Cathay United Bank Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023 Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Cathay United Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively, the "Company") as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including material accounting policy information (collectively referred to as 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 Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 15, 2024

<u>Notice to Readers</u>

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2024		December 31, 2023		March 31, 2023	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	$ 86,674,109	2	$ 105,837,938	2	$ 87,345,041	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 7 and 44)	297,753,006	7	336,768,960	8	367,448,806	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	274,480,917	6	322,291,636	8	292,329,268	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 44, 45 and 49)	337,218,329	8	296,069,646	7	432,369,849	11
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 45 and 49)	601,529,718	14	677,745,166	16	496,691,130	12
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	29,661,135	1	24,166,326	-	20,262,845	1
RECEIVABLES, NET (Notes 4, 13, 15 and 44)	111,500,909	3	116,540,618	3	108,768,008	3
CURRENT INCOME TAX ASSETS (Note 4)	74,418	-	60,174	-	-	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 44)	2,399,689,025	57	2,280,571,067	54	2,117,904,635	53
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 17)	1,804,137	-	1,792,673	-	1,629,414	-
OTHER FINANCIAL ASSETS, NET	166,523	-	153,713	-	152,808	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 18 and 44)	24,188,460	1	24,373,269	1	24,217,852	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 19 and 44)	3,534,965	-	3,640,704	-	3,750,633	-
INVESTMENT PROPERTIES, NET (Notes 4 and 20)	2,264,282	-	2,287,293	-	2,209,212	-
INTANGIBLE ASSETS, NET (Notes 4 and 21)	8,318,463	-	8,302,654	-	8,332,755	-
DEFERRED TAX ASSETS (Note 4)	4,023,729	-	4,195,335	-	4,339,563	-
OTHER ASSETS, NET (Notes 22 and 44)	33,865,676	1	28,903,636	1	34,887,333	1
TOTAL	$ 4,216,747,801	100	$ 4,233,700,808	100	$ 4,002,639,152	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	$ 124,403,847	3	$ 117,130,854	3	$ 150,581,874	4
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	115,854,926	3	123,125,951	3	102,103,208	3
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 24)	23,173,693	1	18,318,492	-	38,730,911	1
PAYABLES (Notes 25 and 44)	48,796,775	1	41,715,928	1	43,040,809	1
CURRENT TAX LIABILITIES (Note 4)	166,153	-	323,344	-	491,471	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	3,508,564,463	83	3,543,557,812	84	3,293,675,178	82
FINANCIAL DEBENTURES PAYABLE (Note 27)	27,100,000	1	27,100,000	1	37,146,179	1
OTHER FINANCIAL LIABILITIES (Note 28)	63,152,575	1	64,668,563	1	61,414,197	2
PROVISIONS (Notes 4, 15 and 29)	3,728,982	-	3,827,230	-	3,256,302	-
LEASE LIABILITIES (Notes 4, 19 and 44)	3,596,178	-	3,673,568	-	3,819,212	-
DEFERRED TAX LIABILITIES (Note 4)	2,372,257	-	2,210,371	-	1,894,011	-
OTHER LIABILITIES (Notes 4, 31 and 44)	8,584,149	-	12,183,020	-	11,443,639	-
Total liabilities	3,929,493,998	93	3,957,835,133	93	3,747,596,991	94
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 32)						
Capital stock						
Common stock	108,598,655	3	108,598,655	3	108,598,655	3
Capital surplus	38,869,080	1	38,869,080	1	38,869,080	1
Retained earnings						
Legal reserve	85,964,149	2	85,964,149	2	78,748,709	2
Special reserve	16,832,170	-	16,832,170	-	2,077,665	-
Unappropriated earnings	38,448,049	1	27,823,633	1	33,148,561	1
Total retained earnings	141,244,368	3	130,619,952	3	113,974,935	3
Other equity	(5,601,898)	-	(6,156,444)	-	(10,534,620)	(1)
Total equity attributable to owners of the Bank	283,110,205	7	271,931,243	7	250,908,050	6
NON-CONTROLLING INTERESTS (Note 32)	4,143,598	-	3,934,432	-	4,134,111	-
Total equity	287,253,803	7	275,865,675	7	255,042,161	6
TOTAL	$ 4,216,747,801	100	$ 4,233,700,808	100	$ 4,002,639,152	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
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
NET INTEREST REVENUE (Notes 4, 33 and 44)				
Interest income	$ 28,457,964	106	$ 24,382,381	115
Interest expense	(14,781,476)	(55)	(11,612,950)	(55)
Total net interest revenue	13,676,488	51	12,769,431	60
NET REVENUE OTHER THAN INTEREST				
Net service fee revenue (Notes 4, 34 and 44)	7,700,399	28	5,383,914	25
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 35 and 44)	4,738,928	17	2,726,441	13
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4, 9 and 36)	146,840	1	(163,453)	(1)
Gain arising from derecognition of financial assets measured at amortised cost (Notes 4 and 10)	-	-	195	-
Foreign exchange gain (Notes 4 and 50)	551,854	2	418,548	2
Impairment loss on assets (Notes 4 and 37)	(4,363)	-	(56,069)	-
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 17)	12,268	-	8,124	-
Net other revenue other than interest income (Notes 4 and 44)	201,494	1	152,778	1
Total net revenue other than interest	13,347,420	49	8,470,478	40
NET REVENUE	27,023,908	100	21,239,909	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY (PROVISION) REVERSAL (Notes 4, 5, 13, 14, 15 and 38)	(2,382,958)	(9)	98,897	-
TOTAL OPERATING EXPENSES				
Employee benefits expenses (Notes 4, 39 and 44)	(5,985,282)	(22)	(5,207,776)	(25)
Depreciation and amortization expense (Notes 4, 18, 19, 21 and 40)	(969,228)	(4)	(948,257)	(4)
Other general and administrative expense (Notes 4, 41 and 44)	(4,806,507)	(18)	(4,088,877)	(19)
Total operating expenses	(11,761,017)	(44)	(10,244,910)	(48)

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended March 31			
	2024		2023	
	Amount	**%**	**Amount**	**%**
PROFIT BEFORE TAX	$ 12,879,933	47	$ 11,093,896	52
INCOME TAX EXPENSE (Notes 4 and 42)	(2,456,723)	(9)	(1,924,276)	(9)
NET INCOME	10,423,210	38	9,169,620	43
OTHER COMPREHENSIVE INCOME (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	(2,330)	-	(2,723)	-
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	1,796,130	7	663,700	3
Change in fair value of financial liability attributable to change in credit risk of liability	209,796	1	175,608	1
Share of other comprehensive income of associates and joint ventures accounted for using equity method	3,167	-	2,197	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 42)	(159,712)	(1)	(102,840)	-
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	1,279,920	5	(48,040)	-
Share of other comprehensive loss of associates and joint ventures accounted for using equity method	(3,971)	-	(3,017)	-
(Losses) gains from investments in debt instruments measured at fair value through other comprehensive income	(1,956,120)	(7)	3,566,294	17
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 42)	(201,962)	(1)	(113,128)	(1)
Other comprehensive income, net of tax	964,918	4	4,138,051	20
TOTAL COMPREHENSIVE INCOME	$ 11,388,128	42	$ 13,307,671	63

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
PROFIT ATTRIBUTABLE TO:				
Owners of the Bank	$ 10,353,848	38	$ 9,113,422	43
Non-controlling interests	69,362	-	56,198	-
	$ 10,423,210	38	$ 9,169,620	43
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Bank	$ 11,178,962	41	$ 13,163,418	62
Non-controlling interests	209,166	1	144,253	1
	$ 11,388,128	42	$ 13,307,671	63
EARNINGS PER SHARE (Note 43)				
Basic	$ 0.95		$ 0.84	

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
(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, 2023	$ 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)
Net income for the three months ended March 31, 2023	-	-	-	-	9,113,422	-	-	-	-	-	-	56,198	9,169,620
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	(14,202)	3,925,173	140,487	(1,462)	-	4,049,996	88,055	4,138,051
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	9,113,422	(14,202)	3,925,173	140,487	(1,462)	-	4,049,996	144,253	13,307,671
Recognition of share-based payments granted by the parent company	-	10,419	-	-	-	-	-	-	-	-	-	-	10,419
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	9,621	-	(9,621)	-	-	-	(9,621)	-	-
BALANCE AT MARCH 31, 2023	$ 108,598,655	$ 38,869,080	$ 78,748,709	$ 2,077,665	$ 33,148,561	$ (1,306,172)	$ (8,237,905)	$ (288,308)	$ (2,314,334)	$ 1,612,099	$ (10,534,620)	$ 4,134,111	$ 255,042,161
BALANCE AT JANUARY 1, 2024	$ 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
Net income for the three months ended March 31, 2024	-	-	-	-	10,353,848	-	-	-	-	-	-	69,362	10,423,210
Other comprehensive income (loss) for the three months ended March 31, 2024, net of income tax	-	-	-	-	-	909,601	(248,876)	167,837	(3,448)	-	825,114	139,804	964,918
Total comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	10,353,848	909,601	(248,876)	167,837	(3,448)	-	825,114	209,166	11,388,128
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	270,568	-	(270,568)	-	-	-	(270,568)	-	-
BALANCE AT MARCH 31, 2024	$ 108,598,655	$ 38,869,080	$ 85,964,149	$ 16,832,170	$ 38,448,049	$ (610,859)	$ (3,366,697)	$ (665,956)	$ (2,570,485)	$ 1,612,099	$ (5,601,898)	$ 4,143,598	$ 287,253,803

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 12,879,933	$ 11,093,896
Adjustments:		
Depreciation expense	796,068	788,844
Amortization expense	173,160	159,413
Expected credit loss (reversal)	2,382,958	(98,897)
Net gains on financial assets and liabilities at fair value through profit or loss	(4,738,928)	(2,726,441)
Interest expense	14,781,476	11,612,950
Net gains arising from derecognition of financial assets measured at amortised cost	-	(195)
Interest income	(28,457,964)	(24,382,381)
Dividend income	(56,348)	(7,365)
Compensation costs of share-based payments	-	10,419
Share of profit of associates and joint ventures accounted for using equity method	(12,268)	(8,124)
(Gains) losses on disposal of property and equipment	(66,310)	2,699
Gains on disposal of investment properties	(1,740)	-
(Gains) losses on disposal of investments	(90,492)	170,818
Impairment loss on financial assets	4,363	56,069
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(1,013,153)	(1,505,209)
Financial assets at fair value through profit or loss	58,971,495	(72,201,271)
Financial assets at fair value through other comprehensive income	(41,226,425)	51,845,693
Investments in debt instruments at amortised cost	76,219,329	20,139,933
Receivables	4,606,720	12,051,202
Discounts and loans	(121,362,494)	(72,589,587)
Other financial assets	(12,810)	(152,813)
Other assets	706,016	(3,948,298)
Deposits from the Central Bank and banks	7,272,993	53,272,635
Financial liabilities at fair value through profit or loss	(14,683,188)	(2,343,884)
Notes and bonds issued under repurchase agreement	4,855,201	7,999,105
Payables	2,163,179	2,686,822
Deposits and remittances	(34,993,349)	47,513,331
Other financial liabilities	(1,515,988)	5,395,000
Provisions	(147,826)	(711,522)
Other liabilities	(321,877)	444,304
Cash (used in) generated from operations	(62,888,269)	44,567,146
Interest received	30,393,937	23,901,498
Dividends received	35,245	16,237
Interest paid	(12,473,323)	(7,648,407)
Income tax paid	(417,495)	(267,876)
Net cash (used in) generated from operating activities	(45,349,905)	60,568,598

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	**2023**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (243,864)	$ (334,293)
Proceeds from disposal of property and equipment	153,282	2
Acquisition of intangible assets	(94,105)	(27,529)
Proceeds from disposal of investment properties	13,520	-
Other assets	(5,716,700)	6,981,854
Net cash (used in) generated from investing activities	(5,887,867)	6,620,034
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of the principal portion of lease liabilities	(409,801)	(367,926)
Other liabilities	(3,273,354)	(1,935,723)
Net cash used in financing activities	(3,683,155)	(2,303,649)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,217,056	(38,872)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(53,703,871)	64,846,111
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	368,299,200	312,895,760
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 314,595,329	$ 377,741,871

	March 31	
	2024	**2023**
RECONCILIATIONS OF CASH AND CASH EQUIVALENTS REPORTED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THOSE REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2024 AND 2023		
Cash and cash equivalents reported in the consolidated balance sheets	$ 86,674,109	$ 87,345,041
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	198,260,085	270,133,985
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	29,661,135	20,262,845
Cash and cash equivalents at the end of the period	$ 314,595,329	$ 377,741,871

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

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 of the 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 May 15, 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 FSC

   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.

b. 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
IFRS 18 “Presentation and Disclosures in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027
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: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

IFRS 18 “Presentation and Disclosures in Financial Statements”

IFRS 18 will supersede IAS 1” Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discounted operations categories.

- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.

- Provides guidance to enhance the requirements of aggregation and disaggregation: The Company shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Company shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Company labels items as ‘other’ only if it cannot find a more informative label.

- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Company as a whole, the Company shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, 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 IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in the consolidated financial statements is less than that required in a complete set of annual consolidated financial statements.

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

<u>Principles for preparing the consolidated financial statements</u>

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 for consolidation purposes.

<u>Entities included in the consolidated financial statements</u>

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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plant amendments, settlements, or other significant one-off events.

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. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the period 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

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand	$ 22,750,699	$ 27,744,892	$ 23,459,166
Checks for clearance	5,605,526	5,947,591	3,193,747
Due from banks	58,360,196	72,206,499	60,732,714
	86,716,421	105,898,982	87,385,627
Less: Allowance for impairment loss	(42,312)	(61,044)	(40,586)
	$ 86,674,109	$ 105,837,938	$ 87,345,041

Reconciliations of cash and cash equivalents reported in the consolidated statements of cash flows with those reported in the consolidated balance sheets as of March 31, 2024 and 2023 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2023 are shown below:

	December 31, 2023
Cash and cash equivalents reported in the consolidated balance sheets	$ 105,837,938
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
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	24,166,326
Cash and cash equivalents reported in the consolidated statements of cash flows	$ 368,299,200

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

	March 31, 2024	December 31, 2023	March 31, 2023
Deposit reserves - general account	$ 90,903,688	$ 88,367,789	$ 86,769,300
Deposit reserves - foreign currency account	8,623,628	10,142,523	10,585,622
Deposits in the Central Bank - general account	37,407,717	26,257,299	25,414,189
Call loans and overdrafts	160,852,368	212,037,637	244,719,796
	297,787,401	336,805,248	367,488,907
Less: Allowance for impairment loss	(34,395)	(36,288)	(40,101)
	$ 297,753,006	$ 336,768,960	$ 367,448,806

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-general account 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 March 31, 2024, December 31, 2023 and March 31, 2023, the balances of foreign-currency deposit reserves were $1,710,363 thousand, $2,315,127 thousand and $4,155,511 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 $1,473,234 thousand, $1,386,267 thousand and $1,139,960 thousand as of March 31, 2024, December 31, 2023 and March 31, 2023, 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 $1,335,796 thousand, $1,281,214 thousand and $1,468,550 thousand as of March 31, 2024, December 31, 2023 and March 31, 2023, 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 $4,104,235 thousand, $5,159,915 thousand and $3,821,601 thousand as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets mandatorily classified as at fair value through profit or loss			
Treasury bills	$ 10,142,639	$ 9,785,086	$ 24,749,637
Commercial paper	109,890,232	133,425,456	109,775,349
Government bonds	3,073,293	2,633,293	1,815,481
Corporate bonds	15,694,882	17,986,951	14,081,031
Financial debentures	55,103,704	68,299,923	66,850,882
Negotiable certificates of deposit	1,599,460	9,187,557	6,328,923
Stock investments	3,733,482	1,157,662	1,743,483
Fund beneficiary certificates	27,546	-	895,072
	199,265,238	242,475,928	226,239,858
Derivative financial instruments			
Foreign exchange forward contracts	33,182,318	43,796,706	28,544,184
Interest rate swap contracts	35,597,590	30,815,168	32,072,137
Options	3,387,089	3,093,077	3,535,305
Cross-currency swap contracts	2,460,457	1,842,232	1,764,166
Others	588,225	268,525	173,618
	75,215,679	79,815,708	66,089,410
	$ 274,480,917	$ 322,291,636	$ 292,329,268

(Continued)

	March 31, 2024	December 31, 2023	March 31, 2023
Financial liabilities designated as at fair value through profit or loss			
Bonds	$ 41,505,268	$ 40,481,221	$ 39,660,890
Financial liabilities held for trading			
Derivative financial instruments			
Foreign exchange forward contracts	29,833,165	44,518,614	24,138,772
Interest rate swap contracts	35,149,335	30,515,151	29,836,988
Options	6,037,498	5,147,729	5,625,066
Cross-currency swap contracts	2,698,980	2,171,803	2,494,124
Others	630,680	291,433	347,368
	74,349,658	82,644,730	62,442,318
	$ 115,854,926	$ 123,125,951	$ 102,103,208

(Concluded)

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 March 31, 2024, December 31, 2023 and March 31, 2023 were as follows:

(Unit: Thousands of U.S. Dollars)

	Contract Amounts		
	March 31, 2024	**December 31, 2023**	**March 31, 2023**
The Bank			
Foreign exchange forward contracts	$ 152,673,156	$ 128,266,087	$ 138,948,300
Interest rate swap contracts	44,331,234	41,592,820	48,020,269
Cross-currency swap contracts	4,673,369	4,691,641	3,917,040
Options	4,442,219	4,327,293	5,585,866
Futures	3,347,491	1,071,785	1,038,720
Equity swap contracts	1,236,840	1,080,320	602,240
Commodity swap contracts	-	793	4,758

	Contract Amounts		
	March 31, 2024	**December 31, 2023**	**March 31, 2023**
Indovina Bank			
Foreign exchange forward contracts	$ 141,000	$ 141,000	$ 295,146

	Contract Amounts		
	March 31, 2024	December 31, 2023	March 31, 2023
CUBCN Bank			
Foreign exchange forward contracts	$ 9,513,495	$ 14,426,128	$ 9,645,793
Interest rate swap contracts	4,573,822	4,965,620	4,007,742
Cross-currency swap contracts	9,600	9,600	9,600
Options	995	3,379	3,159

As of March 31, 2024, certain financial assets at FVTPL were sold under repurchase agreements with notional amount of $445,579 thousand. The proceeds amounting to $440,731 thousand, were recorded as notes and bonds sold under repurchase agreements and were repurchased for $441,089 thousand before the end of April 2024. As of December 31 and March 31, 2023, 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 three months ended March 31, 2024 and 2023, such interest rate swap contracts were valued with a net loss of $618,494 thousand and net gain of $1,077,319 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2024	December 31, 2023	March 31, 2023
Investments in equity instruments			
Domestic listed shares	$ 10,555,376	$ 9,905,782	$ 5,472,198
Overseas stock investments	10,527,173	9,578,784	9,836,243
Domestic unlisted shares	5,524,587	5,285,115	4,359,816
	26,607,136	24,769,681	19,668,257
Investments in debt instruments			
Corporate bonds	83,361,574	74,772,295	70,599,432
Financial debentures	56,086,009	51,748,813	56,052,899
Asset-backed securities	24,569,332	18,546,743	13,361,246
Negotiable certificates of deposit	26,874,575	31,934,434	198,768,423
Government bonds	119,719,703	94,297,680	73,919,592
	310,611,193	271,299,965	412,701,592
	$ 337,218,329	$ 296,069,646	$ 432,369,849

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 $2,300,947 thousand and $1,627,402 thousand during the three months ended March 31, 2024 and 2023, respectively, and the related unrealized gain of $270,568 thousand and $9,621 thousand were transferred from other equity to retained earnings, accordingly.

Dividends of $56,348 thousand and $7,365 thousand were recognized as income for the three months ended March 31, 2024 and 2023, respectively. Those related to investments held as of March 31, 2024 and 2023 were $56,348 thousand and $7,109 thousand, respectively, and the remaining amounts were related to investments derecognized for the three months ended March 31, 2024 and 2023.

As of March 31, 2024, December 31, 2023 and March 31, 2023, certain financial assets at FVTOCI were sold under repurchase agreements with notional amounts of $25,792,797 thousand, $21,084,718 thousand and $21,614,468 thousand, respectively. The proceeds amounting to $22,259,503 thousand, $17,909,086 thousand and $19,434,573 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for $22,448,296 thousand, $18,024,511 thousand and $19,655,822 thousand before the end of September 2024, May 2024 and September 2023, respectively.

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

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST

	March 31, 2024	December 31, 2023	March 31, 2023
Short-term bills	$ 343,965,940	$ 429,259,324	$ 302,546,647
Government bonds	56,239,752	61,268,043	47,492,634
Corporate bonds	25,652,667	25,394,982	26,312,545
Financial debentures	102,178,137	91,130,103	56,215,023
Asset-backed bonds	73,545,309	70,746,917	64,200,249
	601,581,805	677,799,369	496,767,098
Less: Allowance for impairment loss	(52,087)	(54,203)	(75,968)
	$ 601,529,718	$ 677,745,166	$ 496,691,130

For the three months ended March 31, 2023, the Bank disposed of certain bonds in advance due to the expected increase in credit risk, and recognized the gain arising from derecognition of financial assets measured at amortised cost amounting to $195 thousand.

As of March 31, 2024, December 31, 2023 and March 31, 2023, certain financial assets measured at amortised cost were sold under repurchase agreements with notional amounts of $511,840 thousand, $491,760 thousand and $25,137,724 thousand, respectively. The proceeds amounting to $473,459 thousand, $409,406 thousand and $19,296,338 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for $482,412 thousand, $415,453 thousand and $19,396,267 thousand before the end of July 2024, February 2024 and April 2023, respectively.

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

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:

March 31, 2024

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 320,899,543	$ 601,581,805	$ 922,481,348
Less: Allowance for impairment loss	(138,419)	(52,087)	(190,506)
Adjustment to fair value	(10,149,931)	-	(10,149,931)
	$ 310,611,193	$ 601,529,718	$ 912,140,911

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

March 31, 2023

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 425,546,073	$ 496,767,098	$ 922,313,171
Less: Allowance for impairment loss	(214,065)	(75,968)	(290,033)
Adjustment to fair value	(12,630,416)	-	(12,630,416)
	$ 412,701,592	$ 496,691,130	$ 909,392,722

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, the current financial condition of debtors, industry forecasts, rating of securities issued by credit 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 March 31, 2024
Low credit risk	Low credit risk at the reporting date	12-month ECLs	$ 921,973,893
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	437,413
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	70,042

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 March 31, 2023
Low credit risk	Low credit risk at the reporting date	12-month ECLs	$ 921,523,761
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	526,741
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	262,669

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 three months ended March 31, 2024

	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	$ 174,217	$ 6,417	$ -
New debt instruments purchased	38,373	-	-
Derecognition	(24,010)	-	-
Effect of exchange rate changes and others	(4,130)	(361)	-
Balance at the end of the period	$ 184,450	$ 6,056	$ -

For the three months ended March 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	31,622	-	-
Derecognition	(19,369)	-	-
Effect of exchange rate changes and others	(6,275)	31,052	12,506
Balance at the end of the period	$ 154,728	$ 44,476	$ 90,829

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Corporate bonds	$ 15,805,285	$ 15,367,864	$ 13,411,323
Government bonds	13,339,483	7,720,628	6,300,440
Financial debentures	519,038	1,080,009	552,686
	29,663,806	24,168,501	20,264,449
Less: Allowance for impairment loss	(2,671)	(2,175)	(1,604)
	$ 29,661,135	$ 24,166,326	$ 20,262,845

As of March 31, 2024, December 31, 2023 and March 31, 2023, none of the securities purchased under resell agreements were sold under repurchase agreements.

13. RECEIVABLES, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Notes and accounts receivables	$ 89,966,675	$ 95,543,659	$ 91,061,856
Interest receivable	13,642,808	14,014,235	10,605,992
Acceptance	965,963	1,316,484	1,087,748
Factoring receivable	3,531,463	2,695,574	3,993,331
Others	6,135,237	5,717,630	4,639,674
	114,242,146	119,287,582	111,388,601
Less: Allowance for impairment loss	(2,741,237)	(2,746,964)	(2,620,593)
	$ 111,500,909	$ 116,540,618	$ 108,768,008

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 three months ended March 31, 2024

	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	$ 115,276,076	$ 1,856,377	$ 2,155,129	$ 119,287,582
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(552,875)	559,550	(6,675)	-
Transferred to credit-impaired financial assets	(79,448)	(204,121)	283,569	-
Transferred to 12-month ECLs	366,553	(363,345)	(3,208)	-
Derecognition of financial assets in the period	(66,335,944)	(929,247)	(184,140)	(67,449,331)
New financial assets purchased or originated	61,277,920	903,178	154,210	62,335,308
Written-off as bad debt expense	-	-	(229,744)	(229,744)
Effects of exchange rate changes and others	294,225	1,130	2,976	298,331
Balance at the end of the period	$ 110,246,507	$ 1,823,522	$ 2,172,117	$ 114,242,146

For the three months ended March 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	(443,416)	448,079	(4,663)	-
Transferred to credit-impaired financial assets	(48,866)	(70,498)	119,364	-
Transferred to 12-month ECLs	211,170	(207,281)	(3,889)	-
Derecognition of financial assets in the period	(56,019,884)	(1,057,816)	(98,473)	(57,176,173)
New financial assets purchased or originated	45,582,417	691,171	149,484	46,423,072
Written-off as bad debt expense	-	-	(126,297)	(126,297)
Effects of exchange rate changes and others	114,255	(1,404)	(671)	112,180
Balance at the end of the period	$ 107,667,565	$ 1,682,802	$ 2,038,234	$ 111,388,601

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

For the three months ended March 31, 2024

	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	$ 565,354	$ 393,971	$ 1,730,384	$ 2,689,709	$ 57,255	$ 2,746,964
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(24,473)	218,282	(4,985)	188,824	-	188,824
Transferred to credit-impaired financial assets	(6,165)	(77,875)	215,038	130,998	-	130,998
Transferred to 12-month ECLs	14,637	(93,823)	(2,258)	(81,444)	-	(81,444)
Derecognition of financial assets in the period	(176,633)	(79,721)	(86,666)	(343,020)	-	(343,020)
New financial assets purchased or originated	150,037	43,277	88,159	281,473	-	281,473
Differences of impairment loss under the regulations	-	-	-	-	1,216	1,216
Written-off as bad debt expense	-	-	(229,744)	(229,744)	-	(229,744)
Effects of exchange rate changes and others	35,947	3,441	6,582	45,970	-	45,970
Balance at the end of the period	$ 558,704	$ 407,552	$ 1,716,510	$ 2,682,766	$ 58,471	$ 2,741,237

For the three months ended March 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	(18,186)	198,512	(3,327)	176,999	-	176,999
Transferred to credit-impaired financial assets	(3,579)	(25,314)	93,654	64,761	-	64,761
Transferred to 12-month ECLs	12,416	(96,498)	(2,864)	(86,946)	-	(86,946)
Derecognition of financial assets in the period	(154,487)	(81,924)	(45,155)	(281,566)	-	(281,566)
New financial assets purchased or originated	146,551	49,011	106,566	302,128	-	302,128
Differences of impairment loss under the regulations	-	-	-	-	(1,477)	(1,477)
Written-off as bad debt expense	-	-	(126,297)	(126,297)	-	(126,297)
Effects of exchange rate changes and others	29,402	(2,377)	28,956	55,981	-	55,981
Balance at the end of the period	$ 518,956	$ 401,421	$ 1,642,699	$ 2,563,076	$ 57,517	$ 2,620,593

14. DISCOUNTS AND LOANS, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Discounts and overdrafts	$ 1,240,930	$ 1,279,933	$ 1,237,775
Short-term loans	580,734,203	539,297,933	526,565,262
Medium-term loans	630,853,133	592,246,028	533,020,965
Long-term loans	1,219,119,477	1,178,654,623	1,085,799,559
Export negotiations	1,012,928	1,249,512	1,418,148
Overdue loans	7,784,802	6,751,086	5,985,677
	2,440,745,473	2,319,479,115	2,154,027,386
Less: Allowance for impairment loss	(41,056,448)	(38,908,048)	(36,122,751)
	$ 2,399,689,025	$ 2,280,571,067	$ 2,117,904,635

As of March 31, 2024, December 31, 2023 and March 31, 2023, the balances of nonaccrual loans, for which the accrual of interest revenues was discontinued, were $7,784,802 thousand, $6,751,086 thousand and $5,985,677 thousand, respectively. For the three months ended March 31, 2024 and 2023, 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 three months ended March 31, 2024

	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	$ 2,231,297,751	$ 69,398,181	$ 18,783,183	$ 2,319,479,115
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(19,667,787)	19,765,386	(97,599)	-
Transferred to credit-impaired financial assets	(617,589)	(959,719)	1,577,308	-
Transferred to 12-month ECLs	11,467,164	(11,191,286)	(275,878)	-
Derecognition of financial assets in the period	(335,705,121)	(10,408,579)	(887,996)	(347,001,696)
New financial assets purchased or originated	453,704,007	7,002,745	1,114,286	461,821,038
Written-off as bad debt expense	-	-	(554,835)	(554,835)
Effects of exchange rate changes and others	6,236,477	614,608	150,766	7,001,851
Balance at the end of the period	$ 2,346,714,902	$ 74,221,336	$ 19,809,235	$ 2,440,745,473

For the three months ended March 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	(8,786,867)	8,883,417	(96,550)	-
Transferred to credit-impaired financial assets	(1,330,557)	(662,376)	1,992,933	-
Transferred to 12-month ECLs	15,734,729	(14,771,238)	(963,491)	-
Derecognition of financial assets in the period	(266,402,572)	(5,297,518)	(793,085)	(272,493,175)
New financial assets purchased or originated	343,885,422	4,095,011	370,671	348,351,104
Written-off as bad debt expense	-	-	(370,513)	(370,513)
Effects of exchange rate changes and others	(1,380,505)	(167,343)	(12,939)	(1,560,787)
Balance at the end of the period	$ 2,077,898,670	$ 58,607,084	$ 17,521,632	$ 2,154,027,386

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

For the three months ended March 31, 2024

	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	$ 4,208,728	$ 3,254,669	$ 7,222,828	$ 14,686,225	$ 24,221,823	$ 38,908,048
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(109,803)	1,150,588	(30,917)	1,009,868	-	1,009,868
Transferred to credit-impaired financial assets	(5,979)	(283,025)	613,486	324,482	-	324,482
Transferred to 12-month ECLs	70,834	(569,389)	(37,308)	(535,863)	-	(535,863)
Derecognition of financial assets in the period	(601,761)	(258,827)	(103,360)	(963,948)	-	(963,948)
New financial assets purchased or originated	803,124	94,549	610,090	1,507,763	-	1,507,763
Differences of impairment loss under the regulations	-	-	-	-	872,948	872,948
Written-off as bad debt expense	-	-	(554,835)	(554,835)	-	(554,835)
Effects of exchange rate changes and others	92,874	245,837	149,274	487,985	-	487,985
Balance at the end of the period	$ 4,458,017	$ 3,634,402	$ 7,869,258	$ 15,961,677	$ 25,094,771	$ 41,056,448

For the three months ended March 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	(61,919)	855,074	(20,665)	772,490	-	772,490
Transferred to credit-impaired financial assets	(10,392)	(182,500)	719,117	526,225	-	526,225
Transferred to 12-month ECLs	57,922	(397,770)	(102,944)	(442,792)	-	(442,792)
Derecognition of financial assets in the period	(416,227)	(194,090)	(131,016)	(741,333)	-	(741,333)
New financial assets purchased or originated	406,882	57,920	310,664	775,466	-	775,466
Differences of impairment loss under the regulations	-	-	-	-	548,525	548,525
Written-off as bad debt expense	-	-	(370,513)	(370,513)	-	(370,513)
Effects of exchange rate changes and others	(52,339)	(23,342)	112,064	36,383	-	36,383
Balance at the end of the period	$ 3,332,712	$ 2,595,783	$ 6,950,599	$ 12,879,094	$ 23,243,657	$ 36,122,751

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 three months ended March 31, 2024

	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	$ 215,963	$ 73,055	$ 87,538	$ 376,556	$ 188,751	$ 565,307
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(963)	12,233	(18)	11,252	-	11,252
Transferred to credit-impaired financial assets	(27)	(56)	1,454	1,371	-	1,371
Transferred to 12-month ECLs	601	(8,313)	(204)	(7,916)	-	(7,916)
Derecognition of financial assets in the period	(52,754)	(21,708)	(1,961)	(76,423)	-	(76,423)
New financial assets purchased or originated	93,816	8,994	1,455	104,265	-	104,265
Differences of impairment loss under the regulations	-	-	-	-	(559)	(559)
Effects of exchange rate changes and others	8,224	3,452	(1,827)	9,849	-	9,849
Balance at the end of the period	$ 264,860	$ 67,657	$ 86,437	$ 418,954	$ 188,192	$ 607,146

For the three months ended March 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	(749)	11,824	-	11,075	-	11,075
Transferred to credit-impaired financial assets	(23)	(29)	1,167	1,115	-	1,115
Transferred to 12-month ECLs	1,305	(10,262)	(189)	(9,146)	-	(9,146)
Derecognition of financial assets in the period	(45,048)	(17,153)	(1,220)	(63,421)	-	(63,421)
New financial assets purchased or originated	45,020	12,783	1,259	59,062	-	59,062
Differences of impairment loss under the regulations	-	-	-	-	(112)	(112)
Effects of exchange rate changes and others	6,734	947	(899)	6,782	-	6,782
Balance at the end of the period	$ 192,407	$ 61,249	$ 5,919	$ 259,575	$ 192,441	$ 452,016

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 (%) March 31, 2024	December 31, 2023	March 31, 2023	Description
The Bank	Indovina Bank Limited (Indovina Bank) (Note 1)	Bank business	50	50	50	Incorporated in Vietnam on November 21, 1990
	Cathay United Bank (Cambodia) Corporation Limited (CUBC Bank) (Note 1)	Bank business	100	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 2)	Bank business	100	100	100	Incorporated in China on September 3, 2018
Cambodia CUBC Bank	CUBC Investment Co., LTD (CUBC-I) (Note 1)	Invest business	49 (Note 3)	49 (Note 3)	49 (Note 3)	Incorporated in Cambodia on August 14, 2012

Note 1: As an immaterial subsidiary, its financial statements have not been reviewed.

Note 2: As a major subsidiary, its financial statements have been reviewed. Please refer to Table 3 for the relevant investment information.

Note 3: 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

	March 31, 2024	December 31, 2023	March 31, 2023
Associates that are not individually material			
Taiwan Real-estate Management Corp.	$ 99,282	$ 99,255	$ 94,905
Taiwan Finance Corp.	1,704,855	1,693,418	1,534,509
	$ 1,804,137	$ 1,792,673	$ 1,629,414

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

	For the Three Months Ended March 31	
	2024	2023
The Bank’s share of		
Current net profit	$ 12,268	$ 8,124
Current other comprehensive loss	(804)	(820)
Current comprehensive income	$ 11,464	$ 7,304

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 reviewed; 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 reviewed.

18. PROPERTY AND EQUIPMENT, NET

For the three months ended March 31, 2024

	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	$ 15,288,915	$ 9,803,543	$ 5,795,740	$ 128,412	$ 8,627,928	$ 419,716	$ 756,560	$ 40,820,814
Additions	-	-	29,508	-	54,697	988	158,671	243,864
Disposals	(85,353)	-	(29,738)	(1,223)	(97,547)	(130)	-	(213,991)
Reclassification	-	-	55,220	1,811	11,820	-	(95,711)	(26,860)
Exchange differences	22,163	13,591	28,058	5,207	10,912	10,449	1,015	91,395
Balance at the end of the period	15,225,725	9,817,134	5,878,788	134,207	8,607,810	431,023	820,535	40,915,222
Accumulated depreciation and impairment								
Balance at the beginning of the period	-	5,047,692	4,488,080	95,555	6,543,831	272,387	-	16,447,545
Depreciation	-	51,495	151,879	2,014	142,967	11,093	-	359,448
Disposals	-	-	(29,738)	(1,223)	(95,928)	(130)	-	(127,019)
Exchange differences	-	6,778	21,523	3,888	7,908	6,691	-	46,788
Balance at the end of the period	-	5,105,965	4,631,744	100,234	6,598,778	290,041	-	16,726,762
Net								
Balance at the end of the period	$ 15,225,725	$ 4,711,169	$ 1,247,044	$ 33,973	$ 2,009,032	$ 140,982	$ 820,535	$ 24,188,460

For the three months ended March 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	-	-	18,515	1,154	43,201	-	271,423	334,293
Disposals	-	-	(28,347)	-	(80,320)	-	-	(108,667)
Reclassification	-	-	65,555	1,963	128,172	-	(187,330)	8,360
Exchange differences	(4,809)	(2,751)	(3,451)	(1,012)	(2,311)	544	(156)	(13,946)
Balance at the end of the period	15,315,153	9,695,099	5,557,648	124,716	8,315,099	402,080	518,522	39,928,317
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	-	51,016	173,693	2,082	139,059	10,159	-	376,009
Disposals	-	-	(28,091)	-	(77,875)	-	-	(105,966)
Reclassification	-	-	1,465	-	(1,465)	-	-	-
Exchange differences	-	(1,240)	(2,784)	(723)	(1,399)	193	-	(5,953)
Balance at the end of the period	-	4,891,516	4,168,245	89,574	6,315,963	245,167	-	15,710,465
Net								
Balance at the end of the period	$ 15,315,153	$ 4,803,583	$ 1,389,403	$ 35,142	$ 1,999,136	$ 156,913	$ 518,522	$ 24,217,852

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 March 31, 2024, December 31, 2023 and March 31, 2023, no property and equipment was pledged as collaterals.

19. LEASE AGREEMENTS

a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
Carrying amount of right-of-use assets			
Land and buildings	$ 3,483,850	$ 3,585,526	$ 3,704,198
Equipment	1,501	1,710	2,204
Transportation equipment	49,614	53,468	44,231
	$ 3,534,965	$ 3,640,704	$ 3,750,633

	For the Three Months Ended March 31	
	2024	2023
Additions of right-of-use assets	$ 309,278	$ 553,889
Depreciation expense of right-of-use assets		
Land and buildings	$ 427,629	$ 404,235
Equipment	232	237
Transportation equipment	8,759	8,363
	$ 436,620	$ 412,835

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2024 and 2023.

b. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Carrying amount of lease liabilities	$ 3,596,178	$ 3,673,568	$ 3,819,212

The discount rate intervals of lease liabilities are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Land and buildings	0.05%-7.53%	0.05%-8.12%	0.05%-8.12%
Equipment	0.36%-3.49%	0.36%-3.49%	0.36%-4.15%
Transportation equipment	0.25%-8.22%	0.25%-8.76%	0.22%-8.76%

c. Other lease information

	For the Three Months Ended March 31	
	2024	2023
Short-term rental expenses	$ 141,055	$ 125,617
Low-value assets rental expenses	$ 48,148	$ 45,873
Variable lease payment expenses not included in measurable lease liabilities	$ -	$ -
Gross cash outflow for leases	$ 609,112	$ 548,641

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, 2024	$ 2,160,925	$ 126,368	$ 2,287,293
Disposals	(7,053)	(4,727)	(11,780)
Others (Note)	(11,231)	-	(11,231)
Balance at March 31, 2024	$ 2,142,641	$ 121,641	$ 2,264,282
Balance at January 1, 2023	$ 2,115,138	$ 105,305	$ 2,220,443
Others (Note)	(11,231)	-	(11,231)
Balance at March 31, 2023	$ 2,103,907	$ 105,305	$ 2,209,212

Note: Compensation for urban renewal and demolition.

a. As of March 31, 2024, December 31, 2023 and March 31, 2023, no investment property was pledged as collaterals.

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. The appraisers had reviewed the original valuation reports issued on the aforementioned valuation dates and clarified that the valuation reports were in effect on March 31, 2024 and 2023, respectively.

	December 31	
Appraiser Office	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 Three Months Ended March 31	
	2024	**2023**
Generating rental income	$ -	$ -
Not generating rental income	341	308
	$ 341	$ 308

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 three months ended March 31, 2024

	Computer Software	**Goodwill**	**Others**	**Total**
Cost				
Balance at the beginning of the period	$ 3,505,024	$ 6,997,965	$ 2,995	$ 10,505,984
Additions	94,105	-	-	94,105
Disposals	(186,278)	-	-	(186,278)
Reclassification	75,077	-	-	75,077
Exchange differences	19,519	13,266	-	32,785
Balance at the end of the period	3,507,447	7,011,231	2,995	10,521,673

(Continued)

	Computer Software	Goodwill	Others	Total
Accumulated amortization				
Balance at the beginning of the period	$ 2,203,330	$ -	$ -	$ 2,203,330
Amortization	173,160	-	-	173,160
Disposals	(186,278)	-	-	(186,278)
Exchange differences	12,998	-	-	12,998
Balance at the end of the period	2,203,210	-	-	2,203,210
Net				
Balance at the end of the period	$ 1,304,237	$ 7,011,231	$ 2,995	$ 8,318,463

(Concluded)

For the three months ended March 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	27,529	-	-	27,529
Disposals	(87,517)	-	-	(87,517)
Reclassification	88,670	-	-	88,670
Exchange differences	(166)	(2,685)	-	(2,851)
Balance at the end of the period	3,521,996	6,994,994	-	10,516,990
Accumulated amortization				
Balance at the beginning of the period	2,112,810	-	-	2,112,810
Amortization	159,413	-	-	159,413
Disposals	(87,517)	-	-	(87,517)
Exchange differences	(471)	-	-	(471)
Balance at the end of the period	2,184,235	-	-	2,184,235
Net				
Balance at the end of the period	$ 1,337,761	$ 6,994,994	$ -	$ 8,332,755

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

	March 31, 2024	December 31, 2023	March 31, 2023
Prepayments	$ 2,094,916	$ 1,205,013	$ 1,812,410
Temporary payments and suspense accounts	578,883	343,907	501,953
Interbank clearing funds	8,587,681	10,468,668	13,733,366
Refundable deposits, net	21,433,487	16,094,677	18,070,135
Operating deposits	1,010,780	632,890	632,890
Others	159,929	158,481	136,579
	$ 33,865,676	$ 28,903,636	$ 34,887,333

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	March 31, 2024	December 31, 2023	March 31, 2023
Call loans from the Central Bank and banks	$ 67,885,152	$ 47,925,529	$ 65,256,994
Deposits from the Central Bank and banks	38,787,012	51,480,935	59,682,128
Due to Chunghwa Post Co., Ltd.	17,709,405	17,709,405	17,709,405
Bank overdrafts	22,278	14,985	7,933,347
	$ 124,403,847	$ 117,130,854	$ 150,581,874

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Government bonds	$ 17,891,787	$ 16,415,766	$ 15,727,841
Financial debentures	4,808,447	1,493,320	5,362,985
Asset-backed securities	473,459	409,406	17,640,085
	$ 23,173,693	$ 18,318,492	$ 38,730,911

25. PAYABLES

	March 31, 2024	December 31, 2023	March 31, 2023
Interest payable	$ 13,662,453	$ 10,983,630	$ 10,725,332
Accrued expenses	7,719,115	10,475,775	6,124,079
Payable on notes and bonds trade settle	7,599,315	1,856,690	8,055,326
Accounts payable	6,013,055	6,387,180	7,346,121
Receipts under custody	1,013,127	929,754	671,443
Banker's acceptances	972,228	1,316,820	1,149,226
Others	11,817,482	9,766,079	8,969,282
	$ 48,796,775	$ 41,715,928	$ 43,040,809

26. DEPOSITS AND REMITTANCES

	March 31, 2024	December 31, 2023	March 31, 2023
Checking deposits	$ 15,626,244	$ 17,487,151	$ 13,562,393
Demand deposits	805,457,249	794,495,204	788,446,550
Demand savings deposits	1,456,521,083	1,417,582,060	1,365,117,748
Time deposits	784,322,316	874,530,259	709,247,333
Time savings deposits	439,862,386	432,986,511	405,447,341
Negotiable certificates of deposits	4,894,725	3,906,933	5,908,732
Outward remittances and remittances payable	1,880,460	2,569,694	5,945,081
	$ 3,508,564,463	$ 3,543,557,812	$ 3,293,675,178

27. FINANCIAL DEBENTURES PAYABLE

	March 31, 2024	December 31, 2023	March 31, 2023
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	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	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	2,400,000
6-month USD linked structured note; rate at 4.8%-5.6%; maturity: June 2023 (US$4,800 thousand)	-	-	146,179
	$ 27,100,000	$ 27,100,000	$ 37,146,179

28. OTHER FINANCIAL LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
Principal of structured products	$ 63,146,003	$ 64,668,563	$ 61,414,197
Other financial liabilities	6,572	-	-
	$ 63,152,575	$ 64,668,563	$ 61,414,197

29. PROVISIONS

	March 31, 2024	December 31, 2023	March 31, 2023
Reserve for employee benefits			
Defined benefit plan	$ 1,724,208	$ 1,843,617	$ 1,741,124
Retired employees' preferential interest rate deposits	1,013,030	1,045,707	912,555
Reserve for losses on guarantees	225,234	218,049	215,600
Reserve for finance commitments	379,600	342,686	234,949
Other operating reserve	384,598	372,599	150,607
Other reserve - letter of credit	2,312	4,572	1,467
	$ 3,728,982	$ 3,827,230	$ 3,256,302

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 three months ended March 31, 2024 and 2023, the Company recognized expenses of $151,950 thousand and $132,263 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 Law 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.

The Bank uses the actuarially determined pension cost rate as of December 31, 2023 and 2022 respectively. For the three months ended March 31, 2024 and 2023, pension expenses under the defined benefit plan recognized in the consolidated statements of comprehensive income amounted to $59,813 thousand and $57,411 thousand, respectively.

c. Employee preferential interest rate deposit plan

For the three months ended March 31, 2024 and 2023, current employee preferential interest rate deposit plan expenses amounted to $41,936 thousand and $46,512 thousand, respectively; post-employment preferential interest rate deposit plan expenses amounted to $8,807 thousand and $7,240 thousand, respectively.

31. OTHER LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
Guarantee deposits received	$ 4,612,565	$ 7,885,919	$ 6,552,063
Temporary receipts and suspense accounts	2,489,015	2,454,512	2,724,095
Contract liabilities	1,245,305	1,621,833	1,936,856
Advance receipts	232,960	219,761	229,803
Others	4,304	995	822
	$ 8,584,149	$ 12,183,020	$ 11,443,639

32. EQUITY

a. Capital stock

Common stock

	March 31, 2024	December 31, 2023	March 31, 2023
Number of authorized shares (in thousands)	10,859,866	10,859,866	10,859,866
Amount of authorized shares	$ 108,598,655	$ 108,598,655	$ 108,598,655
Number of shares issued and fully paid (in thousands)	10,859,866	10,859,866	10,859,866
Amount of shares issued	$ 108,598,655	$ 108,598,655	$ 108,598,655

b. Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
Capital surplus from the merger	$ 10,949,303	$ 10,949,303	$ 10,949,303
Additional paid-in capital	27,648,873	27,648,873	27,648,873
Others	270,904	270,904	270,904
	$ 38,869,080	$ 38,869,080	$ 38,869,080

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

	March 31, 2024	December 31, 2023	March 31, 2023
The debit balance of other equity	$ 14,574,995	$ 14,574,995	$ -
Investment properties at fair value	1,698,493	1,698,493	1,518,983
Financial technology development employee transfer and placement expenditure	287,673	287,673	287,673
Trading loss reserve transfer	268,791	268,791	268,791
Changes recognized under the equity method	2,218	2,218	2,218
	$ 16,832,170	$ 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 2023 and 2022 which were approved by the Bank's board of directors on behalf of the shareholders in accordance with the Company Act on April 30, 2024 and April 27, 2023, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2023	**2022**	**2023**	**2022**
Legal reserve	$ 8,347,090	$ 7,215,440		
Special reserve	(8,327,739)	14,783,830		
Cash dividends	16,289,798	2,055,588	$ 1.50	$ 0.19
Stock dividends	11,514,484	-	1.06	-

f. Other equity items

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

	For the Three Months Ended March 31	
	2024	**2023**
Balance at the beginning of the period	$ (1,520,460)	$ (1,291,970)
Exchange differences generated from translating the net assets of foreign operations	1,137,001	(17,752)
Tax effect	(227,400)	3,550
Other comprehensive income (loss)	909,601	(14,202)
Balance at the end of the period	$ (610,859)	$ (1,306,172)

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

	For the Three Months Ended March 31	
	2024	**2023**
Balance at the beginning of the period	$ (2,847,253)	$ (12,153,457)
Recognized for the period		
Unrealized (losses) gains		
Debt instruments	(1,868,536)	3,273,567
Equity instruments	1,796,130	663,700
Net remeasurement of loss allowance	6,023	3,566
Share from subsidiaries and associates accounted for using equity method	780	(1,536)
Reclassification adjustments		
Disposal of investment in debt instruments	(90,492)	170,818
Tax effect	(92,781)	(184,942)
Other comprehensive (loss) income	(248,876)	3,925,173
Accumulated unrealized losses on equity instruments transferred to retained earnings due to disposal	(270,568)	(9,621)
Balance at the end of the period	$ (3,366,697)	$ (8,237,905)

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 Three Months Ended March 31	
	2024	2023
Balance at the beginning of the period	$ (833,793)	$ (428,795)
Changes in fair value attributed to changes in credit risk	209,796	175,608
Tax effect	(41,959)	(35,121)
Other comprehensive income	167,837	140,487
Balance at the end of the period	$ (665,956)	$ (288,308)

4) Remeasurement of the defined benefit plans

	For the Three Months Ended March 31	
	2024	2023
Balance at the beginning of the period	$ (2,567,037)	$ (2,312,872)
Remeasurement	(2,330)	(2,723)
Share from associates accounted for using equity method	(1,584)	716
Tax effect	466	545
Other comprehensive loss	(3,448)	(1,462)
Balance at the end of the period	$ (2,570,485)	$ (2,314,334)

5) Gain on property revaluation

	For the Three Months Ended March 31	
	2024	2023
Balance at the beginning of the period	$ 1,612,099	$ 1,612,099
Other comprehensive income	-	-
Balance at the end of the period	$ 1,612,099	$ 1,612,099

g. Non-controlling interests

	For the Three Months Ended March 31	
	2024	2023
Balance at the beginning of the period	$ 3,934,432	$ 3,989,858
Net income attributable to non-controlling interests	69,362	56,198
Exchange differences on translating the financial statements of foreign operations	142,919	(30,288)
(Losses) gains from investments in debt instruments measured at fair value through other comprehensive income	(3,115)	118,343
Balance at the end of the period	$ 4,143,598	$ 4,134,111

33. NET INTEREST REVENUE

	For the Three Months Ended March 31	
	2024	2023
Interest income		
Discounts and loans	$ 18,584,684	$ 16,131,380
Investment securities	5,451,545	4,033,121
Due from banks and call loans to banks	3,249,816	3,197,448
Revolving credit	686,981	647,934
Others	484,938	372,498
	28,457,964	24,382,381
Interest expense		
Deposits	12,200,465	9,499,931
Due to the Central Bank and other banks	1,254,225	772,101
Structured products	882,255	689,208
Notes and bonds issued under repurchase agreements	204,328	372,254
Financial debentures	122,564	164,898
Interest on lease liabilities	10,108	9,225
Others	107,531	105,333
	14,781,476	11,612,950
	$ 13,676,488	$ 12,769,431

34. NET SERVICE FEE REVENUE

	For the Three Months Ended March 31	
	2024	2023
Service fee income		
Credit card business	$ 3,858,675	$ 2,760,172
Trust business	1,813,202	1,160,103
Loan business	345,671	240,041
Cross-selling marketing	2,782,157	2,136,493
Others	842,981	757,862
	9,642,686	7,054,671
Service fee expenses		
Credit card business	1,570,503	1,340,704
Others	371,784	330,053
	1,942,287	1,670,757
	$ 7,700,399	$ 5,383,914

The Bank also engaged in the business of online payment services. For the three months ended March 31, 2024 and 2023, service fee revenue was $109 thousand and $183 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 Three Months Ended March 31	
	2024	2023
Stock	$ 416,762	$ 26,928
Short-term bills	536,563	326,051
Fund beneficiary certificates	(10,299)	11,841
Investments in debt instruments	3,105,310	153,554
Derivative financial instruments	690,592	2,208,067
	$ 4,738,928	$ 2,726,441
Realized gain (loss)		
Gain on disposal	$ 4,187,906	$ 617,367
Interest income	1,568,186	814,229
Dividend income	2,595	9,434
Interest expense	(370,670)	(355,355)
Unrealized (loss) gain		
Valuation (loss) gain	(649,089)	1,640,766
	$ 4,738,928	$ 2,726,441

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

	For the Three Months Ended March 31	
	2024	2023
Net gain (loss) on disposal - debt instruments	$ 90,492	$ (170,818)
Dividend income	56,348	7,365
	$ 146,840	$ (163,453)

37. IMPAIRMENT LOSS ON ASSETS

	For the Three Months Ended March 31	
	2024	2023
Debt instruments at FVTOCI	$ (8,244)	$ (23,955)
Debt instruments at amortised cost	3,881	(32,114)
	$ (4,363)	$ (56,069)

38. BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (REVERSAL)

	For the Three Months Ended March 31	
	2024	2023
Discounts and loans	$ 2,244,537	$ (232,592)
Receivables	114,565	128,836
Guarantee liability provisions	25,796	2,181
Financial commitment provisions	23,776	3,077
Others	(25,716)	(399)
	$ 2,382,958	$ (98,897)

39. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended March 31	
	2024	2023
Salaries	$ 5,290,239	$ 4,591,217
Insurance	353,497	333,670
Post-employment benefits	220,570	196,914
Remuneration of directors	927	975
Others	120,049	85,000
	$ 5,985,282	$ 5,207,776

For the three months ended March 31, 2024 and 2023, the average number of the Company's employees was 13,187 and 12,698, including 19 and 21 non-executive directors, respectively.

As of March 31, 2024 and 2023, the number of employees of the Company was 13,208 and 12,736, 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). For the three months ended March 31, 2024 and 2023, compensation of employees and the remuneration of directors were as follows:

	For the Three Months Ended March 31	
	2024	2023
Compensation of employees	$ 4,500	$ 3,000
Remuneration of directors	$ 927	$ 975

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.

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

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, 2023 and 2022, respectively.

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

40. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Three Months Ended March 31	
	2024	2023
Depreciation expense		
Property and equipment	$ 359,448	$ 376,009
Right-of-use assets	436,620	412,835
Amortization expense		
Intangible assets	173,160	159,413
	$ 969,228	$ 948,257

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended March 31	
	2024	2023
Product promotion expenses	$ 2,004,596	$ 1,486,614
Tax expenses	1,081,546	876,461
Insurance expenses	264,091	246,308
Rental expenses	189,203	171,490
Others	1,267,071	1,308,004
	$ 4,806,507	$ 4,088,877

42. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2024	2023
Current tax		
In respect of the period	$ 2,288,730	$ 1,978,189
Deferred tax		
In respect of the period	124,270	(152,189)
Income tax of overseas subsidiaries	43,723	98,276
Income tax expense recognized in profit or loss	$ 2,456,723	$ 1,924,276

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 in other comprehensive income

	For the Three Months Ended March 31	
	2024	2023
Deferred tax		
Recognized in other comprehensive income		
Remeasurement of defined benefit plans	$ (466)	$ (545)
Changes in the fair value of financial liabilities attributable to change in credit risk	41,959	35,121
Exchange differences on translating the financial statements of foreign operations	227,400	(3,550)
Unrealized gains on financial assets at fair value through other comprehensive income	92,781	184,942
Total income tax expense recognized in other comprehensive income	$ 361,674	$ 215,968

c. Income tax assessments

The Bank's income tax returns through 2018 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.

d. Pillar Two income tax legislation

In November 2023, the government of Vietnam, where the Ho Chi Minh City branch of the Bank and Indovina Bank are incorporated, enacted the Pillar Two income tax legislation effective January 1, 2024. The Company is continuously assessing the impact of the Pillar Two income tax legislation on tax.

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 Three Months Ended March 31	
	2024	**2023**
Basic earnings per share	$ 0.95	$ 0.84

The number of share outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earning 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 Three Months Ended March 31	
	2024	**2023**
Net income for calculating basic earnings per share	$ 10,353,848	$ 9,113,422

Number of shares

Unit: In Thousands

	For the Three Months Ended March 31	
	2024	**2023**
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
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
CMG International One Co., Ltd.	Other related party
CMG International Two Co., Ltd.	Other related party
Cathay Industrial Research and Design Center Co., Ltd.	Other related party
Jinhua Realty Co., Ltd.	Other related party
Sanchong Realty Co., Ltd.	Other related party
Cathay Real Estate Management Co., Ltd.	Other related party
Zhulun Realty Co., Ltd.	Other related party
EasyCard Corporation	Other related party
TPIsoftware Corporation	Other related party
An Feng Enterprise Co., Ltd.	Other related party
PSS Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Cathay Private Equity Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
Srisawad Corporation Public Company Limited	Other related party

(Continued)

Related Party	Relationship with the Company
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
Financial Information Service Co., Ltd.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Hongtaiyi Energy Co., Ltd.	Other related party (Note)
Kee Fresh & Safe Foodtech Co., Ltd.	Other related party
Witraise Industrial Technologies, Inc.	Other related party (Note)
Private Equity Funds managed by Cathay Private Equity	Other related party
Directors, managers, and their relatives and affiliates	Other related party

(Concluded)

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

b. Significant transactions between the Company and related parties

1) Loans and deposits

Loans and interest revenue

March 31, 2024

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 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	21	$ 73,022	$ 14,600	V	$ -	None	None	$ (29)	$ 660
Self-used housing mortgage loans	254	3,039,952	2,892,345	V	-	Real estate, stocks and certificates of deposits	None	1,782	36,250
Others	Taiwan Real-estate Management Corp.	31,000	31,000	V	-	Real estate	None	155	465
Others	Sino Greenergy Group	60,372	58,486	V	-	Property	None	(19)	585
Others	TaiYang Solar Power Co., Ltd.	49,320	47,988	V	-	Property	None	(13)	480
Others	Cathay Real Estate Development Co., Ltd.	1,300,000	1,300,000	V	-	Real estate	None	(11,200)	13,000
Others	Hongtaiyi Energy Co., Ltd.	84,637	81,992	V	-	Property	None	(26)	820
Others	Witraise Industrial Technologies, Inc.	60,956	59,051	V	-	Property	None	(19)	591

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

March 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 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	22	$ 59,464	$ 13,602	V	$ -	None	None	$ (3)	$ 238
Self-used housing mortgage loans	251	2,841,560	2,680,813	V	-	Real estate, stocks and certificates of deposits	None	(21)	33,645
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	-	330
Others	Sino Greenergy Group	67,919	66,032	V	-	Property	None	(19)	660
Others	TaiYang Solar Power Co., Ltd.	54,647	53,321	V	-	Property	None	(13)	533
Others	Cathay Real Estate Development Co., Ltd.	620,000	620,000	V	-	Real estate	None	-	6,200

Related Parties	Interest Revenue For the Three Months Ended March 31 2024	2023
Associate		
Taiwan Real-estate Management Corp.	$ 187	$ 187
Other related parties		
Cathay Real Estate Development Co., Ltd.	6,057	2,758
TaiYang Solar Power Co., Ltd.	336	353
Sino Greenergy Group	429	463
Hongtaiyi Energy Co., Ltd.	601	-
Witraise Industrial Technologies, Inc.	433	-
Others	15,259	13,495
	23,115	17,069
	$ 23,302	$ 17,256

Deposits and interest expense

Related Parties	March 31, 2024 Ending Balance	March 31, 2024 Interest Expense	December 31, 2023 Ending Balance	December 31, 2023 Interest Expense	March 31, 2023 Ending Balance	March 31, 2023 Interest Expense
Parent company						
Cathay Financial Holding Co., Ltd.	$ 82,090	$ 999	$ 81,256	$ 3,950	$ 34,537	$ 136
Associate						
Other	18,277	17	13,548	62	13,951	14
Other related parties						
Cathay Life Insurance Co., Ltd.	43,994,264	92,444	33,200,245	380,888	43,376,865	85,798
Cathay Century Insurance Co., Ltd.	1,936,875	6,058	2,525,605	20,586	2,631,995	4,339
Cathay Securities Co., Ltd.	4,470,540	10,429	2,776,622	29,325	3,051,120	6,536
Cathay Futures Co., Ltd.	888,915	3,195	965,712	54,667	1,591,748	16,395
Cathay Venture Inc.	665,793	227	209,748	254	181,966	56
Cathay Real Estate Management Co., Ltd.	132,017	439	155,810	1,407	124,835	277
Cathay Securities Investment Trust Co., Ltd.	305,683	274	212,960	715	120,917	108
Cathay Securities Investment Consulting Co., Ltd.	669,727	1,899	616,660	7,727	647,781	1,498
Cathay Real Estate Development Co., Ltd.	752,246	705	341,027	2,089	519,081	452
Cathay Medical Care Corp.	330,991	833	326,077	2,500	158,127	387
Cathay Hospitality Management Co., Ltd.	105,956	198	142,382	901	129,158	215
Cathay Life Insurance (Vietnam) Co., Ltd.	2,720,752	51,843	2,640,257	212,391	3,493,481	51,210
Cathay Insurance (Vietnam) Co., Ltd.	302,715	4,506	272,326	17,373	266,172	3,418
Cathay United Bank Foundation	562,796	2,097	563,916	7,851	553,580	1,789
Cathay Charity Foundation	315,653	1,168	312,693	4,389	301,197	979
Cathay Cultural Foundation	225,306	875	227,113	3,195	209,601	724
Cathay United Bank Employees' Welfare Committee	790,575	8,413	837,374	32,446	760,833	7,246
Cathay Life Insurance Employees' Welfare Committee	2,214,753	8,914	2,201,734	34,545	2,408,007	8,111
Cathay Real Estate Development Employees' Welfare Committee	470,859	1,900	472,994	7,241	465,871	1,694
Lin Yuan Property Management Co., Ltd.	234,209	733	305,118	2,399	227,402	535
Bannan Realty Co., Ltd.	487,236	1,111	332,397	1,734	337,633	481
Yua-Yung Marketing (Taiwan) Co., Ltd.	179,249	224	199,817	856	176,561	183
CMG International One Co., Ltd.	41,677	44	26,656	412	130,874	167
CMG International Two Co., Ltd.	70,496	79	38,242	634	202,809	177
Cathay Industrial Research and Design Center Co., Ltd.	1,289,376	2,071	1,507,881	5,407	353,251	301

(Continued)

Related Parties	March 31, 2024 Ending Balance	March 31, 2024 Interest Expense	December 31, 2023 Ending Balance	December 31, 2023 Interest Expense	March 31, 2023 Ending Balance	March 31, 2023 Interest Expense
Lin Yuan (Shanghai) Real Estate Co., Ltd.	$ 1,956,429	$ 12,421	$ 1,929,924	$ 18,900	$ 1,840,694	$ 10,826
Jinhua Realty Co., Ltd.	50,511	70	51,241	266	118,741	95
Private Equity Funds managed by Cathay Private Equity	605,209	812	665,735	1,710	544,652	562
Sanchong Realty Co., Ltd.	280,094	189	75,820	560	127,286	161
EasyCard Corporation	497,376	405	123,746	1,476	121,912	252
Cathay Hospitality Consulting Co., Ltd.	164,444	267	187,679	1,241	182,454	303
Zhulun Realty Co., Ltd.	118,260	155	214,504	1,063	185,450	211
Cathay Healthcare Management Co., Ltd.	95,595	163	114,136	487	71,246	76
PSS Co., Ltd.	155,847	188	157,891	464	75,387	59
Cathay Private Equity Co., Ltd.	112,429	112	31,361	247	51,569	80
Ally Logistic Property Co., Ltd.	100,680	129	3,310	183	40,403	44
Others	9,627,158	33,871	9,001,265	116,594	9,213,485	27,918
	77,922,691	249,461	63,967,978	975,123	74,994,144	233,663
	$ 78,023,058	$ 250,477	$ 64,062,782	$ 979,135	$ 75,042,632	$ 233,813

(Concluded)

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

Accounts/Related Parties	March 31, 2024 Ending Balance	March 31, 2024 Interest Income (Expense)	December 31, 2023 Ending Balance	December 31, 2023 Interest Income (Expense)	March 31, 2023 Ending Balance	March 31, 2023 Interest Income (Expense)
Due from commercial banks						
Other related party Vietinbank	$ 35,862	$ 14	$ 27,974	$ 72	$ 50,458	$ 8
Due to commercial banks						
Other related party Vietinbank	8,646	-	27,223	(30,645)	33,509	(983)

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	March 31, 2024 Ending Balance	March 31, 2024 Interest Income	December 31, 2023 Ending Balance	December 31, 2023 Interest Income	March 31, 2023 Ending Balance	March 31, 2023 Interest Income
Bond investment						
Other related party Vietinbank	$ -	$ -	$ -	$ 11,222	$ 388,361	$ 6,143

Accounts/Related Parties	March 31, 2024	December 31, 2023	March 31, 2023
Stock investment			
Other related parties			
Srisawad Corporation Public Company Limited	$ 2,342,708	$ 2,312,077	$ 2,929,746
Quantifeed Holdings Limited	59,596	63,062	63,133
Taiwan Asset Management Corporation	975,835	984,621	996,202
HanTech Venture Capital Corporation	66,794	71,983	84,985
Taipei Forex Inc.	63,587	57,197	61,360
Financial Information Service Co., Ltd.	784,566	758,469	575,660
CDIB & PARTNERS Investment Holding Corporation	894,409	822,480	717,657
An Feng Enterprise Co., Ltd.	15,764	16,536	22,339
EasyCard Corporation	110,915	123,697	187,608

3) Guarantees

March 31, 2024

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collateral
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	$ 38,892	$ 24,540	$ 5	0.65%-0.8%	Demand deposits

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

March 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	$ 49,443	$ 8	0.65%-0.8%	Demand deposits

4) Derivatives

March 31, 2024

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Century Insurance Co., Ltd.	Currency swap contracts (USD)	2023.04.07-2025.01.16	$ 2,827,916	$ 120,302	Valuation adjustment for FVTPL financial assets	$ 95,850
					Valuation adjustment for FVTPL financial liabilities	-

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)

March 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)	2022.07.13-2024.03.25	$ 143,072,892	$ 502,095	Valuation adjustment for FVTPL financial assets	$ 1,749,675
					Valuation adjustment for FVTPL financial liabilities	(74,552)
	Cross-currency swap contracts (USD)	2021.04.29-2023.05.04	1,522,700	15,342	Valuation adjustment for FVTPL financial assets	129,129
					Valuation adjustment for FVTPL financial liabilities	(129,700)
Cathay Century Insurance Co., Ltd.	Currency swap contracts (USD)	2022.07.26-2024.02.15	2,768,269	8,592	Valuation adjustment for FVTPL financial assets	25,441
					Valuation adjustment for FVTPL financial liabilities	(17,981)
	Currency swap contracts (EUR)	2022.06.01-2023.06.06	33,145	537	Valuation adjustment for FVTPL financial assets	1,802
					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 Three Months Ended March 31 2024	2023
Gain on financial assets or liabilities at fair value through profit or loss		
Associate		
Taiwan Finance Corp.	$ -	$ 521
Other related parties		
Cathay Life Insurance Co., Ltd.	1,298,915	485,935
Cathay Century Insurance Co., Ltd.	16,036	13,203
	1,314,951	499,138
	$ 1,314,951	$ 499,659

5) Lease agreement - the Company as lessee

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.

	Lease Liabilities		
Related Parties	March 31, 2024	December 31, 2023	March 31, 2023
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 207,962	$ 377,428	$ 923,503
Cathay Real Estate Development Co., Ltd.	11,563	14,034	21,379

	Interest Expense For the Three Months Ended March 31	
Related Parties	2024	2023
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 260	$ 1,144
Cathay Real Estate Development Co., Ltd.	11	20

	Refundable Deposits		
Related Parties	March 31, 2024	December 31, 2023	March 31, 2023
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 198,687	$ 196,542	$ 191,579
Cathay Real Estate Development Co., Ltd.	4,482	4,482	4,482

6) Lease agreement - the Company as lessor

Related Parties	Rental Income For the Three Months Ended March 31 2024	2023	Receive Term
Other related party			
Cathay Life Insurance Co., Ltd.	$ 7,388	$ 7,790	Monthly

Related Parties	Guarantee Deposits Received March 31, 2024	December 31, 2023	March 31, 2023
Other related party			
Cathay Life Insurance Co., Ltd.	$ 7,555	$ 7,283	$ 7,694

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 Three Months Ended March 31 2024	2023
Service fee income		
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 2,353,353	$ 2,032,526
Cathay Century Insurance Co., Ltd.	66,888	63,483
Cathay Securities Co., Ltd.	42,645	34,520
Cathay Securities Investment Trust Co., Ltd.	24,942	14,733
Cathay Securities Investment Consulting Co., Ltd.	10,905	9,189
Other operating expenses		
Other related parties		
Cathay Life Insurance Co., Ltd.	48,880	30,326
Symphox Information Co., Ltd.	203,284	185,131
Lin Yuan Property Management Co., Ltd.	29,912	10,844
Seaward Card Co., Ltd.	76,620	63,656
An Feng Enterprise Co., Ltd.	48,706	46,194
TPIsoftware Corporation	25,394	16,503
Insurance expense paid		
Other related parties		
Cathay Life Insurance Co., Ltd.	41,738	403
Cathay Century Insurance Co., Ltd.	41,031	39,100

Item/Related Parties	March 31, 2024	December 31, 2023	March 31, 2023
Receivables			
Other related party			
Cathay Securities Investment Trust Co., Ltd.	$ 7,464	$ 8,501	$ 4,648
Related party receivables for commission of collecting insurances			
Other related party			
Cathay Life Insurance Co., Ltd.	835,926	249,593	559,694
Refundable deposit			
Other related party			
Cathay Futures Co., Ltd.	1,178,637	1,179,579	1,002,257
Accrued expenses			
Other related party			
Seaward Card Co., Ltd.	20,534	37,950	15,359
Accounts payable			
Parent company			
Cathay Financial Holding Co., Ltd.	5,400	5,400	5,400
Other related parties			
Cathay Century Insurance Co., Ltd.	25,132	64,278	18,754
Symphox Information Co., Ltd.	46,084	37,420	74,145
Related party payables for allocation of integrated income tax systems account			
Parent company			
Cathay Financial Holding Co., Ltd.	6,373,649	4,252,290	4,733,629

The Bank paid construction planning and design maintenance service fees to Lin Yuan Property Management Co., Ltd. in the amount of $9,385 thousand and $0 thousand and recorded as property and equipment during the three months ended March 31, 2024 and 2023, 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 March 31, 2024, December 31, 2023 and March 31, 2023, the unconverted bonus points amounted to $57,858 thousand, $50,258 thousand and $69,801 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 three months ended March 31, 2024 and 2023 was as follows:

	For the Three Months Ended March 31	
	2024	2023
Short-term employment benefits	$ 146,360	$ 133,530
Post-employment benefits	1,970	1,678
Other long-term employment benefits	-	30
	$ 148,330	$ 135,238

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:

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets at FVTOCI	$ 14,768,120	$ 14,753,925	$ 50,000,000
Investments in debt instruments at amortised cost	43,060,751	43,062,739	7,796,004

46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

The Bank

a. Entrusted items and guarantees:

	March 31, 2024	December 31, 2023	March 31, 2023
Trust and security held for safekeeping	$ 1,176,061,909	$ 1,064,373,453	$ 993,078,218
Collection and payment on behalf of customers	31,065,877	30,178,208	30,315,803
Book-entry for government bonds and depository for short-term marketable securities under management	461,480,777	457,093,479	491,073,163
Entrusted financial management business	25,266,962	22,391,339	16,896,502
Guarantees on duties and contracts	18,794,109	18,835,713	19,642,640

(Continued)

	March 31, 2024	December 31, 2023	March 31, 2023
Unused commercial letters of credit	$ 8,393,109	$ 7,473,158	$ 6,338,057
Irrevocable loan commitments	184,597,230	174,872,790	157,698,383
Unused credit card commitments	698,874,450	684,215,639	723,264,718
Underwritten securities	-	-	500,000
Revolving insurance and underwriting on commercial paper commitments	15,900,000	15,900,000	13,900,000

(Concluded)

b. The Bank's significant lawsuits and proceedings 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 Wei-Chieh Liu (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 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 and quasi-retrial in January 2024 and requested the Bank for compensation of $1,510 thousand and $900,000 thousand, respectively. The case is currently being heard by the High Court and the Supreme 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.

Indovina Bank

Entrusted items and guarantees:

	March 31, 2024	December 31, 2023	March 31, 2023
Financial guarantee contracts	$ 1,194,417	$ 1,157,447	$ 1,179,387
Unused commercial letters of credit	520,075	524,797	1,089,237
Collection and payment on behalf of customers	408,943	-	-

CUBC Bank

Entrusted items and guarantees:

	March 31, 2024	December 31, 2023	March 31, 2023
Financial guarantee contracts	$ 17,307	$ 16,628	$ 19,521
Credit card commitments	372,337	352,725	338,790
Irrevocable loan commitments	182,736	219,358	283,279

CUBCN Bank

Entrusted items and guarantees:

	March 31, 2024	December 31, 2023	March 31, 2023
Financial guarantee contracts	$ 310,979	$ 266,732	$ 281,078
Unused commercial letters of credit	316,433	196,114	841,260
Irrevocable loan commitments	296,052	271,323	289,099

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

As of March 31, 2024, December 31, 2023 and March 31, 2023, the trust assets (liabilities) were in the amount of $779,374,137 thousand, $739,107,108 thousand and $688,121,890 thousand, respectively.

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 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	March 31, 2024			
	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	$ 3,733,482	$ 3,708,440	$ -	$ 25,042
Bonds	73,871,879	11,610,166	62,261,713	-
Others	121,659,877	27,546	121,632,331	-
Financial assets at fair value through other comprehensive income				
Stocks	26,607,136	17,570,625	-	9,036,511
Bonds	283,736,618	134,819,398	148,847,178	70,042
Others	26,874,575	-	26,874,575	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	41,505,268	-	41,505,268	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	75,215,679	45,247	71,273,997	3,896,435
Liabilities				
Financial liabilities at fair value through profit or loss	74,349,658	73,692	70,379,531	3,896,435

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	March 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	$ 1,743,483	$ 1,722,650	$ -	$ 20,833
Bonds	82,747,394	18,183,971	64,563,423	-
Others	141,748,981	895,072	140,853,909	-
Financial assets at fair value through other comprehensive income				
Stocks	19,668,257	11,871,272	-	7,796,985
Bonds	213,933,169	103,374,582	110,558,587	-
Others	198,768,423	-	198,768,423	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	39,660,890	-	39,660,890	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	66,089,410	56,959	61,050,737	4,981,714
Liabilities				
Financial liabilities at fair value through profit or loss	62,442,318	214,441	57,246,163	4,981,714

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 Company 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 forward contracts, interest rate swap contracts 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 three months ended March 31, 2024 and 2023.

5) Reconciliation of Level 3 fair value measurements

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

For the three months ended March 31, 2024

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	$ 24,894	$ 148	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,042
Derivative financial instruments	4,082,455	(66,114)	-	-	-	119,906	-	-	3,896,435
Financial assets at fair value through other comprehensive income									
Stocks	8,721,953	-	253,048	-	-	-	-	61,510	9,036,511
Bonds	68,618	-	(1,352)	-	-	-	-	2,776	70,042

For the three months ended March 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	$ 1,519	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,833
Derivative financial instruments	4,958,964	22,750	-	-	-	-	-	-	4,981,714
Financial assets at fair value through other comprehensive income									
Stocks	7,927,206	-	(150,251)	-	-	-	-	20,030	7,796,985

Total gains or losses shown in the tables above that contain unrealized gains and losses related to assets held as of March 31, 2024 and 2023 amounted to losses of $65,966 thousand and gains of $24,269 thousand, respectively.

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

For the three months ended March 31, 2024

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 instruments	$ 4,082,455	$ (66,114)	$ -	$ -	$ -	$ 119,906	$ -	$ 3,896,435

For the three months ended March 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 instruments	$ 4,958,964	$ 22,750	$ -	$ -	$ -	$ -	$ -	$ 4,981,714

Total gains or losses shown in the tables above that contain unrealized gains and losses related to liabilities committed as of March 31, 2024 and 2023 amounted to gains of $66,114 thousand and losses of $22,750 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:

March 31, 2024

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	$ 25,042	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	7,993,597	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
		80,846	Income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate, the lower the fair value of the stock
		962,068	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	70,042	Discounted cash flow	Loan rate	9.15%	The higher the loan rate, the lower the fair value of the bond

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

March 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	$ 20,833	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	6,913,526	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
		79,731	Income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate, the lower the fair value of the stock
		803,728	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.

	March 31, 2024		December 31, 2023		March 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Investments in debt instruments at amortised cost	$ 601,529,718	$ 571,776,738	$ 677,745,166	$ 652,380,573	$ 496,691,130	$ 470,981,069

2) Information on fair value hierarchy

Item	March 31, 2024			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 571,776,738	$ 52,594,878	$ 518,775,509	$ 406,351

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	March 31, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 470,981,069	$ 35,883,015	$ 434,639,510	$ 458,544

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.

The Bank, Indovina Bank and CUBCN Bank

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 CUBC 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.

CUBCN Bank

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.

<u>Indovina Bank</u>

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.

<u>CUBC Bank</u>

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 and interbank borrowing business	Grouped by product category and internal/external credit rating
Bills factoring business	Grouped by product category and internal/external credit rating
Off-balance sheet credit business	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 expected credit losses within 12 months.

      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 internal/external credit rating results of the borrower or issuer, 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 evaluated by referring to Rules on Capital Management of Commercial Banks (for trial implementation) published by the China banking supervisory authority.

      iii The EAD is measured using the current exposure method. Besides, off-balance sheet credit businesses are also converted using the credit conversion factor by referring to Rules on Capital Management of Commercial Banks (for trial implementation) published by the 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 category, 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 category, 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 as of March 31, 2024 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 as of March 31, 2024 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 as of March 31, 2024 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 as of March 31, 2024 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 as of March 31, 2024.

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		
	March 31, 2024	December 31, 2023	March 31, 2023
Irrevocable loan commitments	$ 184,597,230	$ 174,872,790	$ 157,698,383
Credit card commitments	788,637,522	780,378,572	812,560,692
Unused commercial letters of credit	8,393,109	7,473,158	6,338,057
Guarantees on duties and contracts	18,794,109	18,835,713	19,642,640

b) Indovina Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2024	December 31, 2023	March 31, 2023
Financial guarantee contracts	$ 1,194,417	$ 1,157,447	$ 1,179,387
Unused commercial letters of credit	520,075	524,797	1,089,237

c) CUBC Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2024	December 31, 2023	March 31, 2023
Financial guarantee contracts	$ 17,307	$ 16,628	$ 19,521
Credit card commitments	372,337	352,725	338,790
Irrevocable loan commitments	182,736	219,358	283,279

d) CUBCN Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2024	December 31, 2023	March 31, 2023
Financial guarantee contracts	$ 310,979	$ 266,732	$ 281,078
Unused commercial letters of credit	316,433	196,114	841,260
Irrevocable loan commitments	296,052	271,323	289,099

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:

March 31, 2024

	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	$ 2,346,714,902	$ 74,221,336	$ 19,809,235	$ -	$ 2,440,745,473
Less: Allowance for impairment	(4,458,017)	(3,634,402)	(7,869,258)	-	(15,961,677)
Less: Differences of impairment loss under regulations	-	-	-	(25,094,771)	(25,094,771)
	$ 2,342,256,885	$ 70,586,934	$ 11,939,977	$ (25,094,771)	$ 2,399,689,025

	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	$ 110,246,507	$ 1,823,522	$ 2,172,117	$ -	$ 114,242,146
Less: Allowance for impairment	(558,704)	(407,552)	(1,716,510)	-	(2,682,766)
Less: Differences of impairment loss under regulations	-	-	-	(58,471)	(58,471)
	$ 109,687,803	$ 1,415,970	$ 455,607	$ (58,471)	$ 111,500,909

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

March 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	$ 2,077,898,670	$ 58,607,084	$ 17,521,632	$ -	$ 2,154,027,386
Less: Allowance for impairment	(3,332,712)	(2,595,783)	(6,950,599)	-	(12,879,094)
Less: Differences of impairment loss under regulations	-	-	-	(23,243,657)	(23,243,657)
	$ 2,074,565,958	$ 56,011,301	$ 10,571,033	$ (23,243,657)	$ 2,117,904,635

	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	$ 107,667,565	$ 1,682,802	$ 2,038,234	$ -	$ 111,388,601
Less: Allowance for impairment	(518,956)	(401,421)	(1,642,699)	-	(2,563,076)
Less: Differences of impairment loss under regulations	-	-	-	(57,517)	(57,517)
	$ 107,148,609	$ 1,281,381	$ 395,535	$ (57,517)	$ 108,768,008

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

Industry Type	March 31, 2024 Amount	%	December 31, 2023 Amount	%	March 31, 2023 Amount	%
Manufacturing	$ 222,823,108	9.04	$ 205,649,922	8.78	$ 200,423,405	9.21
Financial institutions and insurance	110,333,176	4.48	101,379,845	4.33	101,602,181	4.67
Leasing and real estate	242,298,743	9.84	228,379,255	9.75	217,726,237	10.00
Individuals	1,574,733,607	63.94	1,500,439,286	64.07	1,345,420,251	61.80
Others	312,746,833	12.70	306,092,565	13.07	312,041,763	14.32
Total	$ 2,462,935,467	100.00	$ 2,341,940,873	100.00	$ 2,177,213,837	100.00

b) Geographic region

Geographic Region	March 31, 2024 Amount	%	December 31, 2023 Amount	%	March 31, 2023 Amount	%
Domestic	$ 2,161,697,590	87.77	$ 2,057,589,878	87.86	$ 1,900,066,480	87.27
Asia	242,378,802	9.84	225,881,867	9.64	223,890,350	10.28
America	40,623,252	1.65	41,933,105	1.79	38,662,588	1.78
Others	18,235,823	0.74	16,536,023	0.71	14,594,419	0.67
Total	$ 2,462,935,467	100.00	$ 2,341,940,873	100.00	$ 2,177,213,837	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.

	March 31, 2024				
	0-30 Days	31-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 55,369,272	$ 16,881,327	$ 37,816,539	$ 216,891	$ 110,284,029
Non-derivative financial liabilities at fair value through profit or loss	-	807,588	202,923	41,267,100	42,277,611
Securities sold under repurchase agreements	14,058,064	2,624,884	-	2,422,763	19,105,711
Payables	16,880,956	12,745,697	4,105,104	560,167	34,291,924
Deposits and remittances	526,460,432	1,419,620,310	1,328,131,861	140,630,417	3,414,843,020
Financial debentures payable	2,434,328	12,192,885	-	12,924,037	27,551,250
Lease liabilities	103,033	444,126	448,379	2,163,166	3,158,704
Other capital outflow at maturity	20,177,917	32,420,363	9,410,564	963,763	62,972,607

	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

	March 31, 2023				
	0-30 Days	31-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 71,663,887	$ 15,591,941	$ 45,878,790	$ 36,529	$ 133,171,147
Non-derivative financial liabilities at fair value through profit or loss	-	768,811	193,180	39,285,660	40,247,651
Securities sold under repurchase agreements	17,623,549	21,371,763	-	-	38,995,312
Payables	21,041,644	7,626,287	2,545,034	371,733	31,584,698
Deposits and remittances	463,799,450	1,296,868,165	1,293,330,314	157,744,956	3,211,742,885
Financial debentures payable	10,316,025	340,924	-	27,100,000	37,756,949
Lease liabilities	130,211	625,258	680,047	1,871,230	3,306,746
Other capital outflow at maturity	18,316,856	33,677,981	6,670,809	757,503	59,423,149

Additional information about the maturity analysis of lease liabilities:

	March 31, 2024	December 31, 2023	March 31, 2023
Less than 1 year	$ 995,538	$ 1,133,083	$ 1,435,516
1-5 years	1,781,539	1,715,536	1,621,962
5-10 years	381,627	405,039	249,268
	$ 3,158,704	$ 3,253,658	$ 3,306,746

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:

	March 31, 2024				
	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	$ 169,844	$ 36,297	$ 20,291	$ -	$ 226,432
Interest rate derivative instruments	532,294	3,064,255	1,348,352	28,864,504	33,809,405
Total	$ 702,138	$ 3,100,552	$ 1,368,643	$ 28,864,504	$ 34,035,837

	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

	March 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	$ 355,931	$ 9,726	$ 28,911	$ 39	$ 394,607
Interest rate derivative instruments	81,675	1,363,919	656,694	24,926,923	27,029,211
Total	$ 437,606	$ 1,373,645	$ 685,605	$ 24,926,962	$ 27,423,818

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:

	March 31, 2024				
	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	$ (372,161,170)	$ (252,260,542)	$ (78,355,476)	$ (4,494,794)	$ (707,271,982)
Cash inflow	366,644,070	245,346,673	74,833,532	4,257,975	691,082,250
Interest rate derivative instruments					
Cash outflow	(125,057)	(2,147,091)	(6,842,276)	(6,429,769)	(15,544,193)
Cash inflow	122,030	1,981,665	6,717,241	6,306,345	15,127,281
Cash outflow subtotal	(372,286,227)	(254,407,633)	(85,197,752)	(10,924,563)	(722,816,175)
Cash inflow subtotal	366,766,100	247,328,338	81,550,773	10,564,320	706,209,531
Net cash flow	$ (5,520,127)	$ (7,079,295)	$ (3,646,979)	$ (360,243)	$ (16,606,644)

	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)

	March 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	$ (315,073,112)	$ (426,361,440)	$ (77,134,490)	$ (11,930,677)	$ (830,499,719)
Cash inflow	311,229,034	419,118,729	76,731,282	11,392,745	818,471,790
Interest rate derivative instruments					
Cash outflow	(682,626)	(10,414,598)	(3,045,400)	(4,378,803)	(18,521,427)
Cash inflow	633,230	9,661,391	2,780,940	4,269,862	17,345,423
Cash outflow subtotal	(315,755,738)	(436,776,038)	(80,179,890)	(16,309,480)	(849,021,146)
Cash inflow subtotal	311,862,264	428,780,120	79,512,222	15,662,607	835,817,213
Net cash flow	$ (3,893,474)	$ (7,995,918)	$ (667,668)	$ (646,873)	$ (13,203,933)

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:

	March 31, 2024			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 136,998,077	$ 39,276,346	$ 8,322,807	$ 184,597,230
Credit card commitments	15,564,889	398,798,366	374,274,267	788,637,522
Financial guarantee contracts	23,184,512	3,998,061	4,645	27,187,218

	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

	March 31, 2023			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 124,398,971	$ 24,071,961	$ 9,227,451	$ 157,698,383
Credit card commitments	16,086,123	202,709,899	593,764,670	812,560,692
Financial guarantee contracts	20,826,191	5,113,298	41,208	25,980,697

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

	March 31, 2024		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 19,811,500	31.9900	$ 633,769,885
AUD	3,026,553	20.8239	63,024,637
HKD	11,432,356	4.0878	46,733,185
Non-monetary items			
USD	919,852	31.9900	29,426,065
HKD	3,835,148	4.0878	15,677,318
THB	3,473,375	0.8784	3,051,013
Financial liabilities			
Monetary items			
USD	20,603,221	31.9900	659,097,040
CNY	6,972,034	4.4073	30,727,845
AUD	1,173,726	20.8239	24,441,553
Non-monetary items			
USD	928,467	31.9900	29,701,659
HKD	3,811,219	4.0878	15,579,501
AUD	1,061	20.8239	22,094

	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)

	March 31, 2023		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 20,865,357	30.4540	$ 635,433,582
AUD	3,157,390	20.3296	64,188,476
HKD	8,423,632	3.8795	32,679,480
Non-monetary items			
USD	871,618	30.4540	26,544,255
HKD	2,806,470	3.8795	10,887,700
THB	3,473,375	0.8925	3,099,987
Financial liabilities			
Monetary items			
USD	22,267,733	30.4540	678,141,541
CNY	7,359,069	4.4318	32,613,922
AUD	1,134,209	20.3296	23,058,015
Non-monetary items			
USD	870,173	30.4540	26,500,249
HKD	2,896,776	3.8795	11,238,042
AUD	565	20.3296	11,486

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 $551,854 thousand and $418,548 thousand for the three months ended March 31, 2024 and 2023, 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.

March 31, 2024				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 521,103	$ 740,017	$ 353,080	$ 434,940
Foreign exchange rate	113,212	262,458	24,287	34,300
Equity securities price	173,706	222,934	85,821	186,943

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

March 31, 2023				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 287,904	$ 420,425	$ 246,099	$ 353,080
Foreign exchange rate	161,866	227,124	99,901	204,818
Equity securities price	122,758	262,298	61,215	86,458

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**	**March 31, 2024**	**December 31, 2023**	**March 31, 2023**
Stock market	Major domestic stock exchanges + 15%	$ 2,135,422	$ 1,688,630	$ 704,972
	Major domestic stock exchanges - 15%	(2,135,422)	(1,688,630)	(704,972)
	Major foreign stock exchanges + 20%	97,044	-	161,787
	Major foreign stock exchanges - 20%	(97,044)	-	(161,787)
Interest rate/bond market	Major interest rate + 150bp	(3,894,400)	(3,727,660)	(3,075,806)
	Major interest rate - 150bp	2,970,162	1,328,162	1,532,549
Foreign exchange market	Major currencies + 5%	351,392	327,284	340,454
	Major currencies - 5%	(351,392)	(327,284)	(340,454)

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.

		March 31, 2024	
Risk Factors	**Changes (+/-)**	**Sensitivity of Profit or Loss**	**Sensitivity of Equity**
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	$ 70,278	$ -
	Exchange rate of each currency - 1%	(70,278)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(25,963)	-
	Yield curves parallel shift - 1bp	19,801	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	37,604	109,610
	Equity securities price - 1%	(37,604)	(109,610)

		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)

		March 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%	$ 68,091	$ -
	Exchange rate of each currency - 1%	(68,091)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(20,505)	-
	Yield curves parallel shift - 1bp	10,217	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	(1,515)	56,603
	Equity securities price - 1%	1,515	(56,603)

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. Before 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 cash flows of these transactions have been transferred 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:

	March 31, 2024				
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 profit or loss Repurchase agreements	$ 455,955	$ 440,731	$ 455,955	$ 440,731	$ 15,224
Financial assets at fair value through other comprehensive income Repurchase agreements	22,284,653	22,259,503	22,284,653	22,259,503	25,150
Investments in debt instruments measured at amortised cost Repurchase agreements	565,729	473,459	496,009	473,459	22,550

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

March 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	$ 19,809,928	$ 19,434,573	$ 19,809,928	$ 19,434,573	$ 375,355
Investments in debt instruments measured at amortised cost					
Repurchase agreements	23,460,995	19,296,338	21,552,133	19,296,338	2,255,795

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:

<u>March 31, 2024</u>

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	$ 75,215,679	$ -	$ 75,215,679	$ 74,349,658	$ 866,021	$ -

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	$ 74,349,658	$ -	$ 74,349,658	$ 74,349,658	$ -	$ -
Repurchase agreements	23,173,693	-	23,173,693	22,431,724	741,969	-

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	-

March 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	$ 66,089,410	$ -	$ 66,089,410	$ 62,442,318	$ 3,647,092	$ -

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	$ 62,442,318	$ -	$ 62,442,318	$ 62,442,318	$ -	$ -
Repurchase agreements	38,730,911	-	38,730,911	38,397,270	333,641	-

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.

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 March 31, 2024, December 31, 2023 and March 31, 2023 relating to its interests in unconsolidated structured entities are disclosed as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets at FVTOCI	$ 24,569,332	$ 18,546,743	$ 13,361,246
Investments in debt instruments measured at amortised cost	73,534,717	70,736,135	64,154,101
	$ 98,104,049	$ 89,282,878	$ 77,515,347

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 2.

2) Concentration of credit extensions

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

March 31, 2024			
Rank	**Industry Category of Company or Group**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group A - other financial service activities not elsewhere classified	$ 25,554,551	9.03
2	Group B - packaging and testing of semi-conductors	14,308,531	5.05
3	Group C - manufacture of computers	13,647,458	4.82
4	Group D - casting of aluminum	10,000,000	3.53
5	Group E - convenience stores, chain	9,270,831	3.27
6	Group F - real estate development activities	8,674,800	3.06
7	Group G - real estate development activities	8,559,440	3.02
8	Group H - real estate development activities	7,625,657	2.69
9	Group I - manufacture of other computers and peripheral equipment	6,559,230	2.32
10	Group J - activities of other holding companies	6,430,902	2.27

March 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	$ 25,634,629	10.22
2	Group B - packaging and testing of semi-conductors	12,746,339	5.08
3	Group C - manufacture of computers	11,145,794	4.44
4	Group D - casting of aluminum	7,000,000	2.79
5	Group E - real estate development activities	6,793,100	2.71
6	Group F - real estate development activities	6,588,000	2.63
7	Group G - convenience stores, chain	6,237,590	2.49
8	Group H - real estate development activities	6,149,057	2.45
9	Group I - wired telecommunications activities	5,810,208	2.32
10	Group J - manufacture of other computers and peripheral equipment	5,481,720	2.18

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollars)

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

March 31, 2024

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,568,028,152	$ 46,042,621	$ 70,194,639	$ 174,329,716	$ 2,858,595,128
Interest rate-sensitive liabilities	220,239,604	2,041,146,291	321,530,916	53,028,422	2,635,945,233
Interest rate sensitivity gap	2,347,788,548	(1,995,103,670)	(251,336,277)	121,301,294	222,649,895
Net worth					283,110,205
Ratio of interest rate-sensitive assets to liabilities					108.45%
Ratio of interest rate sensitivity gap to net worth					78.64%

March 31, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,381,569,067	$ 91,229,669	$ 76,350,448	$ 154,516,314	$ 2,703,665,498
Interest rate-sensitive liabilities	188,556,857	1,896,686,397	292,795,048	71,914,488	2,449,952,790
Interest rate sensitivity gap	2,193,012,210	(1,805,456,728)	(216,444,600)	82,601,826	253,712,708
Net worth					250,908,050
Ratio of interest rate-sensitive assets to liabilities					110.36%
Ratio of interest rate sensitivity gap to net worth					101.12%

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, %)

March 31, 2024

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 10,549,134	$ 2,725,598	$ 1,340,909	$ 10,216,322	$ 24,831,963
Interest rate sensitive liabilities	13,031,918	4,520,129	5,754,302	4,105,607	27,411,956
Interest rate sensitivity gap	(2,482,784)	(1,794,531)	(4,413,393)	6,110,715	(2,579,993)
Net worth					8,849,960
Ratio of interest rate-sensitive assets to liabilities					90.59%
Ratio of interest rate sensitivity gap to net worth					(29.15%)

March 31, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 11,051,147	$ 2,208,860	$ 2,559,320	$ 9,522,276	$ 25,341,603
Interest rate-sensitive liabilities	14,549,936	4,397,709	6,462,919	4,925,623	30,336,187
Interest rate sensitivity gap	(3,498,789)	(2,188,849)	(3,903,599)	4,596,653	(4,994,584)
Net worth					8,238,919
Ratio of interest rate-sensitive assets to liabilities					83.54%
Ratio of interest rate sensitivity gap to net worth					(60.62%)

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 Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Return on total assets	Before income tax	0.30	0.28
	After income tax	0.25	0.23
Return on equity	Before income tax	4.57	4.47
	After income tax	3.70	3.69
Net income ratio		38.57	43.17

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 three months ended March 31, 2024 and 2023.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(Unit: In Thousands of New Taiwan Dollars)

March 31, 2024

	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	$ 3,519,142,021	$ 422,767,316	$ 423,696,267	$ 330,459,345	$ 248,440,511	$ 410,425,657	$ 1,683,352,925
Main capital outflow on maturity	4,402,921,713	171,260,370	258,849,784	620,512,944	697,357,502	876,740,159	1,778,200,954
Gap	(883,779,692)	251,506,946	164,846,483	(290,053,599)	(448,916,991)	(466,314,502)	(94,848,029)

March 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	$ 3,355,868,672	$ 392,922,649	$ 413,439,561	$ 369,277,639	$ 345,001,896	$ 378,821,436	$ 1,456,405,491
Main capital outflow on maturity	4,057,939,660	163,265,587	245,034,737	563,624,772	623,619,272	765,448,531	1,696,946,761
Gap	(702,070,988)	229,657,062	168,404,824	(194,347,133)	(278,617,376)	(386,627,095)	(240,541,270)

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)

March 31, 2024

	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	$ 107,799,022	$ 40,840,127	$ 26,251,858	$ 14,926,497	$ 13,093,752	$ 12,686,788
Main capital outflow on maturity	112,775,740	42,678,251	27,570,690	15,325,091	18,842,585	8,359,123
Gap	(4,976,718)	(1,838,124)	(1,318,832)	(398,594)	(5,748,833)	4,327,665

March 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	$ 101,236,136	$ 34,023,666	$ 25,048,452	$ 15,486,169	$ 14,253,687	$ 12,424,162
Main capital outflow on maturity	105,937,699	32,050,970	24,754,472	18,574,927	21,064,939	9,492,391
Gap	(4,701,563)	1,972,696	293,980	(3,088,758)	(6,811,252)	2,931,771

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 Three Months Ended March 31, 2024				
	Corporate Banking	**Individual Banking**	**International Banking**	**Others**	**Total**
Net interest (externally)	$ 3,089,320	$ 3,003,535	$ 1,926,908	$ 5,656,725	$ 13,676,488
Segment revenue (expense)	$ (549,202)	$ 9,155,968	$ -	$ (8,606,766)	$ -
Segment net income	$ 2,187,629	$ 10,369,804	$ 1,107,701	$ (785,201)	$ 12,879,933
Income tax expense					(2,456,723)
Income after income tax					$ 10,423,210

	For the Three Months Ended March 31, 2023				
	Corporate Banking	**Individual Banking**	**International Banking**	**Others**	**Total**
Net interest (externally)	$ 3,499,281	$ 3,011,621	$ 1,724,974	$ 4,533,555	$ 12,769,431
Segment revenue (expense)	$ (1,344,812)	$ 7,907,845	$ 771,106	$ (7,334,139)	$ -
Segment net income	$ 1,932,485	$ 8,667,808	$ 2,053,681	$ (1,560,078)	$ 11,093,896
Income tax expense					(1,924,276)
Income after income tax					$ 9,169,620

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 three months ended March 31, 2024

			Non-cash Changes			
	Opening Balance	**Cash Flows**	**New Leases**	**Fair Value Adjustments**	**Others**	**Closing Balance**
Financial debentures payable	$ 27,100,000	$ -	$ -	$ -	$ -	$ 27,100,000
Financial liabilities designated as at fair value through profit or loss - bonds	40,481,221	-	-	(594,903)	1,618,950	41,505,268
Guarantee deposits received	7,885,919	(3,273,354)	-	-	-	4,612,565
Lease liabilities	3,673,568	(419,909)	309,278	-	33,241	3,596,178

For the three months ended March 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	$ -	$ -	$ -	$ (1,219)	$ 37,146,179
Financial liabilities designated as at fair value through profit or loss - bonds	39,076,751	-	-	911,799	(327,660)	39,660,890
Guarantee deposits received	8,487,786	(1,935,723)	-	-	-	6,552,063
Lease liabilities	3,636,660	(377,151)	553,889	-	5,814	3,819,212

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: Table 1 (attached)

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 2 (attached)

12) Derivative transactions: Note 8

b. Related information and proportionate share in investees: Quarterly report is exempt from disclosure.

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.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
AS OF MARCH 31, 2024
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Cathay United Bank Co., Ltd.	Cathay Life Insurance Co., Ltd. (Note)	Other related party	$ 835,926	-	$ -	-	$ 835,926	$ -

Note: Receivables for commission of collecting insurances.

CATHAY UNITED BANK CO., LTD.

ASSET QUALITY - NONPERFORMING LOANS
AS OF MARCH 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars, %)

Period			**March 31, 2024**					**March 31, 2023**				
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		$ 406,652	$ 418,932,144	0.10%	$ 2,917,752	717.51%	$ 272,592	$ 382,884,486	0.07%	$ 2,103,636	771.72%
	Unsecured		250,394	394,263,574	0.06%	11,020,983	4401.46%	163,869	364,597,494	0.04%	10,203,407	6226.56%
Consumer banking	Housing mortgage (Note 4)		484,474	572,108,090	0.08%	9,024,751	1862.79%	247,719	537,734,038	0.05%	8,383,479	3384.27%
	Cash cards		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		669,787	144,611,680	0.46%	6,437,073	961.06%	462,990	134,076,469	0.35%	5,215,512	1126.49%
	Other (Note 6)	Secured	791,161	740,797,154	0.11%	7,938,257	1003.37%	367,063	617,987,818	0.06%	7,029,651	1915.11%
		Unsecured	26,956	75,806,102	0.04%	975,252	3617.94%	17,795	29,580,230	0.06%	409,131	2299.09%
Loans			$ 2,629,424	$ 2,346,518,744	0.11%	$ 38,314,068	1457.13%	$ 1,532,028	$ 2,066,860,535	0.07%	$ 33,344,816	2176.51%
			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			$ 236,605	$ 89,782,183	0.26%	$ 2,401,180	1014.85%	$ 126,811	$ 90,993,341	0.14%	$ 2,300,670	1814.24%
Accounts receivable factored without recourse (Note 7)			-	3,531,463	-	43,629	-	-	3,993,331	-	44,025	-

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	March 31, 2024 Not Reported as Nonperforming Loans	March 31, 2024 Not Reported as Nonperforming Receivables	March 31, 2023 Not Reported as Nonperforming Loans	March 31, 2023 Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 285	$ 13,340	$ 628	$ 21,691
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	155,148	1,002,905	124,340	1,080,549
Total	$ 155,433	$ 1,016,245	$ 124,968	$ 1,102,240

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)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(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, 2024 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2024	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of March 31, 2024	Accumulated Inward Remittance of Earnings as of March 31, 2024	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)	$ 72,333	100	$ 72,333	$ 17,035,695	$ -	

Accumulated Investment in Mainland China as of March 31, 2024	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)	$172,352,281

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.

TABLE 4

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(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 loan to banks	$ 4,862,480	Note 4	0.12
		CUBC Bank	a	Due from banks	704,737	Note 4	0.02
		CUBC Bank	a	Interest receivable	140,294	Note 4	0.00
		CUBCN Bank	a	Other financial assets	3,085,115	Note 4	0.07
		CUBCN Bank	a	Interest receivable	218,802	Note 4	0.01

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.