cathay Financial Holding Co., Ltd.	5,300	-
Other related party		
Cathay Life Insurance Co., Ltd.	11,656	-
Interest income from refundable deposit		
Other related party		
Cathay Futures Co., Ltd.	5,096	1,926
Miscellaneous income		
Parent company		
Cathay Financial Holding Co., Ltd.	11,091	7,132
Other related parties		
Cathay Life Insurance Co., Ltd.	13,802	10,063
Cathay Century Insurance Co., Ltd.	5,293	2,483
Service fee expenses		
Other related parties		
Cathay Securities Co., Ltd.	2,098	3,309
Cathay Futures Co., Ltd.	4,793	5,197
Other operating expenses		
Parent company		
Cathay Financial Holding Co., Ltd.	3,798	-
Other related parties		
Cathay Life Insurance Co., Ltd.	199,645	218,851
Cathay Securities Investment Trust Co., Ltd.	7,200	5,400
Cathay Real Estate Development Co., Ltd.	5,436	4,788
Symphox Information Co., Ltd.	833,859	521,346
Lin Yuan Property Management Co., Ltd.	104,303	58,907
Cathay Healthcare Management Co., Ltd.	20,416	10,983

(Continued)

Item/Related Parties	For the Year Ended December 31 2023	2022
Seaward Card Co., Ltd.	$ 292,456	$ 228,703
An Feng Enterprise Co., Ltd.	172,786	194,897
TPIsoftware Corporation	56,576	54,024
EasyCard Corporation	5,250	5,250
Insurance expenses paid		
Other related parties		
Cathay Life Insurance Co., Ltd.	134,354	141,978
Cathay Century Insurance Co., Ltd.	166,936	169,888

(Concluded)

Item/Related Parties	December 31 2023	2022
Receivables		
Other related party		
Cathay Securities Investment Trust Co., Ltd.	$ 8,501	$ 4,921
Related party receivables for commission of collecting insurances		
Other related party		
Cathay Life Insurance Co., Ltd.	249,593	303,859
Refundable deposit		
Other related party		
Cathay Futures Co., Ltd.	1,179,579	1,496,350
Accrued expenses		
Other related party		
Seaward Card Co., Ltd.	37,950	13,970
Accounts payable		
Parent company		
Cathay Financial Holding Co., Ltd.	5,400	5,400
Other related parties		
Cathay Century Insurance Co., Ltd.	64,278	67,637
Symphox Information Co., Ltd.	37,420	49,769
Related party payables for allocation of integrated income tax systems account		
Parent company		
Cathay Financial Holding Co., Ltd.	4,252,290	3,157,131

The Bank paid construction planning and design maintenance service fees to Lin Yuan Property Management Co., Ltd. in the amount of $15,925 thousand and $13,355 thousand and recorded as property and equipment during the years ended December 31, 2023 and 2022, respectively.

The Bank purchased bonus points from Symphox Information Co., Ltd. The bonus points can be earned by the Bank's customers and exchanged for merchandise. As of December 31, 2023 and 2022, the unconverted bonus points amounted to $50,258 thousand and $65,454 thousand, respectively.

The terms of the foregoing transactions with related parties are similar to those with third parties.

Combined disclosures have been made for transactions with related parties that are under a certain percentage of the total amount of all transactions with related parties and non-related parties.

c. Compensation of key management personnel

Compensation of directors and other key management personnel for the years ended December 31, 2023 and 2022 was as follows:

	For the Year Ended December 31	
	2023	**2022**
Short-term employment benefits	$ 570,403	$ 493,473
Post-employment benefits	7,057	5,743
Other long-term employment benefits	59	64
	$ 577,519	$ 499,280

The key management personnel of the Company include the chairman, vice chairman, directors, president and vice president.

45. PLEDGED ASSETS

The Company's assets had been used as collaterals to apply for a judiciary provisional seizure, an intra-day overdraft, covering its call loans from the Central Bank undertaking bills finance and insurance agent business, and provisions of compensation for trust business as follows:

	December 31	
	2023	**2022**
Financial assets at FVTOCI	$ 14,753,925	$ 56,800,000
Investments in debt instruments at amortised cost	43,062,739	995,314

46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in other notes, the contingencies and commitments were as follows:

a. The Bank

1) Entrusted items and guarantees:

	December 31	
	2023	2022
Trust and security held for safekeeping	$ 1,064,373,453	$ 962,935,721
Collection and payment on behalf of customers	30,178,208	29,385,182
Book-entry for government bonds and depository for short-term marketable securities under management	457,093,479	498,066,239
Entrusted financial management business	22,391,339	15,904,189
Guarantees on duties and contracts	18,835,713	19,613,957
Unused commercial letters of credit	7,473,158	6,869,348
Irrevocable loan commitments	174,872,790	167,371,093
Unused credit card commitments	684,215,639	709,319,021
Underwritten securities	-	500,000
Revolving insurance and underwriting on commercial paper commitments	15,900,000	13,900,000

2) The Bank’s significant lawsuits and proceedings arising due to normal business relationships are as follows:

Lee & Li, Attorneys-at-Law hereinafter referred to as “Lee & Li” alleged that the embezzlement case of Liu Wei-Chieh (a former employee of Lee & Li), which occurred in October 2003 was caused by the negligence of the Bank in its operation, and the plaintiffs claimed damages from the Bank in the amount of $991,002 thousand. The case entered into litigation proceedings in July 2007, and the Bank won favorable decisions in both the first and second instances. Although the Supreme Court reversed the original second-instance judgments, the Bank again won a favorable decision in the second instance on August 25, 2021. The verdict was in favor of the Bank, and Lee & Li subsequently appealed, which was rejected by the Supreme Court on December 14, 2023. The Bank was confirmed to have won all the cases. Lee & Li filed for a retrial in January 2024 and requested the Bank for compensation of $1,510 thousand plus interest. The case is currently being heard by the High Court. Both the Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of the Bank.

b. Indovina Bank

Entrusted items and guarantees

	December 31	
	2023	2022
Financial guarantee contracts	$ 1,157,447	$ 1,308,628
Unused commercial letters of credit	524,797	387,030

c. CUBC Bank

Entrusted items and guarantees

	December 31	
	2023	2022
Financial guarantee contracts	$ 16,628	$ 19,684
Credit card commitments	352,725	330,599
Irrevocable loan commitments	219,358	268,441

d. CUBCN Bank

Entrusted items and guarantees

	December 31	
	2023	2022
Financial guarantee contracts	$ 266,732	$ 289,824
Unused commercial letters of credit	196,114	573,635
Irrevocable loan commitments	271,323	262,406

47. ASSETS AND LIABILITIES MANAGED UNDER THE BANK'S TRUST IN ACCORDANCE WITH THE TRUST ENTERPRISE ACT

a. In accordance with Article 17 of "Enforcement Rules of the Trust Enterprise Act", the balance sheets and income statements based on trust and details of trust properties and equipment were as follows:

Balance Sheets of Trust Accounts

	December 31	
	2023	2022
Trust assets		
Bank deposits	$ 29,144,527	$ 26,430,470
Receivables	6,302	5,130
Bonds	106,176,755	63,559,224
Stocks	76,811,310	73,053,311
Mutual funds	323,010,742	302,949,247
Insurances	2,553,520	2,585,836
Real estate		
Land	70,113,629	63,370,878
Buildings (net)	36,309	37,525
Construction in progress	7,933,204	6,243,367
Custody securities	123,311,810	120,792,657
Other assets	9,000	9,000
Total trust assets	$ 739,107,108	$ 659,036,645

(Continued)

	December 31	
	2023	2022
Trust liabilities		
Payables	$ 77	$ 69
Tax payable	87	11
Custody securities payable	123,311,810	120,792,657
Other liabilities	932	402
Trust capital	615,582,960	538,082,414
Provisions and accumulated losses		
Net income	9,558,538	4,585,937
Accumulated losses	(9,347,296)	(4,424,845)
Total trust liabilities	$ 739,107,108	$ 659,036,645

(Concluded)

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2023	2022
Trust revenue		
Interest income	$ 193,028	$ 97,988
Rent revenue	2,402	1,616
Cash dividends income	9,313,908	4,610,081
Realized capital gain - bonds	22	-
Realized capital gain - stocks	51,918	20,946
Realized capital gain - mutual funds	8,239	23,613
Unrealized capital gain - stocks	56,282	22,286
Unrealized capital gain - mutual funds	2,314	1,848
Others	16	68
	9,628,129	4,778,446
Trust expense		
Management fee	23,507	23,826
Supervisor fee	1,341	1,094
Taxes	7,012	2,830
Service fee	6,006	1,449
Realized capital loss - stocks	2,820	62,771
Realized capital loss - mutual funds	20,465	88,160
Unrealized capital loss - stocks	6,422	10,136
Unrealized capital loss - mutual funds	1,461	1,469
Others	557	774
	69,591	192,509
Income equalization		
Net income before tax	9,558,538	4,585,937
Income tax expense	-	-
Net income	$ 9,558,538	$ 4,585,937

Note: The above trust income statements were the profit and loss of the entrusted assets of the trust department in the Bank. The above trust income statements were not included in the Bank's income statements.

Trust Property and Equipment Accounts

Investment Portfolio	December 31 2023	December 31 2022
Bank deposits	$ 29,144,527	$ 26,430,470
Receivables	6,302	5,130
Bonds	106,176,755	63,559,224
Stocks	76,811,310	73,053,311
Mutual funds	323,010,742	302,949,247
Insurances	2,553,520	2,585,836
Real estate		
Land	70,113,629	63,370,878
Buildings (net)	36,309	37,525
Construction in progress	7,933,204	6,243,367
Custody securities	123,311,810	120,792,657
Other assets	9,000	9,000
	$ 739,107,108	$ 659,036,645

b. The Bank conducts trust business by Trust Enterprise Act Article 3. The related trust business information as of December 31, 2023 and 2022 were as follows:

Trust Business

Item	December 31 2023	December 31 2022
Special trust of money that invest in foreign securities	$ 337,873,685	$ 282,873,343
Special trust of money that invest in domestic securities	89,497,739	81,755,509
Trust of money - custody securities	123,311,810	120,792,657
Trust of real estate	79,636,481	70,276,312
Trust of real estate price	13,336,054	13,187,160
Trust of insurance claims	156,179	163,285
Personal and corporate trust	53,087,831	51,675,539
Trust of business employee’s savings	2,560,867	2,068,101
Trust of securities	39,646,462	36,244,739
	$ 739,107,108	$ 659,036,645

48. IMPLEMENTATION OF CROSS-SELLING MARKETING STRATEGIES BETWEEN THE BANK, CATHAY FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

The Bank has entered into cross-selling marketing contracts with Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd. and Cathay Securities Co., Ltd. The contracts cover joint use of operation sites and facilities as well as cross-selling marketing personnel.

The Bank has entered into cooperation contracts with Cathay Financial Holding Co., Ltd., Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd., and Cathay Securities Co., Ltd. for the joint use of information equipment and the development, operation, maintenance and management of information systems.

The related expenses are allocated to each subsidiary directly by the business nature or to the cooperating companies by other reasonable methods.

49. FINANCIAL INSTRUMENTS

a. Information on fair value hierarchy

Fair value is the price that a market participant can receive from selling an asset or pay for settling a liability in an orderly transaction on a measurement date.

Financial instruments are accounted for at fair value, which, in many cases, is referred to the transaction price, on original recognition. On subsequent measurement, except for some financial instruments that are measured at amortised cost, they are measured at fair value. The best evidence of fair value is the open quotation in an active market. If there is no active market for the financial instruments, the Bank uses an evaluation model or refers to Bloomberg, Reuters or counterparty quotes to measure the fair value of financial instruments.

b. The definitions of each level of the fair value hierarchy are shown below:

1) Level 1

Level 1 financial instruments are traded in an active market in which there are quoted prices for identical assets and liabilities. An active market has the following characteristics:

a) All financial instruments in the market are homogeneous.

b) There are willing buyers and sellers in the market all the time.

c) The public can access the price information easily.

The products in this level, such as listed stock and beneficiary securities, usually have high liquidity or are traded in the exchanges.

2) Level 2

The products in this level have fair values that can be inferred either directly or indirectly through observable inputs other than quoted prices in an active market. The observable inputs are as follows:

a) Quoted prices of similar products in an active market. This means the fair value can be derived from the current trading prices of similar products, and whether they are similar products should be judged on the characteristics and trading rules. The fair price valuation in this circumstance may be adjusted due to time differences, trading rule differences, transaction prices involving related parties, and the correlation of price between the product itself and similar goods;

b) Quoted prices for identical or similar financial instruments in inactive markets;

c) For the marking-to-model method, the inputs to the model should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be obtained from the market and can reflect the expectation of market participants;

d) Inputs that are derived from observable market data through correlation or other means.

The fair values of products categorized in this level are usually calculated using a valuation model generally accepted by the market; such products are forward contracts, cross-currency swap contracts, simple interest bearing bonds, asset swaps and commercial papers.

3) Level 3

The fair values of the products in this level are typically based on management assumptions or expectations other than the direct market data. For example, historical volatility used in valuing options is an unobservable input because it cannot represent the entire market participants' expectation on future volatility.

The products in this level are part of emerging stocks, unlisted shares, complex derivative financial instruments or products with prices that are provided by brokers, such as complex foreign exchange options.

c. Measured at fair value on a recurring basis

1) The fair value hierarchies of the Company's financial instruments, which are measured at fair value on a recurring basis, were as follows:

Item	December 31, 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 1,157,662	$ 1,132,768	$ -	$ 24,894
Bonds	88,920,167	9,358,694	79,561,473	-
Others	152,398,099	-	152,398,099	-
Financial assets at fair value through other comprehensive income				
Stocks	24,769,681	16,047,728	-	8,721,953
Bonds	239,365,531	108,599,813	130,697,100	68,618
Others	31,934,434	-	31,934,434	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	40,481,221	-	40,481,221	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	79,815,708	48,274	75,684,979	4,082,455
Liabilities				
Financial liabilities at fair value through profit or loss	82,644,730	61,893	78,500,382	4,082,455

Item	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 132,394	$ 113,080	$ -	$ 19,314
Bonds	53,876,046	12,537,035	41,339,011	-
Others	95,657,924	52,075	95,605,849	-
Financial assets at fair value through other comprehensive income				
Stocks	17,185,561	9,258,355	-	7,927,206
Bonds	216,733,061	82,712,139	134,020,922	-
Others	246,261,699	-	246,261,699	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	39,076,751	-	39,076,751	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	84,633,679	159,417	79,515,298	4,958,964
Liabilities				
Financial liabilities at fair value through profit or loss	81,976,127	9,659	77,007,504	4,958,964

2) Financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants with full understanding of the sale or transfer transaction. The fair values of financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income and hedging derivative financial instruments with quoted prices in an active market are based on their market prices; financial instruments with no quoted prices in an active market are estimated by valuation methods.

a) Marking to market

This method should be considered first when determining fair value. The following are the principles to follow when marking to market:

i. Ensure the consistency and integrity of market data.

ii. Market data should be obtained from publicly available, easily accessible and independent sources.

iii. Listed securities with tradable prices should be valued at closing prices.

iv. Evaluation of unlisted securities that lack tradable closing prices should use quoted prices from independent brokers and comply with the rules issued by the authorities.

b) Marking to model

The use of marking to model is suggested if marking to market is infeasible. This valuation method is based upon model inputs that are used to derive the value of the trading positions. The Bank uses the same estimations and assumptions as those used by market participants to determine the fair value.

The Company uses the forward rates provided by Reuters to estimate the fair values of foreign exchange swap contracts, interest rate swap, and cross-currency swap contracts and uses the discounted cash flow method to calculate the fair value of each contract. For foreign exchange option transactions, the Company uses the option pricing models which are generally used by other market participants (e.g., the Black-Scholes model) to calculate the fair value of the contract.

3) Fair value adjustments

Credit risk valuation adjustments

Credit risk valuation adjustments refer to the fair value of the Over The Counter (OTC) derivative financial instrument contracts, which also reflects the credit risk of both parties, and can be mainly divided into "credit value adjustments" and "debit value adjustments":

a) Credit value adjustments (CVA): Adjustment to a transaction in a non-concentrated trading market, that is, the adjustment of a derivative contract evaluation in the OTC transaction, which reflects the possibility that the Company may not be able to collect the full market value or the counterparty may default on the repayment of the fair value.

b) Debit value adjustments (DVA): Adjustment to a transaction in a non-concentrated trading market, that is, the adjustment of a derivative contract evaluation in the OTC transaction, which reflects the possibility that the Company may not be able to pay the full market value or the Company may default on the repayment of the fair value.

   Both CVA and DVA are concepts of estimated loss, calculated as the probability of default (PD) multiplied by the loss given default (LGD) and multiplied by the exposure at default (EAD).

   The Bank uses the fair value of OTC derivatives to calculate the amount of exposure at default (EAD).

   The Company uses 60% as the loss given default based on the recommendation of "IFRS 13 CVA and DVA Related Disclosure Guidelines" of the stock exchange. The Company may use other loss given default assumptions based on the nature of risk and available figures.

   The Company incorporates the credit risk assessment adjustment into the fair value calculation of financial instruments to reflect the counterparty's credit risk and the Company's credit quality.

4) Transfers between Level 1 and Level 2 during the period

Except for the active market adjustments of some bond prices, there were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

5) Reconciliation of Level 3 fair value measurements

a) Reconciliation of Level 3 fair value measurements of financial assets

For the year ended December 31, 2023

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3		
Financial assets at fair value through profit or loss									
Stocks	$ 19,314	$ 5,580	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,894
Derivative financial instruments	4,958,964	(653,430)	-	-	-	223,079	-	-	4,082,455
Financial assets at fair value through other comprehensive income									
Stocks	7,927,206	-	732,731	130,291	-	5,469	-	(62,806)	8,721,953
Bonds	-	-	(1,449)	-	258,134	187,252	-	(815)	68,618

For the year ended December 31, 2022

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3		
Financial assets at fair value through profit or loss									
Stocks	$ 24,943	$ (5,629)	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,314
Derivative financial instruments	4,365,620	776,056	-	68,922	-	251,634	-	-	4,958,964
Financial assets at fair value through other comprehensive income									
Stocks	9,155,787	-	(1,492,712)	221,708	-	9,128	-	51,551	7,927,206

Total gains or losses shown in the tables above that contain unrealized gains and losses related to assets held as of December 31, 2023 and 2022 amounted to losses of $537,651 thousand and gains of $641,085 thousand, respectively.

b) Reconciliation of Level 3 fair value measurements of financial liabilities

For the year ended December 31, 2023

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	$ 4,958,964	$ (653,430)	$ -	$ -	$ -	$ 223,079	$ -	$ 4,082,455

For the year ended December 31, 2022

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	$ 4,365,620	$ 776,056	$ -	$ 68,922	$ -	$ 251,634	$ -	$ 4,958,964

Total gains or losses shown in the tables above that contain unrealized gains and losses related to liabilities committed as of December 31, 2023 and 2022 amounted to gains of $543,231 thousand and losses of $646,714 thousand, respectively.

6) Quantitative Information on significant unobservable inputs for Level 3 fair value measurements

Description of significant unobservable inputs used in the valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy was as follows:

December 31, 2023

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
Financial assets						
Financial assets at fair value through profit or loss	Stock	$ 24,894	Market approach	Discount for lack of marketability	10%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	7,742,318	Market approach	Discount for lack of marketability	15%-30%	The higher the discount for lack of marketability, the lower the fair value of the stock
		84,340	Income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate, the lower the fair value of the stock
		895,295	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock
	Bond	68,618	Discounted cash flow	Loan rate	9.15%	The higher the loan rate, the lower the fair value of the bond

December 31, 2022

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
Financial assets						
Financial assets at fair value through profit or loss	Stock	$ 19,314	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	7,077,791	Market approach	Discount for lack of marketability	15%-30%	The higher the discount for lack of marketability, the lower the fair value of the stock
		80,900	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		768,515	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

7) Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company’s risk management department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company’s accounting policies at each reporting date.

d. Financial instruments that were not measured at fair value

1) Information on fair value

Except as detailed in the following table, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate fair values or that the fair values cannot be reasonably measured.

	December 31			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Investments in debt instruments at amortised cost	$ 677,745,166	$ 652,380,573	$ 516,862,982	$ 489,173,287

2) Information on fair value hierarchy

Item	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 652,380,573	$ 55,679,105	$ 596,157,427	$ 544,041

Item	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 489,173,287	$ 36,153,010	$ 452,536,173	$ 484,104

3) Valuation techniques

The methods and assumptions used by the Company to estimate the values of financial instruments that are not measured at fair value are as follows:

a) Cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, other financial assets, due to the Central Bank and other banks, call loans from the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances whose maturity date is very near or the future payment price approximates the carrying amount take the amount in the book on the balance sheet date as the fair value.

b) Discounts and loans, deposits, financial debentures and structured commodity principals are all interest-bearing financial assets/liabilities whose carrying amount is taken as the current fair value. The carrying amount of nonperforming loan is the estimated recoverable amount after deduction of allowance for impairment loss, hence its carrying amount is used as its fair value.

c) If an investment in a debt instrument at amortised cost has a public quoted price in an active market, the market price is used as its fair value; if no market price is available for reference, a valuation method is used to estimate the fair value. The estimates and assumptions used by the Bank in the valuation method are consistent with the information and assumptions used by market participants in the estimation of the fair value of financial products.

50. FINANCIAL RISK MANAGEMENT

The Bank's risk control and hedging strategy follows the requirements of the customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, the Bank adopts different risk management methods to identify its risks and the Bank follows the spirit and regulation of the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

The Bank has set up its risk management committee, whose responsibilities are as follows:

a. To amend the risk management policies, risk appetite, or risk tolerance, and regularly submit significant risk management issues and report the above issues to the board of directors for approval;

b. To manage and decide the strategy for the Bank's credit risk, market risk and operational risk;

c. To report the significant risk management issues and summary review matters of other relating project, such as credit ratings, market assessment, risk indicators and capital adequacy;

d. To develop, verify and monitor credit rating models;

e. Results of the Bank's stress testing;

f. Important research and discussion matters raised by various risk management-related units of the Bank;

g. Other issues.

The Bank organized a Risk Management segment to monitor, lead, develop, and establish the integral risk management framework.

a. Credit risk

Credit risk represents the risk of loss that the Bank would incur if a counterparty fails to perform its contractual obligations. Sources of credit risk cover both on and off-balance sheet accounts.

<u>The Bank, Indovina Bank and CUBCN Bank</u>

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Segment and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures, and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Department, Credit and Operational Risk Management Department, Consumer Credit Risk Management Department, Corporate Credit Risk Management Department, and International Credit Risk Management Department. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of the Company is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to the Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

The Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit. Certain customers are required to provide appropriate collateral for the related loans, and the Bank, Indovina Bank and CUBCN Bank retain the legal right to foreclose or liquidate the collateral, which effectively reduces the credit risk of the Bank, Indovina Bank and CUBCN Bank.

CUBC Bank

The approval unit of CUBC Bank's credit risk policies is the board of directors, and the policies are then implemented by the CUBC Bank's credit risk management department. These credit risk policies form the basic principles for all credit risk situations faced by CUBC Bank and also serve as the basis for the development of CUBC Bank's various businesses in Cambodia.

When CUBC Bank provides loans, the approval unit is decided based on credit amount. The loan committee is the top lending authority within CUBC Bank, and is composed of CUBC Bank's senior management. It is in charge of approval of all credit in excess of CUBC Bank's lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and CUBC Bank retains the legal right to foreclose or liquidate the collateral, which effectively reduces Cathay United Bank's credit risk. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

Judgment of significant increase in credit risk after initial recognition

The Bank

The Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, the Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

1) Quantitative indicators

    a) Changes in credit rating

       When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

    b) Information on the overdue status of a contract

       When the contract payment is overdue for 30 days to 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

2) Qualitative indicators

    When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

    a) Bounced checks are reported.

    b) Auditors have expressed significant doubt on the entity's ability to continue as a going concern.

    c) Auditors' opinion - adverse opinion.

    d) Auditors' opinion - disclaimer of opinion.

    e) The stock was placed in full-cash delivery stock.

    f) Other changes in the internal or external information on judging the credit quality changes.

The Bank established Stage 1 and Stage 2 for debt instruments based on bonds ratings. Bonds rated above investment grades are classified as low credit risks. Credit risks are deemed to have significantly increased if credit ratings decreased over specific level after initial recognition date.

CUBCN Bank

CUBCN Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, CUBCN Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

1) Quantitative indicators

   a) Changes in credit rating

      When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

   b) Information on the overdue status of a contract

      When the contract payment is overdue for less than 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

2) Qualitative indicators

   When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

   a) Any financial instruments are classified as special mention.

   b) Other changes in the internal or external information on judging the credit quality changes.

Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if credit risk has increased significantly since initial recognition:

1) Quantitative indicators

   a) Changes in credit rating

      When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

   b) Low credit risk criteria

      An exposure rated below Moody's investment grade (i.e., the credit rating is lower than the credit rating Baa3 of Moody's, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

   c) Information on the overdue status of a contract

      When the contract payment is overdue for 30 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

d) Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

2) Qualitative indicators

a) Bounced checks are reported.

b) Auditors have expressed significant doubt on the entity's ability to continue as a going concern.

c) Other changes in the internal or external information on judging the credit quality changes.

CUBC Bank

CUBC Bank assesses if the credit risk of financial assets at each reporting date has increased significantly since initial recognition based on the following indicators:

1) Information on the overdue status of a contract

When the contract payment is overdue for more than 15 days for short-term loans or more than 30 days for long-term loans at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

2) Loan classification from National Bank of Cambodia

A loan contract with special mention position at the reporting date would be classified as a loan with significant increase in credit risk since initial recognition.

3) Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

Default and credit impairment of financial asset

The Bank

The Bank's criteria for determining that a financial asset is in default are the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, the Bank determines the financial assets to be subject to default and credit impairment.

1) Quantitative indicator

a) Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

b) Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment. Debt instruments that do not pay principal and interest according to issuance or transaction condition are determined to be credit-impaired.

2) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

a) Bailout, reorganization, individual agreement due to debtor's financial difficulties;

b) Lawsuit action has been taken;

c) Debt settlement, debt negotiation;

d) Other internal or external information on judging the deterioration in credit quality.

The aforementioned definition of default and credit impairment applies to all financial assets held by the Bank, and is consistent with the definition applied on the significant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

<u>CUBCN Bank</u>

CUBCN Bank's criteria for determining that a financial asset is in default are the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, CUBCN Bank determines the financial assets to be subject to default and credit impairment.

1) Quantitative indicator

a) Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

b) Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

c) The credit records from the People's Bank of China (PBOC)

Financial instruments have not defaulted yet at the reporting date, and the customers' credit records from PBOC are classified by any financial institutions as NPLs (including substandard, doubtful or loss) which have not been paid off, or any contract payment is overdue for more than 90 days at the reporting date.

2) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

a) Any financial instruments are classified as substandard, doubtful or loss.

b) The lowest credit risk is classified as substandard, doubtful or loss.

c) Other internal rating is determined to have fallen into default level.

The aforementioned definition of default and credit impairment applies to all financial assets held by CUBCN Bank and is consistent with the definition applied on the relevant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

Indovina Bank

Indovina Bank assesses the following indicators at each reporting date to determine if the financial assets are credit-impaired:

1) Quantitative indicator

   a) Changes in credit rating

      When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

   b) Information on the overdue status of a contract

      When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

2) Qualitative indicator

   a) Bailout, reorganization, individual agreement due to debtor’s financial difficulties;

   b) Lawsuit action has been taken;

   c) Debt settlement, debt negotiation;

   d) The debtor has filed for bankruptcy or may apply for bankruptcy or reorganization;

   e) Principal or interest could not be paid as scheduled during the settlement period;

   f) Other internal or external information on judging the deterioration in credit quality.

CUBC Bank

CUBC Bank assesses the following indicators at each reporting date to determine if the financial assets are credit-impaired:

1) Information on the overdue status of a contract

   When the contract payment is overdue for more than 31 days for short-term loans or more than 90 days for long-term loans at the reporting date, it is determined as credit impairment.

2) Loan classification from National Bank of Cambodia

   A loan contract with specific position, such as substandard, doubtful and loss, at reporting date would be classified as a credit-impaired loan.

3) Internal credit assessment indicators

The credit information used for internal credit risk management purpose that indicated credit deterioration at the reporting date would be recognized as credit-impaired assets.

Measurement of expected credit loss

The Bank

For the purpose of assessing the expected credit losses, the Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, and so on.

Credit Category	Definition
Enterprise loan	Grouped by risk characteristics, enterprise size and internal credit rating
Consumer loan	Grouped by product category and internal credit rating
Credit card	Grouped by product category and internal credit rating

When the credit risk of the financial instrument has not increased significantly after the initial recognition (Stage 1), the Bank will measure the allowance for losses at the 12-month expected credit losses. When the credit risk of the financial instrument has increased significantly (Stage 2) or credit impairment has existed (Stage 3) after the initial recognition, the Bank will measure the allowance for losses at the lifetime expected credit losses.

For the measurement of the expected credit losses (ECL), the Bank calculates the 12-month ECL and lifetime ECL by multiplying three factors, i.e., probability of default (PD), loss given default (LGD) and exposure at default (EAD) of the borrower over the next 12 months and the lifetime.

The PD and LGD applied in the impairment assessment of the credit business of the Bank is adjusted and calculated based on the internal information of each group of assets as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

The Bank assesses the EAD of loan at the reporting date. According to internal and external information, the Bank considers the portion of the loan commitment that is expected to be drawn within 12 months after the reporting date and for the lifetime, to determine the EAD for calculating the expected credit losses.

The Bank performs impairment assessment of debt instruments measured at FVTOCI and those measured at amortised cost in accordance with related requirements:

1) The EAD is measured at the amortised cost of a financial asset plus its interest receivable.

2) The PD is based on the information regularly published by Moody’s, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information (e.g., gross domestic product and economic growth rate, etc.).

3) The LGD is selected according to the type of debt instruments based on the information regularly published by Moody’s.

CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank classifies the credit assets into the following groups based on business category and forward-looking model:

1) CUBCN Bank classifies the credit assets into the following groups based on the assessment method and business category:

Credit Category	Definition
Loan activities, interbank borrowing business and off-balance sheet credit business	Grouped by product category and internal/external credit rating
Bills business and accounts receivable factoring business that occupy interbank credit	Grouped by product category and internal/external credit rating
Bond business and interbank deposit business	Grouped by product category and internal/external credit rating
Due from banks, call loan to banks business, and reverse repurchase	Grouped by product category and internal/external credit rating
Other receivables	Grouped by product category and internal/external credit rating

2) CUBCN Bank grouped the non-retail business risk group according to the forward-looking model.

   a) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:

      i. For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.

      ii For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.

      iii For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.

   b) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:

      i The PD is based on the information regularly published by Moody's, and calculated on the basis of the historical data which is adjusted according to the currently observable data and the forward-looking macroeconomic information.

      ii The LGD is based on the LGD regulated in the Capital of Commercial Banks (for trial implementation) published by the China banking supervisory authority as the reference for evaluation.

      iii The EAD is measured at current exposure method. Besides, off-balance sheet credit businesses also convert exposure using the credit conversion factor regulated in the Capital of Commercial Banks (for trial implementation) published by China banking supervisory authority.

Indovina Bank

For the purpose of assessing the expected credit losses, Indovina Bank classifies the financial assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, counterparty type, and so on.

Category	Definition
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, external credit rating and payment ranks
Cash equivalents, due from and call loans to banks	Grouped by counterparty type

1) Loan portfolio

The segmentation of Indovina Bank's loan portfolio is based on its risk characteristics, such as product class, counterparty type and enterprise size. The measurement of expected credit loss is estimated by three main parameters: Probability of default, loss given default and exposure at default. The probability of default (PD) and loss given default (LGD) were built using the Bank's historical delinquent information and recovery data and calibrated with selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

2) Bond portfolio

The segmentation of Indovina Bank's bond portfolio is based on its product class, external rating and payment rank. The measurement of expected credit loss is based on three main parameters: Probability of default, loss given default and exposure at default. The probability of default and loss given default were built using external information with sufficient historical default data and recovery rates and calibrated with selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

3) Cash equivalents, due from and call loans to banks

The segmentation of Indovina Bank's cash equivalents, due from and call loans to banks is based on its counterparty type. The measurement of expected credit loss is estimated by three main parameters: Probability of default, loss given default and exposure at default. The probability of default is calculated using Sovereign PD. The loss given default is determined by the foundation approach in Basel II. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

CUBC Bank

CUBC Bank has grouped its exposures on the basis of shared credit risk characteristic, including product category and counterparty type as follows:

Category	Definition
Loan	Grouped by product characteristics, industry and counterparty type
Credit card	Grouped by product characteristics

The measurement of expected credit loss of CUBC Bank's loan portfolio is based on its credit category, counterparty type and product category. The probabilities of default and loss given default were built by the internal and external historical delinquent information, LGD supervised under Basel II and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

Write-off policy

Any non-performing loans or non-accrual loans, after subtracting the estimated recoverable portion, that have one of the following characteristics shall be written off:

1) The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.

2) The collateral and property of the primary/subordinate debtors have been appraised at a very low value or have become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the Bank might collect from the debtors where there is no financial benefit in execution.

3) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the Bank's taking possession of such collateral.

4) More than two years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and collection efforts have failed.

Non-performing loans or non-accrual loans, which have been written off by the Bank, can undergo the legal proceedings continuously under related policies.

Consideration of forward-looking information

The Bank

The Bank uses historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD differ depending on the type of financial instruments.

The significant economic factors identified by the Bank in 2023 are as follows:

Credit Category	Probability of Default (PD)
Enterprise loan	Proportion of revenue less expenditures from government to GDP % Nominal GDP
Consumer loan	GDP per capita Unemployment rate % Price Index
Credit card	Price Index

<u>CUBCN Bank</u>

CUBCN Bank uses historical data and rate of non-performing banking industry loans issued by the authorities to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment, in order to obtain an unbiased estimate of expected credit losses.

The relevant economic factors identified by CUBCN Bank in 2023 include but are not limited to gross domestic product (GDP) published by the National Bureau of Statistics of China and other government authorities, consumer price index (CPI), producer price index (PPI) and supply of currency, etc.

<u>Indovina Bank</u>

Based on the qualitative and quantitative analysis of historical data, Indovina Bank identifies the local and global economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression models, interpolation adjustment, and historical scenario analysis to estimate the impairment parameter after the prospective adjustment. The selected economic factors and their effects on PDs varied from different types of portfolios.

The significant economic factors identified by Indovina Bank in 2023 are as follows:

Segment	Selected Factors
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

<u>CUBC Bank</u>

CUBC Bank establishes ECL model based on historical default and loss data and uses the regression analysis to adjust the forward-looking parameters with local macroeconomic factors by considering local risk distribution and borrowers' characteristics.

The significant economic factors identified by CUBC Bank in 2023 are as follows:

Segment	Selected Factors
Loan	Change of GDP (%) Change of volume of imports (%) Total external debt as percent of GDP (%) Change in reserves
Credit card	Current account balance as percent of GDP (%) General government total expenditure

The valuation techniques or significant assumptions used by the Company for assessing the expected credit losses have no significant change for the year ended December 31, 2023.

Credit risk management policy

The category of credit asset and the grade of credit quality are described as follows:

1) Category of credit asset

The credit assets of the Bank are classified into five categories. Normal credit assets are classified as “Category One”. The remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time the asset is overdue. Assets that require special mention are classified as “Category Two”, assets that are substandard are classified as “Category Three”, assets that are doubtful are classified as “Category Four”, and assets for which there is loss are classified as “Category Five”. For managing the default credits, the Bank established the regulations governing the procedures to deal with non-performing loans, non-accrual loans and bad debts.

2) Grade of credit quality

The Bank sets the grade of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify) to proceed with risk management.

In order to measure the credit risk of the clients, the Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients’ relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and the Bank will make necessary revisions to the parameters to optimize the results.

With respect to consumer credit assets such as housing mortgages, credit cards, and small-scale credit loans, the Bank also evaluates the default risk of clients by using the rating scores developed by the Bank.

To ensure the reasonableness of the estimated values of the credit rating system’s design, process, and relevant risk factors, the Bank executes the relevant verification and tests the model according to the actual default regularly so that the calculated results will be close to actual default.

The Bank evaluates the counterparties’ credit quality before transactions are made and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

3) Hedge of credit risk and easing policy

   a) Collateral

   The Bank adopts a series of policies to lower the credit risk, and one of the frequently used methods is requesting borrowers to provide collateral. To ensure the creditor’s rights, the Bank sets the scope of collateral and the procedures for appraising, managing, and disposing of the collateral. In addition, a credit contract stipulates the bases for credit claims, preservation of collateral, and offset provisions when a credit loss event occurs; the Bank may reduce the limit, cut down the payback period, or deem all debts as due. Also, the Bank may use the deposits that the borrowers saved in the Bank to offset the liabilities to lower the credit risk.

   Other non-credit business collateral depends on the characteristics of the financial instruments. Only asset-backed securities and other similar financial instruments are secured by an asset pool of financial instruments.

b) Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, the Bank limits the credit amounts of single counterparties and groups; the Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, the Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

c) Net settlement agreement

The Bank usually settles by the gross balance, but signs contract with some counterparties to settle by net balance. If a default happens, the Bank will terminate all transactions with the counterparty and settle by net balance in order to lower the credit risk.

4) Maximum exposures to credit risk

Without taking into account the collateral or other credit enhancement instruments, the maximum credit risk exposures of on-balance sheet financial assets equal their carrying amounts. The maximum credit risk exposures of off-balance-sheet items (without considering the collateral or other credit enhancement instruments) are as follows:

a) The Bank

Off-Balance Sheet Items	**Maximum Exposure to Credit Risk**	
	December 31, 2023	**December 31, 2022**
Irrevocable loan commitments	$ 174,872,790	$ 167,371,093
Credit card commitments	780,378,572	805,391,737
Unused commercial letters of credit	7,473,158	6,869,348
Guarantees on duties and contracts	18,835,713	19,613,957

b) Indovina Bank

Off-Balance Sheet Items	**Maximum Exposure to Credit Risk**	
	December 31, 2023	**December 31, 2022**
Financial guarantee contracts	$ 1,157,447	$ 1,308,628
Unused commercial letters of credit	524,797	387,030

c) CUBC Bank

Off-Balance Sheet Items	**Maximum Exposure to Credit Risk**	
	December 31, 2023	**December 31, 2022**
Financial guarantee contracts	$ 16,628	$ 19,684
Credit card commitments	352,725	330,599
Irrevocable loan commitments	219,358	268,441

d) CUBCN Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2023	December 31, 2022
Financial guarantee contracts	$ 266,732	$ 289,824
Unused commercial letters of credit	196,114	573,635
Irrevocable loan commitments	271,323	262,406

To reduce the risk from any businesses, the Bank conducts an overall assessment and takes appropriate risk reduction measures before undertaking the business, such as obtaining collateral and guarantors. For obtaining of collateral, the Bank has set Guidelines Governing Collateral to ensure that collateral meets the specific criteria and has the effect of reducing the business risk.

The management deems the Company is able to control and minimize the credit risk exposures in off-balance-sheet items as the Company uses stricter rating procedures when extending credits and conducts reviews regularly.

The carrying amounts of the maximum credit risk exposure of on-balance-sheet items were as follows:

December 31, 2023

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	$ 2,231,297,751	$ 69,398,181	$ 18,783,183	$ -	$ 2,319,479,115
Less: Allowance for impairment	(4,208,728)	(3,254,669)	(7,222,828)	-	(14,686,225)
Less: Differences of impairment loss under regulations	-	-	-	(24,221,823)	(24,221,823)
	$ 2,227,089,023	$ 66,143,512	$ 11,560,355	$ (24,221,823)	$ 2,280,571,067

	Receivables				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	$ 115,276,076	$ 1,856,377	$ 2,155,129	$ -	$ 119,287,582
Less: Allowance for impairment	(565,354)	(393,971)	(1,730,384)	-	(2,689,709)
Less: Differences of impairment loss under regulations	-	-	-	(57,255)	(57,255)
	$ 114,710,722	$ 1,462,406	$ 424,745	$ (57,255)	$ 116,540,618

December 31, 2022

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	$ 1,996,179,020	$ 66,527,131	$ 17,394,606	$ -	$ 2,080,100,757
Less: Allowance for impairment	(3,408,785)	(2,480,491)	(6,433,892)	-	(12,323,168)
Less: Differences of impairment loss under regulations	-	-	-	(22,695,132)	(22,695,132)
	$ 1,992,770,235	$ 64,046,640	$ 10,960,714	$ (22,695,132)	$ 2,045,082,457

	Receivables				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	$ 118,271,889	$ 1,880,551	$ 2,003,379	$ -	$ 122,155,819
Less: Allowance for impairment	(506,839)	(360,011)	(1,591,166)	-	(2,458,016)
Less: Differences of impairment loss under regulations	-	-	-	(58,994)	(58,994)
	$ 117,765,050	$ 1,520,540	$ 412,213	$ (58,994)	$ 119,638,809

5) Credit concentration risk of the Company

When the counterparties are obviously the same party, or there are several counterparties but engaging in similar business activities and sharing similar economic characteristics, and vulnerable to the same economic impacts or other changes, the credit concentration risk is apparent.

Credit concentration risk of the Company derives from the assets, liabilities and off-balance sheet items, and arises from performing obligations or engaging in transactions of cross-credit line portfolio with risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. The Company does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty relative to the Company's total bills discounts and loans, including overdue loans, guarantees, bills purchased, and acceptances receivable is not significant. Credit concentration risk of the Company according to industry and geographic region is listed below:

a) Industry type

	December 31			
	2023		2022	
Industry Type	**Amount**	**%**	**Amount**	**%**
Manufacturing	$ 205,649,922	8.78	$ 180,834,137	8.60
Financial institutions and insurance	101,379,845	4.33	88,601,202	4.21
Leasing and real estate	228,379,255	9.75	206,214,278	9.80
Individuals	1,500,439,286	64.07	1,326,538,540	63.07
Others	306,092,565	13.07	301,179,305	14.32
Total	$ 2,341,940,873	100.00	$ 2,103,367,462	100.00

b) Geographic region

	December 31			
	2023		2022	
Geographic Region	**Amount**	**%**	**Amount**	**%**
Domestic	$ 2,057,589,878	87.86	$ 1,824,223,790	86.73
Asia	225,881,867	9.64	225,080,654	10.70
America	41,933,105	1.79	39,009,043	1.85
Others	16,536,023	0.71	15,053,975	0.72
Total	$ 2,341,940,873	100.00	$ 2,103,367,462	100.00

b. Liquidity risk

1) Source and definition of liquidity risk

Liquidity risk means the possible losses arising from the failure of the Bank to obtain funds at a reasonable price within a reasonable time to cover the increase in assets or repay matured liabilities.

2) Liquidity risk management strategy and principles

The principle of liquidity risk management strategy of the Company is to stabilize the liquidity of funds. The first priority of the source of funds is diversification and stability, and the Company adopts the conservative principle to estimate the funds. The use of funds should take into account both safety and profitability, and pay attention to diversifying liquidity risks. The Company has set up an Asset and Liability Management Committee, which is responsible for planning and monitoring liquidity risk management strategy and controlling liquidity risk with risk limits from different measuring dimensions and early warning indicators. When the liquidity has or expects significant changes, relevant authorities and responsible units jointly analyze the reasons and discuss solutions to deal with the impact of emergent events on liquidity risk. If necessary, the Asset and Liability Management Committee may be convened to discuss solutions.

3) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities of the Company

a) Financial assets held to manage liquidity risk

The Company holds highly marketable and diverse financial assets to meet payment obligations; assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets held to manage liquidity risk include cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments at amortised cost, discounts and loans, and securities purchased under resell agreements.

b) Maturity analysis of non-derivative financial liabilities of the Bank

The table below shows the analysis of the cash outflow of non-derivative financial liabilities based on the number of days remaining from the balance sheet date until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

	December 31, 2023				
	0-30 Days	**31-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Deposits from the Central Bank and banks	$ 40,467,947	$ 28,002,343	$ 30,033,933	$ 829,245	$ 99,333,468
Non-derivative financial liabilities at fair value through profit or loss	-	-	610,807	39,648,150	40,258,957
Securities sold under repurchase agreements	8,662,306	1,009,618	-	7,853,418	17,525,342
Payables	25,444,637	3,875,097	46,958	543,586	29,910,278
Deposits and remittances	636,004,859	1,465,878,993	1,208,481,287	131,109,766	3,441,474,905
Financial debentures payable	-	14,563,066	-	12,865,620	27,428,686
Lease liabilities	137,548	493,459	502,076	2,120,575	3,253,658
Other capital outflow at maturity	25,858,441	35,035,011	2,256,610	897,997	64,048,059

	December 31, 2022				
	0-30 Days	**31-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Deposits from the Central Bank and banks	$ 26,294,815	$ 24,698,838	$ 29,836,399	$ 33,136	$ 80,863,188
Non-derivative financial liabilities at fair value through profit or loss	93,455	-	516,815	39,613,320	40,223,590
Securities sold under repurchase agreements	19,238,256	8,399,398	-	-	27,637,654
Payables	23,033,030	3,674,958	58,834	496,028	27,262,850
Deposits and remittances	509,020,050	1,238,894,551	1,259,165,792	149,088,303	3,156,168,696
Financial debentures payable	-	10,493,264	-	27,100,000	37,593,264
Lease liabilities	129,360	547,937	675,597	1,783,493	3,136,387
Other capital outflow at maturity	20,809,680	27,951,203	4,986,616	534,345	54,281,844

Additional information about the maturity analysis of lease liabilities:

	December 31	
	2023	2022
Less than 1 year	$ 1,133,083	$ 1,352,894
1-5 years	1,715,536	1,537,290
5-10 years	405,039	246,203
	$ 3,253,658	$ 3,136,387

c) Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by the Bank include:

i. Foreign exchange derivative instruments: Non-delivery forwards and net settled foreign exchange options;

ii. Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the consolidated balance sheets. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheets. Maturity analysis of net settled derivative financial liabilities was as follows:

	December 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	$ 15,911	$ 11,396	$ 9,263	$ -	$ 36,570
Interest rate derivative instruments	150,411	2,026,363	2,154,834	24,143,098	28,474,706
Total	$ 166,322	$ 2,037,759	$ 2,164,097	$ 24,143,098	$ 28,511,276

	December 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	$ 141,969	$ 10,196	$ 6,961	$ 48	$ 159,174
Interest rate derivative instruments	41,516	1,906,874	543,514	27,585,335	30,077,239
Total	$ 183,485	$ 1,917,070	$ 550,475	$ 27,585,383	$ 30,236,413

Gross settled derivative financial instruments engaged by the Bank include:

i. Foreign exchange derivative instruments: Foreign exchange forwards, foreign exchange swaps and gross settled foreign exchange options;

ii. Interest rate derivative instruments: Cross currency swaps;

The table below shows the Bank's gross settled derivative instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. Contractual maturities are evaluated to be the most basic element for understanding all the derivative financial instruments presented on the balance sheets. The disclosed amounts are based on contractual cash flows and parts of the disclosed amounts are not in conformity with related items on consolidated balance sheets. Maturity analysis of gross settled derivative financial liabilities was as follows:

	December 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	$ (414,572,102)	$ (444,892,193)	$ (40,418,411)	$ (6,388,153)	$ (906,270,859)
Cash inflow	406,725,701	435,318,902	40,097,255	6,380,659	888,522,517
Interest rate derivative instruments					
Cash outflow	(1,536,750)	(122,404)	(4,634,554)	(7,131,402)	(13,425,110)
Cash inflow	1,390,250	119,419	4,462,141	6,927,048	12,898,858
Cash outflow subtotal	(416,108,852)	(445,014,597)	(45,052,965)	(13,519,555)	(919,695,969)
Cash inflow subtotal	408,115,951	435,438,321	44,559,396	13,307,707	901,421,375
Net cash flow	$ (7,992,901)	$ (9,576,276)	$ (493,569)	$ (211,848)	$ (18,274,594)

	December 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	$ (324,842,748)	$ (501,385,923)	$ (106,664,116)	$ (11,172,117)	$ (944,064,904)
Cash inflow	316,664,323	487,806,235	104,373,667	10,794,877	919,639,102
Interest rate derivative instruments					
Cash outflow	(2,474,451)	(5,469,504)	(9,945,031)	(3,674,320)	(21,563,306)
Cash inflow	2,250,080	5,068,272	9,090,580	3,422,140	19,831,072
Cash outflow subtotal	(327,317,199)	(506,855,427)	(116,609,147)	(14,846,437)	(965,628,210)
Cash inflow subtotal	318,914,403	492,874,507	113,464,247	14,217,017	939,470,174
Net cash flow	$ (8,402,796)	$ (13,980,920)	$ (3,144,900)	$ (629,420)	$ (26,158,036)

d) Maturity analysis of off-balance sheet items

i. Irrevocable commitments: Include the Bank's irrevocable loan commitments and credit card commitments.

ii. Financial guarantee contracts: The Bank acts as a guarantor or an issuer of standby letter of credit.

Maturity analysis of off-balance sheet items is shown as follows:

	December 31, 2023			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 136,394,665	$ 32,014,131	$ 6,463,994	$ 174,872,790
Credit card commitments	202,422,445	230,536,858	347,419,269	780,378,572
Financial guarantee contracts	20,878,211	5,427,238	3,422	26,308,871

	December 31, 2022			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 134,435,530	$ 23,859,560	$ 9,076,003	$ 167,371,093
Credit card commitments	50,692,716	205,458,267	549,240,754	805,391,737
Financial guarantee contracts	21,216,584	5,225,513	41,208	26,483,305

c. Market risk

1) Source and definition of market risk

Market risk is the potential gain or loss arising from movements of market price, such as interest rates, foreign exchange rates and equity securities.

The Bank organized market risk management department and the committee of assets and liabilities management. The department and the committee periodically examine the Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing, and uses medium- and long-term funding schemes. While executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of the Bank for the management system, such as evaluating position, risk limit management, calculation of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

2) Market risk management strategy and process

Market risk management process

a) Identification and measurement

The operations department and risk management department of the Bank identify the market risk factors of risk exposure position, and measure the market risk. Market risk factors are the components that could have an impact on the value of financial instruments, such as interest rates, foreign exchange rates, equity securities price, etc., including position, gain and loss, stress testing, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR), etc., are used to measure the extent of investment portfolio loss that is influenced by market risk factors.

b) Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress testing, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. The Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. Once the transaction reaches its stop-loss limitation, corresponding measures will be implemented immediately. In special circumstances, the transaction department should document the response plan, report to the executive management for approval and report to the board of directors regularly.

3) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investments for the purpose of trading or the hedge on the trading book. Portfolio is held for trading for the purpose of earning profit from the bid-ask spread. Any positions aside from the above trading book will be in the banking book.

a) Strategy

In order to control market risk effectively and ensure flexibility in operating the transaction strategy, the Bank carries out various assessment and control procedures. The portfolio of trading book has the risk limit for each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

b) Policy and procedure

The Bank sets the "Rules of Market Risk Management" as the important regulation that should be complied with when holding trading portfolio.

c) Valuation policy

If the financial instruments of trading book have market values, they should be evaluated at least once each day based on information from independent and easily accessible sources. If the financial instruments are evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

d) Method of measurement

i. The assumptions and calculation method are described in the VaR section.

ii. The Bank executes the stress testing monthly based on the following scenarios: The fluctuation of interest rate at 150bp, changes in domestic and foreign equity securities price at 15% and 20% respectively and foreign exchange rate at 5%, and reports to the risk management committee regularly.

4) Interest risk management of trading book

a) Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the fair value changes due to fluctuations in interest rates. The main instruments include the securities and derivatives that are related to interest rates.

b) Interest risk management procedure of trading book

The Bank prudently chooses its investment target by studying the credibility and financial position of the securities issuers, and the sovereign risk and the trend of interest rates of the country. According to the operating strategy and the circumstances of the market, the Bank sets the transaction limit and stop-loss limit (including the limits of dealing room, traders, and investment, etc.) of the trading book that are reported to the executive management or the board of directors for approval.

c) Method of measurement

i. The assumptions and calculation method are described in the VaR section.
ii. The Bank measures the investment portfolio’s interest risk exposure with DV01 monthly.

5) Interest risk management of banking book

The interest risk of banking book means that adverse changes in interest rates affect the value and cash flow of the banking book position, resulting in current or potential risks to the Bank’s capital and earnings.

a) Strategy

Based on the principle of prudent operation and conservation, the first priority is on the diversification and stability of assets and liabilities, and then on safety and profitability, and the Company should pay attention to risk diversification.

b) Management procedure

The Company has established interest risk indicators of banking book to control the banking book interest risk. If the indicators are abnormal, the possible offset treatment should be evaluated and reported to the Asset and Liability Management Committee to review the asset and liability structure and pricing principles, so as to reduce or control the adverse impact on earnings or net worth.

c) Method of measurement

Measurement methods of banking book interest risk include repricing gap analysis, earnings viewpoint (ΔNII) analysis, and economic value viewpoint (ΔEVE) analysis. The Company adopts appropriate measurement methods to manage banking book interest risk in accordance with local regulatory requirements or internal management needs.

6) Foreign exchange risk management

a) Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange at different times. The Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option, etc. The Bank's foreign exchange transactions are implemented daily to offset clients' positions. Thus, the Bank is not exposed to significant foreign exchange risk.

b) Policy, procedure and measurement method of foreign exchange risk management

In order to control foreign exchange risk, the Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, the Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR are described in the VaR section.

For foreign exchange risk, the Bank sets the scenario at 5% fluctuation of foreign exchange rates of major currencies to execute the stress testing quarterly, and reports to the risk management committee.

c) The significant portfolios of foreign currency financial assets and liabilities are as follows:

Unit: In Thousands of Foreign Currency

	December 31, 2023		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 20,934,420	30.7350	$ 643,419,399
AUD	3,160,037	21.0058	66,379,105
HKD	12,738,573	3.9340	50,113,546
Non-monetary items			
USD	887,476	30.7350	27,276,575
HKD	5,090,023	3.9340	20,024,150
THB	3,473,375	0.8988	3,121,869

(Continued)

	December 31, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
Financial liabilities			
Monetary items			
USD	$ 25,048,202	30.7350	$ 769,856,488
CNY	7,199,103	4.3305	31,175,716
AUD	1,119,410	21.0058	23,514,103
Non-monetary items			
USD	937,040	30.7350	28,799,924
HKD	4,559,398	3.9340	17,936,672
AUD	979	21.0058	20,565

(Concluded)

	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 16,533,277	30.7080	$ 507,703,870
AUD	2,313,708	20.8246	48,182,044
HKD	9,921,435	3.9383	39,073,587
Non-monetary items			
USD	938,639	30.7080	28,823,726
HKD	2,986,734	3.9383	11,762,655
THB	3,473,375	0.8894	3,089,220
Financial liabilities			
Monetary items			
USD	22,859,666	30.7080	701,974,624
CNY	7,663,025	4.4079	33,777,848
AUD	1,146,528	20.8246	23,875,987
Non-monetary items			
USD	968,299	30.7080	29,734,526
HKD	3,405,919	3.9383	13,413,531
CNY	2,494	4.4079	10,993

As the Company has a large variety of foreign currencies, it is not practicable to disclose foreign currency exchange gain or loss based on each foreign currency’s exposure to major impact. The foreign currency exchange gains were $1,814,170 thousand and $2,180,645 thousand for the years ended December 31, 2023 and 2022, respectively.

7) Risk management of equity securities price

a) Definition of risk of equity securities price

The market risk of equity securities held by the Bank includes the individual risk from the fluctuation of individual equity securities’ market price and general market risk from the fluctuation of the overall price trend.

b) Purpose of risk management of equity securities price

The purpose is to avoid the massive fluctuation of equity securities price that worsens the Bank's financial situation or earnings; to raise the operating efficiency of capital and strengthen the business operation.

c) Procedure of risk management of equity securities price

The Bank sets investment limits on market risk in addition to the countries, industries and companies. Above limitation are approved by the board of directors. Once the transaction reaches its stop-loss limitation, response will be implemented immediately. In special circumstances, the transaction department should document the response plan, report to the executive management for approval and report to the board of directors regularly.

d) Measurement method

The risk of equity securities price in trading book is mainly controlled by VaR.

8) Value-at-risk of the trading books

Value-at-risk (VaR) is the Bank's tool to control market risk. VaR is a statistical measure that assesses potential losses of financial instruments caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. The Bank applies historical simulation with a statistical confidence of 99%. The following form indicates the VaR which is the estimation of potential amount of loss within one day. The statistical confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Based on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

December 31, 2023				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 475,212	$ 740,017	$ 267,725	$ 633,802
Foreign exchange rate	132,858	262,458	24,287	24,287
Equity securities price	142,206	218,808	64,876	198,309

December 31, 2022				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 252,904	$ 292,247	$ 215,547	$ 267,725
Foreign exchange rate	154,112	227,124	84,253	149,695
Equity securities price	159,701	365,415	61,215	69,494

The Bank transacts derivative contracts within the allowed market risk limit. The objectives in trading derivative instruments are to meet customers' hedging and trading needs or to manage the Bank's exposure to risks and to generate revenues through trading activities.

9) Market risk stress testing

The stress testing is used to measure the maximum loss of risk asset portfolio under the worst-case scenario. The Bank takes into consideration various types of risk factors for holding positions during market risk stress testing and the results will be reported to the executive management regularly.

Stress Testing			
Market/Product	**Scenarios**	**December 31, 2023**	**December 31, 2022**
Stock market	Major domestic stock exchanges + 15%	$ 1,688,630	$ 524,137
	Major domestic stock exchanges - 15%	(1,688,630)	(524,137)
	Major foreign stock exchanges + 20%	-	39,238
	Major foreign stock exchanges - 20%	-	(39,238)
Interest rate/bond market	Major interest rate + 150bp	(3,727,660)	(2,596,593)
	Major interest rate - 150bp	1,328,162	1,408,178
Foreign exchange market	Major currencies +5%	327,284	277,947
	Major currencies - 5%	(327,284)	(277,947)

Note: The information of stress testing is defined by market risk management.

10) Market risk sensitivity analysis

a) Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or "PVBP") represent the change in the net present value of the interest rate derivative portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. The Bank's interest rate-sensitive portfolios include government bonds, corporate bonds, interest rate swaps, forward rate agreements and interest rate collars.

b) Foreign exchange risk

Foreign exchange rate factor sensitivities ("FX delta") represent the change of the foreign exchange portfolios (i.e., forward exchange transactions and currency swaps) caused by the underlying currency exchange rate fluctuation.

c) Equity securities price risk

Equity securities price factor sensitivities ("Equity delta") represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% in the underlying stocks prices fluctuation. The Bank's equity portfolios include stocks and equity index options.

		December 31, 2023	
Risk Factors	**Changes (+/-)**	**Sensitivity of Profit or Loss**	**Sensitivity of Equity**
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	$ 65,457	$ -
	Exchange rate of each currency - 1%	(65,457)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(24,851)	-
	Yield curves parallel shift - 1bp	8,854	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	13,517	99,058
	Equity securities price - 1%	(13,517)	(99,058)

		December 31, 2022	
Risk Factors	**Changes (+/-)**	**Sensitivity of Profit or Loss**	**Sensitivity of Equity**
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	$ 55,589	$ -
	Exchange rate of each currency - 1%	(55,589)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(17,311)	-
	Yield curves parallel shift - 1bp	9,388	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	1,564	35,340
	Equity securities price - 1%	(1,564)	(35,340)

Note: The information of sensitivity analysis is defined by market risk management.

11) Effect of interest rate benchmark reform

The Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is "forward looking", which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a "backward-looking" rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, when existing contracts and agreements that reference USD LIBOR transfer to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Bank's counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

The Bank established a USD LIBOR transition project plan to handle risk management policy changes, internal process adjustments, IT system updates and valuation model adjustments, as well as any related tax and accounting issues in accordance with interest rate benchmark reform. As of December 31, 2023, changes required to IT systems and internal processes have been identified, and the Bank has completed the transition of LIBOR derivatives and non-derivative financial assets and liabilities to the benchmark interest rate.

d. Transfers of financial assets

Financial assets transferred that have not been fully removed

During the Company's daily operations, transferred financial assets that do not meet the criteria for full derecognition are mostly made up of debt securities used as counterparty collateral for repurchase agreements or equity securities lent as part of securities lending agreement. The nature of these transactions is secured loans, and reflects the liability where the Company is obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, the Company will not be able to use, sell or pledge such transferred financial assets during the effective period. However, the Company is still exposed to interest rate risk and credit risk, hence they are not derecognized.

The following table is an analysis of financial assets and financial liabilities that have not been fully derecognized:

	December 31, 2023				
Category of Financial Assets	**Transferred Financial Assets Carrying Value**	**Related Financial Liabilities Carrying Value**	**Transferred Financial Assets Fair Value**	**Related Financial Liabilities Fair Value**	**Net Fair Value**
Financial assets at fair value through other comprehensive income					
Repurchase agreements	$ 18,293,739	$ 17,909,086	$ 18,293,739	$ 17,909,086	$ 384,653
Investments in debt instruments measured at amortised cost					
Repurchase agreements	536,129	409,406	516,314	409,406	106,908

	December 31, 2022				
Category of Financial Assets	**Transferred Financial Assets Carrying Value**	**Related Financial Liabilities Carrying Value**	**Transferred Financial Assets Fair Value**	**Related Financial Liabilities Fair Value**	**Net Fair Value**
Financial assets at fair value through other comprehensive income					
Repurchase agreements	$ 18,473,749	$ 18,969,910	$ 18,473,749	$ 18,969,910	$ (496,161)
Investments in debt instruments measured at amortised cost					
Repurchase agreements	15,297,777	11,761,896	13,290,096	11,761,896	1,528,200

e. Offsetting financial assets and liabilities

The Company engages in financial instrument transactions that are offset in accordance with IAS 32, section 42, and the financial assets and financial liabilities that are relevant to such transactions are presented in the balance sheets at net amount.

The Company is also engaged in financial instrument transactions that are not offset in accordance with the regulations, but entered into enforceable master netting arrangements or other similar agreements with counterparties, for example, global master repurchase agreements, global securities lending agreements, or other similar agreements. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or, if not, the financial instruments could be settled at gross amount. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

December 31, 2023

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 79,815,708	$ -	$ 79,815,708	$ 79,815,708	$ -	$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 82,644,730	$ -	$ 82,644,730	$ 79,815,708	$ 2,829,022	$ -
Repurchase agreements	18,318,492	-	18,318,492	17,663,248	655,244	-

December 31, 2022

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 84,633,679	$ -	$ 84,633,679	$ 81,976,127	$ 2,657,552	$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 81,976,127	$ -	$ 81,976,127	$ 81,976,127	$ -	$ -
Repurchase agreements	30,731,806	-	30,731,806	26,843,862	3,887,944	-

Note: Master netting arrangement and non-cash collateral are included.

51. CAPITAL MANAGEMENT

a. Capital adequacy maintain strategy

The eligible capital of the Company must conform to the regulatory capital requirements and achieve the minimum adequacy ratio. The calculation of the eligible capital and regulatory capital should comply with the rules issued by the authorities.

b. Capital assessment procedure

To ensure the Company possesses sufficient capital to assume various risk, the Company assesses required capital for the portfolios and characteristics of risk and execute risk management through capital allocation to realize optimization of resources.

c. Information on the Company's CAR was as follows:

(Unit: In Thousands of New Taiwan Dollars, %)

<table>
<tr><th colspan="3" rowspan="2">Year / Items</th><th colspan="2">December 31, 2023</th></tr>
<tr><th>Standalone</th><th>Consolidated</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Common equity</td><td>245,759,810</td><td>249,264,018</td></tr>
<tr><td colspan="2">Other Tier 1 capital</td><td>35,283,100</td><td>35,283,100</td></tr>
<tr><td colspan="2">Tier 2 capital</td><td>42,759,357</td><td>43,834,688</td></tr>
<tr><td colspan="2">Eligible capital</td><td>323,802,267</td><td>328,381,806</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standardized approach</td><td>1,750,913,872</td><td>1,836,940,334</td></tr>
<tr><td>Internal ratings-based approach</td><td>-</td><td>-</td></tr>
<tr><td>Securitization</td><td>32,296,588</td><td>32,296,588</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>-</td><td>-</td></tr>
<tr><td>Standardized approach/alternative standardized approach</td><td>188,561,652</td><td>197,900,392</td></tr>
<tr><td>Advanced measurement approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standardized approach</td><td>73,135,692</td><td>77,798,753</td></tr>
<tr><td>Internal model approach</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Risk-weighted assets</td><td>2,044,907,804</td><td>2,144,936,067</td></tr>
<tr><td colspan="3">Capital adequacy ratio (%)</td><td>15.83%</td><td>15.31%</td></tr>
<tr><td colspan="3">Ratio of common equity to risk-weighted assets (%)</td><td>12.02%</td><td>11.62%</td></tr>
<tr><td colspan="3">Ratio of Tier 1 capital to risk-weighted assets (%)</td><td>13.74%</td><td>13.27%</td></tr>
<tr><td colspan="3">Leverage ratio (%)</td><td>6.52%</td><td>6.36%</td></tr>
</table>

<table>
<tr><th colspan="3" rowspan="2">Year
Items</th><th colspan="2">December 31, 2022</th></tr>
<tr><th>Standalone</th><th>Consolidated</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Common equity</td><td>207,933,529</td><td>214,850,222</td></tr>
<tr><td colspan="2">Other Tier 1 capital</td><td>35,265,280</td><td>35,265,280</td></tr>
<tr><td colspan="2">Tier 2 capital</td><td>46,796,841</td><td>47,815,554</td></tr>
<tr><td colspan="2">Eligible capital</td><td>289,995,650</td><td>297,931,056</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standardized approach</td><td>1,651,800,920</td><td>1,733,297,988</td></tr>
<tr><td>Internal ratings-based approach</td><td>-</td><td>-</td></tr>
<tr><td>Securitization</td><td>25,284,925</td><td>25,284,925</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>-</td><td>-</td></tr>
<tr><td>Standardized approach/alternative standardized approach</td><td>156,375,480</td><td>165,441,898</td></tr>
<tr><td>Advanced measurement approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standardized approach</td><td>52,682,253</td><td>55,965,239</td></tr>
<tr><td>Internal model approach</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Risk-weighted assets</td><td>1,886,143,578</td><td>1,979,990,050</td></tr>
<tr><td colspan="3">Capital adequacy ratio (%)</td><td>15.38%</td><td>15.05%</td></tr>
<tr><td colspan="3">Ratio of common equity to risk-weighted assets (%)</td><td>11.02%</td><td>10.85%</td></tr>
<tr><td colspan="3">Ratio of Tier 1 capital to risk-weighted assets (%)</td><td>12.89%</td><td>12.63%</td></tr>
<tr><td colspan="3">Leverage ratio (%)</td><td>6.16%</td><td>6.12%</td></tr>
</table>

Note 1: Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks.”

Note 2: Formulas used were as follows:

1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital

2) Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets

4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets

6) Leverage ratio = Tier 1 capital ÷ Exposure measurement

The Banking Law and related regulations require the Bank to maintain its unconsolidated and consolidated CARs at a minimum of 10.5%, the Tier 1 Capital Ratio at a minimum of 8.5% and the Common Equity Tier 1 Ratio at a minimum of 7%. In addition, if the Bank’s CAR falls below the minimum requirement, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

52. UNCONSOLIDATED STRUCTURED ENTITIES

The Company does not provide financial support or other support to the unconsolidated structured entities. The Company's maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets the Company recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

Type of Structured Entity	Nature and Purpose	Interests Owned
Asset securitization products	Investment in asset securitization products to receive returns	Investment in asset-backed securities issued by the entity

The carrying amounts of assets recognized by the Company as of December 31, 2023 and 2022 relating to its interests in unconsolidated structured entities are disclosed as follows:

	December 31	
	2023	2022
Financial assets at FVTOCI	$ 18,546,743	$ 7,052,947
Investments in debt instruments measured at amortised cost	70,736,135	64,589,746
	$ 89,282,878	$ 71,642,693

53. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Bank

a. Credit risk

1) Asset quality: Please refer to Table 1.

2) Concentration of credit extensions

(Unit: In Thousands of New Taiwan Dollars, %)

December 31, 2023			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	$ 24,761,050	9.11
2	Group B - packaging and testing of semi-conductors	17,226,054	6.33
3	Group C - manufacture of computers	12,171,333	4.48
4	Group D - casting of aluminum	10,000,000	3.68
5	Group E - convenience stores, chain	8,096,142	2.98
6	Group F - real estate development activities	7,919,540	2.91
7	Group G - real estate activities for sale and rental with own or leased property	7,154,000	2.63
8	Group H - real estate development activities	6,982,857	2.57
9	Group I - manufacture of computers	6,385,530	2.35
10	Group J - activities of other holding companies	6,208,578	2.28

December 31, 2022			
Rank	**Industry Category of Company or Group**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group A - other financial service activities not elsewhere classified	$ 24,871,373	10.46
2	Group B - manufacture of computers	11,951,585	5.03
3	Group C - real estate activities for sale and rental with own or leased property	6,688,000	2.81
4	Group D - manufacture of computers	6,682,966	2.81
5	Group E - real estate development activities	6,678,900	2.81
6	Group F - casting of aluminum	6,000,000	2.52
7	Group G - wired telecommunications activities	5,832,124	2.45
8	Group H - real estate development activities	5,380,257	2.26
9	Group I - manufacture of computers	5,030,605	2.12
10	Group J - activities of other holding companies	4,250,693	1.79

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollars)

(Unit: In Thousands of New Taiwan Dollars, %)

December 31, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,555,384,283	$ 46,005,367	$ 93,540,923	$ 166,381,743	$ 2,861,312,316
Interest rate-sensitive liabilities	209,611,134	1,966,210,900	313,789,044	54,815,646	2,544,426,724
Interest rate sensitivity gap	2,345,773,149	(1,920,205,533)	(220,248,121)	111,566,097	316,885,592
Net worth					271,931,243
Ratio of interest rate-sensitive assets to liabilities					112.45%
Ratio of interest rate sensitivity gap to net worth					116.53%

December 31, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,317,133,829	$ 48,638,662	$ 146,349,593	$ 149,035,769	$ 2,661,157,853
Interest rate-sensitive liabilities	184,758,528	1,850,755,542	281,073,767	67,059,704	2,383,647,541
Interest rate sensitivity gap	2,132,375,301	(1,802,116,880)	(134,724,174)	81,976,065	277,510,312
Net worth					237,734,228
Ratio of interest rate-sensitive assets to liabilities					111.64%
Ratio of interest rate sensitivity gap to net worth					116.73%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars)

Interest Rate Sensitivity (U.S. Dollars)

(Unit: In Thousands of U.S. Dollars, %)

December 31, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 11,681,053	$ 2,509,636	$ 1,926,256	$ 9,924,929	$ 26,041,874
Interest rate-sensitive liabilities	16,872,723	4,601,223	5,613,955	4,555,065	31,642,966
Interest rate sensitivity gap	(5,191,670)	(2,091,587)	(3,687,699)	5,369,864	(5,601,092)
Net worth					8,847,608
Ratio of interest rate-sensitive assets to liabilities					82.30%
Ratio of interest rate sensitivity gap to net worth					(63.31%)

December 31, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 12,410,651	$ 1,728,541	$ 912,236	$ 8,776,882	$ 23,828,310
Interest rate-sensitive liabilities	15,504,653	4,287,079	5,490,219	5,533,033	30,814,984
Interest rate sensitivity gap	(3,094,002)	(2,558,538)	(4,577,983)	3,243,849	(6,986,674)
Net worth					7,741,769
Ratio of interest rate-sensitive assets to liabilities					77.33%
Ratio of interest rate sensitivity gap to net worth					(90.25%)

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

c. Liquidity risk

1) Profitability (consolidated information)

(Unit: %)

Items		For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Return on total assets	Before income tax	0.89	0.84
	After income tax	0.71	0.70
Return on equity	Before income tax	13.94	12.59
	After income tax	11.19	10.44
Net income ratio		33.33	34.35

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenue

Note 4: Income before (after) income tax represents income for the years ended December 31, 2023 and 2022.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(Unit: In Thousands of New Taiwan Dollars)

December 31, 2023

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,478,224,689	$ 527,532,916	$ 369,053,716	$ 332,701,870	$ 254,690,594	$ 390,683,886	$ 1,603,561,707
Main capital outflow on maturity	4,307,534,770	213,455,065	280,477,385	640,935,447	677,633,343	781,545,438	1,713,488,092
Gap	(829,310,081)	314,077,851	88,576,331	(308,233,577)	(422,942,749)	(390,861,552)	(109,926,385)

December 31, 2022

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,427,100,716	$ 493,947,489	$ 357,472,895	$ 399,922,375	$ 290,172,438	$ 459,769,160	$ 1,425,816,359
Main capital outflow on maturity	4,126,929,540	274,755,910	227,848,929	620,704,006	604,177,127	753,511,191	1,645,932,377
Gap	(699,828,824)	219,191,579	129,623,966	(220,781,631)	(314,004,689)	(293,742,031)	(220,116,018)

Note: The above amounts included only New Taiwan dollar amounts held by the Bank (i.e., excluding foreign currency).

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(Unit: In Thousands of U.S. Dollars)

December 31, 2023

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 99,195,230	$ 40,720,995	$ 24,945,404	$ 12,758,246	$ 8,110,737	$ 12,659,848
Main capital outflow on maturity	101,553,407	35,613,226	25,738,526	13,711,195	17,314,295	9,176,165
Gap	(2,358,177)	5,107,769	(793,122)	(952,949)	(9,203,558)	3,483,683

December 31, 2022

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 90,902,217	$ 30,135,120	$ 23,226,426	$ 15,171,143	$ 11,018,366	$ 11,351,162
Main capital outflow on maturity	94,818,479	26,469,765	23,748,428	15,681,219	19,004,002	9,915,065
Gap	(3,916,262)	3,665,355	(522,002)	(510,076)	(7,985,636)	1,436,097

Note: The above amounts included only U.S. dollar amounts held by the Bank.

54. OPERATING SEGMENTS

For management purposes, the Company divides operating units based on different products and services. The four reportable segments are as follows:

a. Corporate banking unit: Syndicated loan, large scale, group and general credit business;

b. Individual banking unit: Deposits and consumer loans, foreign exchange service, endorsement guarantees business, note discounting, safe deposits boxes, credit card - related products, and trust business;

c. International banking unit: Offshore banking units, overseas branches and representative office; and

d. Other units: These parts contain the Company’s assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

The analysis of the Company's operating revenue and results by reportable segment was as follows:

	For the Year Ended December 31, 2023				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (externally)	$ 12,536,362	$ 10,581,653	$ 6,378,776	$ 22,246,499	$ 51,743,290
Segment revenue (expense)	$ (3,894,575)	$ 34,742,009	$ 3,507,607	$(34,355,041)	$ -
Segment net income	$ 6,220,743	$ 30,269,530	$ 4,959,707	$ (5,380,787)	$ 36,069,193
Income tax expense					(7,102,387)
Income after income tax					$ 28,966,806

	For the Year Ended December 31, 2022				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (externally)	$ 10,663,190	$ 19,897,287	$ 6,966,913	$ 11,177,100	$ 48,704,490
Segment revenue (expense)	$ (3,096,839)	$ 17,398,681	$ 1,605,954	$(15,907,796)	$ -
Segment net income	$ 5,713,961	$ 30,239,971	$ 4,678,087	$ (9,621,699)	$ 31,010,320
Income tax expense					(5,298,617)
Income after income tax					$ 25,711,703

Note 1: No revenue from transactions with a single external customer amounted to 10% or more of the Company's total revenue.

Note 2: Operating segments' profit are measured on a pre-tax income basis, the income taxes are not allocated to reporting segments for the purpose of making decisions about resource allocation and performance assessment.

Note 3: As the Company provided the average amount of deposits and loans to measure assets and liabilities, the measured amount of assets and liabilities is not disclosed.

55. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the year ended December 31, 2023

	Opening Balance	Cash Flows	Non-cash Changes: New Leases	Non-cash Changes: Fair Value Adjustments	Non-cash Changes: Others	Closing Balance
Financial debentures payable	$ 37,147,398	$ (10,048,944)	$ -	$ -	$ 1,546	$ 27,100,000
Financial liabilities designated as at fair value through profit or loss - financial debentures	39,076,751	-	-	1,369,640	34,830	40,481,221
Guarantee deposits received	8,487,786	(601,867)	-	-	-	7,885,919
Lease liabilities	3,636,660	(1,703,924)	1,764,542	-	(23,710)	3,673,568

For the year ended December 31, 2022

	Opening Balance	Cash Flows	Non-cash Changes: New Leases	Non-cash Changes: Fair Value Adjustments	Non-cash Changes: Others	Closing Balance
Due to the Central Bank and banks	$ 1,076,000	$ (1,076,000)	$ -	$ -	$ -	$ -
Financial debentures payable	46,800,000	(9,691,144)	-	-	38,542	37,147,398
Financial liabilities designated as at fair value through profit or loss - financial debentures	40,587,123	-	-	(5,403,592)	3,893,220	39,076,751
Guarantee deposits received	4,468,668	4,019,118	-	-	-	8,487,786
Lease liabilities	3,679,114	(1,599,199)	1,498,942	-	57,803	3,636,660

56. ADDITIONAL DISCLOSURES

a. Related information of significant transactions:

1) Financing provided: The Bank - not applicable; subsidiaries - not applicable

2) Endorsement/guarantee provided: The Bank - not applicable; subsidiaries - not applicable

3) Marketable securities held: The Bank - not applicable; subsidiaries - not applicable

4) Investees’ securities acquired or disposed of at costs or prices of at least $300 million or 10% of the paid-in capital: The Bank - none; subsidiaries - none

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least $300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least $5 million: None

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: None

9) Sale of nonperforming loans: None

10) Asset securitization under the “Regulations for Financial Asset Securitization”: None

11) Other significant transactions which may affect the decisions of users of financial reports: Table 1 (attached)

12) Derivative transactions: Note 8

b. Related information and proportionate share in investees: Table 2 (attached)

c. Investments in mainland China: Table 3 (attached)

d. Intercompany relationships and significant intercompany transactions

   For the detailed information of intercompany relationships and significant intercompany transactions, refer to Table 4 (attached).

e. Information on major shareholders

   A bank whose stock is listed on the TWSE or listed on the TPEx shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5% or more of the Bank's equity: Not applicable.

TABLE 1

CATHAY UNITED BANK CO., LTD.

ASSET QUALITY - NONPERFORMING LOANS
AS OF DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2023					December 31, 2022				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 351,596	$ 417,319,682	0.08%	$ 2,226,855	633.36%	$ 202,628	$ 362,477,214	0.06%	$ 2,066,060	1019.63%
	Unsecured		256,523	354,592,441	0.07%	10,923,436	4258.26%	213,726	321,503,794	0.07%	9,536,652	4462.09%
Consumer banking	Housing mortgage (Note 4)		511,314	561,454,493	0.09%	8,872,209	1735.18%	261,954	537,259,813	0.05%	8,362,419	3192.32%
	Cash cards		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		617,034	142,052,519	0.43%	6,350,300	1029.17%	332,382	135,356,408	0.25%	5,074,001	1526.56%
	Other (Note 6)	Secured	758,802	701,084,992	0.11%	7,500,658	988.49%	472,542	612,557,071	0.08%	7,069,223	1496.00%
		Unsecured	24,097	55,400,843	0.04%	735,340	3051.54%	26,712	25,180,026	0.11%	350,285	1311.35%
Loans			$ 2,519,366	$ 2,231,904,970	0.11%	$ 36,608,798	1453.10%	$ 1,509,944	$ 1,994,334,326	0.08%	$ 32,458,640	2149.66%
			Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio
Credit cards			$ 197,516	$ 95,453,456	0.21%	$ 2,423,613	1227.05%	$ 110,659	$ 98,759,035	0.11%	$ 2,194,012	1982.68%
Accounts receivable factored without recourse (Note 7)			-	2,695,574	-	42,668	-	-	4,523,885	-	45,687	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance

Note 3: Coverage ratio of loans: Allowance for credit losses for loans ÷ Nonperforming loans
Coverage ratio of credit card receivables: Allowance for credit losses for credit card receivables ÷ Nonperforming credit card receivables

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards and small-scale credit loans, excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

(Continued)

Not reported as nonperforming loans or nonperforming receivables

Types \ Items	December 31, 2023		December 31, 2022	
	Not Reported as Nonperforming Loans	**Not Reported as Nonperforming Receivables**	**Not Reported as Nonperforming Loans**	**Not Reported as Nonperforming Receivables**
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 322	$ 15,247	$ 672	$ 24,228
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	147,370	1,016,657	117,647	1,101,341
Total	$ 147,692	$ 1,031,904	$ 118,319	$ 1,125,569

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 and September 20, 2016 (Ref. No. 09700318940 and No. 10500134790).

(Concluded)

TABLE 2

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEES
AS OF DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, %)

Investor Company	Investee Company (Note 1)	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Subsidiaries in Investees (Note 1)			
									Total	
							Shares (Thousands)	Pro Forma Shares (Note 2)	Shares (Thousands)	Percentage of Ownership (%)
Cathay United Bank Co., Ltd.	Financial-related business									
	Taiwan Depository & Clearing Corporation	Taipei	Centralized securities depository of enterprises	0.17	$ 84,340	$ 2,872	3,823	-	3,823	0.58
	Taipei Forex Inc.	Taipei	Foreign exchange broker	4.04	57,197	7,040	800	-	800	4.04
	Taiwan Future Exchange Co., Ltd.	Taipei	Futures exchange	0.62	804,854	8,071	3,408	-	3,408	0.62
	Financial Information Service Co., Ltd.	Taipei	Data processing services	2.41	758,469	34,586	12,577	-	12,577	2.41
	Taiwan Finance Corporation	Taipei	Bills financing	24.57	1,693,418	35,981	126,814	-	126,814	24.57
	Waterland Securities Co., Ltd.	Taipei	Integrated securities houses	10.32	1,108,158	21,437	122,874	-	122,874	12.03
	Taiwan Asset Management Corporation	Taipei	Financial institution's debt purchase, evaluation or auction business	5.79	984,621	40,392	61,200	-	61,200	5.79
	Taiwan Financial Asset Service Corporation	Taipei	Financial institution credit evaluation or auction services	5.88	195,108	1,450	10,000	-	10,000	5.88
	Sunny Asset Management Co.	Taipei	Financial institution's debt purchase and other services	9.37	15,479	763	562	-	562	9.37
	EasyCard Corporation	Taipei	Electronic payment	1.96	123,697	1,033	1,701	-	1,701	2.43
	Visa	Los Angeles	Credit card business	0.02	3,706,172	27,086	476	-	476	0.02
	Indovina Bank Limited	Vietnam	Commercial banking	50.00	3,934,432	161,308	Note 3	-	Note 3	50.00
	Cathay United Bank (Cambodia) Corporation Limited	Cambodia	Commercial banking	100.00	4,059,111	80,725	100,000	-	100,000	100.00
	Taiwan Mobile Payment Co.	Taipei	Trust service manager (TSM)	4.00	15,238	-	2,400	-	2,400	4.00
	Philippine Clearing House Corporation (PCHC)	Philippines	Bills financing	1.69	32,319	-	21	-	21	1.69
	Quantifeed Holdings Limited	Cayman Islands	Bills financing	5.45	63,062	-	2,829	-	2,829	5.45
	Cathay United Bank (China) Limited	China	Commercial banking	100.00	16,589,165	255,613	Note 3	-	Note 3	100.00
	Srisawad Corp. PCL	Thailand	Holding industry	4.60	2,312,077	100,937	125,827	-	125,827	9.16
	Non-financial-related business									
	An Feng Enterprises Co., Ltd.	Taipei	ATM bill supplement business	15.00	16,536	630	450	-	450	15.00
	Taiwan Real Estate Management Co., Ltd.	Taipei	Real estate management	30.15	99,255	2,946	9,044	-	9,044	30.15
	CDIB & PARTNERS Investment Holding Corporation	Taipei	Investment	4.95	822,480	-	108,000	-	108,000	9.90
	EasyCard Investment Holding Co., Ltd.	Taipei	Investment	4.91	185,098	3,679	4,184	-	4,184	6.28
	Kaohsiung Rapid Transit Corporation	Kaohsiung	Public rapid transit	1.38	41,811	-	3,845	-	3,845	1.38
	HanTech Venture Capital Co., Ltd.	Taipei	Venture capital	12.95	71,983	3,191	7,092	-	7,092	12.95
	Harbinger Venture Capital Co., Ltd.	Taipei	Venture capital	3.35	46	-	26	-	26	13.35
Cathay United Bank (Cambodia) Corporation Limited	Non-financial-related business									
	CUBC Investment Co., LTD.	Cambodia	Investment	49.00	52,984	(249)	Notes 3 and 4	-	Notes 3 and 4	49.00
Cathay United Bank (China) Limited	Financial-related business									
	Chongqing Ant Consumer Finance Co., Ltd.	China	Consumer financing	3.48	3,464,367	-	Note 3	-	Note 3	3.48

Note 1: Shares or pro forma shares held by the Bank, directors, president, vice president and affiliates have been included in accordance with the Company Act.

Note 2:
a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of Banking Law.
b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of "Securities and Exchange Law Enforcement Rules".
c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in IFRS 9.

Note 3: Unissued stock.

Note 4: Cathay United Bank (Cambodia) Corporation Limited held 49% of the shares of CUBC-I. Through an agency agreement with the rest of shareholders, it actually controls the operations of CUBC-I and the composition of its board of directors, and obtains 100% of its economic benefits, therefore, CUBC-I is listed as a subsidiary of CUBC Bank.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2023 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow							
Cathay United Bank (China) Limited	Local government approved banking	$ 14,377,562 (CNY 3,000,000 thousand)	Direct	$ 14,377,562 (CNY 3,000,000 thousand)	$ -	$ -	$ 14,377,562 (CNY 3,000,000 thousand)	$ 255,613	100	$ 255,613	$ 16,589,165	$ -	

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amount Approved by the Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 1)
$14,377,562 (CNY3,000,000 thousand)	$14,377,562 (CNY3,000,000 thousand)	$165,519,405

Note 1: Based on the Investment Commission's "Regulation on Examination of Investment or Technical Cooperation in Mainland China" investments are limited to the larger of 60% of the Bank's net asset value or 60% of the Company's consolidated net asset value.

Note 2: The Investment Commission of the Ministry of Economic Affairs ("MOEAIC") authorized the Bank to remit US$60,067,239 (CNY400,000,000). Based on the capital verification report issued by local accountants in mainland China, the Shanghai branch of the Bank was authorized to remit the total amount of working capital of US$59,768,397.46, and the remaining amount of US$298,841.54 was repatriated on November 5, 2010. The Bank reported to MOEAIC to revise the amount of the investment on January 18, 2011, and it was authorized by MOEAIC on January 24, 2011. Also, MOEAIC authorized the Bank to remit US$95,024,128 (CNY600,000,000). Based on the capital verification report issued by local accountants in mainland China, Shanghai branch of the Bank was authorized to remit the total amount of working capital of US$94,929,198.64, and the remaining amount of US$94,929.36 was repatriated on February 1, 2012. The Bank reported to MOEAIC to revise the amount of the investment on March 20, 2012, and it was authorized by MOEAIC on March 26, 2012. MOEAIC agreed to the Bank to increase the working capital of Shanghai branch by US$164,000,000 (CNY1,000,000,000) on February 27, 2014, and was authorized by MOEAIC on July 10, 2014. MOEAIC agreed to the Bank to increase the working capital of the Qingdao branch by US$98,199,673 (CNY600,000,000) on January 21, 2014, and was authorized by MOEAIC on October 30, 2014. The Bank obtained approval from MOEAIC to increase the working capital of Shenzhen branch by US$60,708,160.70 (CNY400,000,000) on January 5, 2015, and was authorized by MOEAIC on December 22, 2016.

Note 3: The registered capital of Cathay United Bank (China) Limited was CNY3,000,000,000, which was transferred to the working capital of Cathay United Bank (China) Limited after the merger of Cathay United Bank Shanghai branch, Qingdao branch and Shenzhen branch was approved by the authorities.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, %)

No. (Note 1)	Transacting Company	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amounts	Terms of Transaction	Percentage of Total Revenue or Total Assets (Note 3)
0	Cathay United Bank	CUBC Bank	a	Call loans to banks - interest revenue	$ 311,859	Note 4	0.36
		CUBC Bank	a	Call loans to banks	5,255,685	Note 4	0.12
		CUBC Bank	a	Due from banks	677,090	Note 4	0.02
		CUBC Bank	a	Interest receivable	140,717	Note 4	0.00
		CUBCN Bank	a	Call loans to banks - interest revenue	126,915	Note 4	0.15
		CUBCN Bank	a	Other financial assets	3,031,321	Note 4	0.07
		CUBCN Bank	a	Interest receivable	193,915	Note 4	0.00

Note 1: The transacting company is identified in the No. column as follows:

a. 0 for parent company.
b. Sequentially from 1 for subsidiaries.

Note 2: The flow of transactions is as follows:

a. From parent company to subsidiary.
b. From subsidiary to parent company.
c. Between subsidiaries.

Note 3: The percentage is calculated as follows:

a. Assets and liabilities: Ending balance divided by total consolidated assets.
b. Income and expenses: The accumulated amount at the end of the period divided by consolidated net income.

Note 4: The terms of the transactions between the Bank and related parties were similar to those for unrelated parties.