Cathay United Bank Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2020 and 2019 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholder
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, 2020 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (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 Statement of Auditing Standards No. 65 "Review of 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, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 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 Li-Chi Chen and Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 14, 2020

<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, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 44)	$ 64,365,567	2	$ 52,997,997	2	$ 65,179,356	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	157,221,939	5	110,945,093	4	110,544,087	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 44 and 49)	321,982,919	11	298,874,753	10	250,257,795	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 11, 45 and 49)	332,891,980	11	324,130,110	11	231,803,395	8
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 10, 11, 45 and 49)	452,399,022	15	444,934,985	15	385,359,714	14
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	36,042,628	1	14,295,350	1	58,665,938	2
RECEIVABLES, NET (Notes 13, 15 and 44)	86,243,396	3	100,888,023	3	90,212,485	3
DISCOUNTS AND LOANS, NET (Notes 14 and 44)	1,541,242,707	50	1,553,150,906	52	1,623,041,256	56
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Note 17)	1,805,750	-	1,776,839	-	1,790,516	-
OTHER FINANCIAL ASSETS, NET	150	-	909	-	1,038	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 44)	25,662,640	1	25,774,420	1	25,388,779	1
RIGHT-OF-USE ASSETS, NET (Notes 19 and 44)	4,425,479	-	4,226,097	-	4,285,721	-
INVESTMENT PROPERTIES, NET (Note 20)	857,504	-	857,504	-	1,439,686	-
INTANGIBLE ASSETS, NET (Note 21)	8,121,335	-	8,153,189	-	8,088,271	-
DEFERRED TAX ASSETS	4,105,063	-	3,864,923	-	2,437,163	-
OTHER ASSETS, NET (Notes 22 and 44)	33,207,360	1	28,625,256	1	29,634,804	1
TOTAL	$ 3,070,575,439	100	$ 2,973,496,354	100	$ 2,888,130,004	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	$ 87,131,752	3	$ 84,108,128	3	$ 98,066,524	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 44 and 49)	131,355,134	4	106,770,939	4	103,414,326	4
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Note 24)	49,263,193	2	48,180,452	2	43,978,185	2
PAYABLES (Notes 25 and 44)	30,993,362	1	26,864,803	1	30,633,266	1
CURRENT TAX LIABILITIES	331,453	-	395,561	-	325,677	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	2,402,191,257	78	2,335,331,108	78	2,248,099,621	78
FINANCIAL DEBENTURES PAYABLE (Note 27)	53,900,000	2	53,900,000	2	55,600,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	59,260,855	2	65,604,222	2	74,526,718	3
PROVISIONS (Notes 15 and 29)	3,725,170	-	3,698,353	-	3,348,470	-
LEASE LIABILITIES (Notes 19 and 44)	4,490,747	-	4,246,381	-	4,340,904	-
DEFERRED INCOME TAX LIABILITIES	3,244,132	-	3,250,712	-	2,375,326	-
OTHER LIABILITIES (Notes 31 and 44)	9,168,110	-	9,250,515	-	7,790,264	-
Total liabilities	2,835,055,165	92	2,741,601,174	92	2,672,499,281	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 32)						
Capital stock						
Common stock	101,658,353	4	101,658,353	4	91,197,623	3
Capital surplus	38,687,276	1	38,687,276	1	33,610,983	1
Retained earnings						
Legal reserve	57,935,811	2	57,935,811	2	51,631,140	2
Special reserve	2,183,978	-	2,183,978	-	2,933,808	-
Unappropriated earnings	29,142,155	1	21,675,159	1	27,396,906	1
Total retained earnings	89,261,944	3	81,794,948	3	81,961,854	3
Other equity	1,475,770	-	5,345,027	-	4,960,261	-
Total equity attributable to owners of parent	231,083,343	8	227,485,604	8	211,730,721	7
NON-CONTROLLING INTERESTS (Note 32)	4,436,931	-	4,409,576	-	3,900,002	-
Total equity	235,520,274	8	231,895,180	8	215,630,723	7
TOTAL	$ 3,070,575,439	100	$ 2,973,496,354	100	$ 2,888,130,004	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)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
NET INTEREST REVENUE (Notes 33 and 44)				
Interest income	$ 13,972,315	79	$ 14,349,715	86
Interest expense	(4,856,116)	(28)	(5,505,928)	(33)
Total net interest revenue	9,116,199	51	8,843,787	53
NET REVENUE OTHER THAN INTEREST				
Net service fee revenue (Notes 34 and 44)	4,442,456	25	4,671,002	28
Gain on financial assets or liabilities at fair value through profit or loss (Notes 35 and 44)	992,188	6	2,505,912	15
Realized gain on financial assets at fair value through other comprehensive income (Notes 9 and 36)	2,468,396	14	485,613	3
Loss arising from derecognition of financial assets measured at amortised cost (Note 10)	(170)	-	-	-
Foreign exchange gain	372,311	2	203,172	1
Impairment (losses) reversal on assets (Note 37)	3,196	-	(15,131)	-
Share of profit of associates and joint ventures accounted for using equity method (Note 17)	35,178	-	21,642	-
Net other revenue other than interest income (Note 44)	279,907	2	92,168	-
Total net revenue other than interest	8,593,462	49	7,964,378	47
NET REVENUE	17,709,661	100	16,808,165	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 13, 14, 15 and 38)	(589,286)	(3)	(749,756)	(5)
TOTAL OPERATING EXPENSE				
Employee benefits expenses (Notes 39 and 44)	(4,416,445)	(25)	(4,398,055)	(26)
Depreciation and amortization expense (Notes 18, 19, 21 and 40)	(822,850)	(5)	(707,874)	(4)
Other general and administrative expense (Notes 41 and 44)	(2,966,109)	(17)	(3,509,007)	(21)
Total operating expenses	(8,205,404)	(47)	(8,614,936)	(51)

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	$ 8,914,971	50	$ 7,443,473	44
INCOME TAX EXPENSE (Note 42)	(1,315,438)	(7)	(1,070,011)	(6)
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	7,599,533	43	6,373,462	38
OTHER COMPREHENSIVE INCOME, NET OF TAX (Note 32)				
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax				
Remeasurement of defined benefit plans	1,126	-	-	-
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(4,695,492)	(27)	1,955,044	12
Change in fair value of financial liability attributable to change in credit risk of liability	1,704,438	10	(1,215,777)	(7)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(5,052)	-	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 42)	116,082	1	85,280	-
Components of other comprehensive income that will be reclassified to profit or loss, net of tax				
Exchange differences on translating the financial statements of foreign operations	(97,990)	(1)	414,450	2
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(1,214)	-	-	-
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(674,196)	(4)	2,814,890	17
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 42)	150,161	1	(210,239)	(1)
Other comprehensive income (loss), net of tax	(3,502,137)	(20)	3,843,648	23
TOTAL COMPREHENSIVE INCOME, NET OF TAX	$ 4,097,396	23	$ 10,217,110	61

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
PROFIT, ATTRIBUTABLE TO:				
Owners of the Bank	$ 7,489,821	42	$ 6,148,933	37
Non-controlling interests	109,712	1	224,529	1
	$ 7,599,533	43	$ 6,373,462	38
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Bank	$ 3,597,739	20	$ 9,965,175	59
Non-controlling interests	499,657	3	251,935	2
	$ 4,097,396	23	$ 10,217,110	61
EARNINGS PER SHARE (Note 43)				
Basic	$ 0.74		$ 0.64	

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)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Bank												
						Other Equity							
	Capital Stock		Retained Earnings										
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation 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	Gains (Losses) on Remeasurements of Defined Benefit Plans	Property Revaluation Surplus	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	$ 91,197,623	$ 33,610,983	$ 51,631,140	$ 2,933,808	$ 21,015,571	$ (1,008,735)	$ 2,730,681	$ 774,084	$ (1,369,428)	$ 249,819	$ 1,376,421	$ 4,041,481	$ 205,807,027
Net income for the three months ended March 31, 2019	-	-	-	-	6,148,933	-	-	-	-	-	-	224,529	6,373,462
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	322,068	4,466,795	(972,621)	-	-	3,816,242	27,406	3,843,648
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	6,148,933	322,068	4,466,795	(972,621)	-	-	3,816,242	251,935	10,217,110
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(393,414)	(393,414)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	232,402	-	(232,402)	-	-	-	(232,402)	-	-
BALANCE AT MARCH 31, 2019	$ 91,197,623	$ 33,610,983	$ 51,631,140	$ 2,933,808	$ 27,396,906	$ (686,667)	$ 6,965,074	$ (198,537)	$ (1,369,428)	$ 249,819	$ 4,960,261	$ 3,900,002	$ 215,630,723
BALANCE AT JANUARY 1, 2020	$ 101,658,353	$ 38,687,276	$ 57,935,811	$ 2,183,978	$ 21,675,159	$ (1,670,723)	$ 10,124,219	$ (1,850,508)	$ (1,715,929)	$ 457,968	$ 5,345,027	$ 4,409,576	$ 231,895,180
Net income for the three months ended March 31, 2020	-	-	-	-	7,489,821	-	-	-	-	-	-	109,712	7,599,533
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	(114,645)	(5,139,384)	1,363,550	(1,603)	-	(3,892,082)	389,945	(3,502,137)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	7,489,821	(114,645)	(5,139,384)	1,363,550	(1,603)	-	(3,892,082)	499,657	4,097,396
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(472,302)	(472,302)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(22,825)	-	22,825	-	-	-	22,825	-	-
BALANCE AT MARCH 31, 2020	$ 101,658,353	$ 38,687,276	$ 57,935,811	$ 2,183,978	$ 29,142,155	$ (1,785,368)	$ 5,007,660	$ (486,958)	$ (1,717,532)	$ 457,968	$ 1,475,770	$ 4,436,931	$ 235,520,274

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)
(Reviewed, Not Audited)

	For the Three Months Ended March 31 2020	For the Three Months Ended March 31 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 8,914,971	$ 7,443,473
Adjustments:		
Depreciation expense	706,437	590,804
Amortization expense	116,413	117,070
Expected credit loss/bad debt expense	589,286	749,756
Net gains on financial assets and liabilities at fair value through profit or loss	(992,188)	(2,505,912)
Interest expense	4,856,116	5,505,928
Net losses arising from derecognition of financial assets measured at amortised cost	170	-
Interest income	(13,972,315)	(14,349,715)
Dividend income	(4,191)	(3,602)
Share of profit of associates and joint ventures accounted for using equity method	(35,178)	(21,642)
Losses (gains) on disposal of property and equipment	(863)	9,652
Gains on disposal of investments	(2,464,205)	(482,011)
Impairment loss (reversal) on financial assets	(3,196)	15,131
Changes in operating assets and liabilities		
Due from the central bank and call loans to banks	(1,072,230)	(293,889)
Financial assets at fair value through profit or loss	18,425,155	8,123,032
Financial assets at fair value through other comprehensive income	(11,663,903)	(25,997,279)
Investments in debt instruments at amortised cost	(7,464,459)	35,666,393
Receivables	14,242,072	(2,752,979)
Discounts and loans	11,430,026	(28,485,776)
Other financial assets	767	233
Other assets	2,582,282	531,977
Deposits from the central bank and banks	3,023,624	16,634,291
Financial liabilities at fair value through profit or loss	(9,018,862)	(6,398,928)
Notes and bonds issued under repurchase agreement	1,082,741	(11,996,324)
Payables	2,614,038	4,061,191
Deposits and remittances	66,860,149	20,437,931
Other financial liabilities	(6,343,367)	(1,982,616)
Provisions	(12,521)	(34,809)
Other liabilities	(232,696)	498,179
Cash generated from operations	82,164,073	5,079,559
Interest received	14,354,372	12,455,388
Dividends received	27,476	3,602
Interest paid	(4,677,036)	(4,424,373)
Income tax paid	(367,574)	(288,872)
Net cash generated from operating activities	91,501,311	12,825,304

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CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (222,356)	$ (240,727)
Proceeds from disposal of property and equipment	1,496	26,403
Acquisition of intangible assets	(82,776)	(189,024)
Other assets	(7,182,396)	4,827,856
Net cash generated from (used in) investing activities	(7,486,032)	4,424,508
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in financial liabilities designated as at fair value through profit or loss	(5,442,480)	-
Repayments of the principal portion of lease liabilities	(331,529)	(225,627)
Other liabilities	154,916	(18,998)
Net cash used in financing activities	(5,619,093)	(244,625)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(90,834)	397,394
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,305,352	17,402,581
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	113,515,093	157,478,989
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 191,820,445	$ 174,881,570

	March 31	
	2020	2019
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, 2019 AND 2018		
Cash and cash equivalents reported in the statement of financial position	$ 64,365,567	$ 65,179,356
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	91,412,250	51,036,276
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	36,042,628	58,665,938
Cash and cash equivalents at the end of the period	$ 191,820,445	$ 174,881,570

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, 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) off-shore 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 (the "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 parent company and ultimate parent company.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Bank and its subsidiaries ("the Company") were approved by the Bank's board of directors and authorized for issue on May 14, 2020.

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), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

   1) Amendments to IFRS 3 "Definition of a Business"

      The Company applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments require that for an entity to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To judge whether the acquired process is substantive, there will be different judgement requirements depending on whether there is output on the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

Upon retrospective application of the amendments, the Company complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3) Amendments to IAS 1 and IAS 8 "Definition of Material"

The Company adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to "could reasonably be expected to influence" and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
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, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment property which are measured at fair value.

The fair value measurements 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, which are described as follows:

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

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

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

The accounting policies of the consolidated entities are same.

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

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

The Bank's financial statements include the accounts of the Head Office, all branches, and OBU, in addition to the subsidiaries accounts. All intercompany transactions and accounts balances have been eliminated for consolidation purposes.

Entities included in consolidated financial statements

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

Foreign Currencies

In preparing the financial statements of each entity in the group, transactions in currencies other than the entity's functional currency (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 dollars, 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 transacting exchange rate 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 sheet, cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are 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 defined in the consolidated balance sheets, due from the Central Bank, call loans to other banks and securities purchased under resale agreements 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 immediately 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 category

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

a) Financial asset at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is 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 amortized 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 amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized 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 amortized cost, including cash and cash equivalents, due from the Central Bank and call loans to other banks, investments in debt instruments at amortised cost, receivables and discounts and loans, are measured at amortized 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 amortized 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 amortized 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 amortized cost, investments in debt instruments that are 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 ECL 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 the lifetime expected credit losses.

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 which were in default is described in Note 50.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

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 collaterals to classify credit assets into normal credit assets (excluding loans to the ROC government) and unsound assets which should be further classified by special mention, substandard, doubtful and losses, for which 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 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. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset at amortized 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

The Company classifies the debt and equity instruments issued either as 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.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue 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 amortized cost using the effective interest method:

a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 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 fair value through profit or loss, 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 change 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. If the fair value of a derivative is a positive number, the derivative is recognized as an asset and if the fair value is a negative number, the derivative is recognized as a 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.

Investments in Associates

An associate is an entity over which the Company 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 amortized. 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 and joint ventures 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 accounted for using the 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, that 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 resale 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.

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.

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 Company decides to transfer in or out 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.

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

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

Intangible Assets (Excluding Goodwill)

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.

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 Tangible and Intangible Assets (Excluding Goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its tangible 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 resulting impairment loss is recognized in profit or loss. When an impairment loss is subsequently reversed, the reversal of an impairment loss is recognized in profit or loss. But only to the extent of the carrying amount (net of depreciation or amortization) that would have been determined had no impairment loss been recognized for the asset.

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 a 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 the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized 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 the Bank has a present obligation (legal or constructive) as a result of 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 is the best estimate of the consideration required to settle a present obligation at the consolidated balance sheet date, taking the risks and uncertainties into account on the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying its the present value of those cash flows. (If the time value of currency affects materially.)

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 defined benefit retirement plans of interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of 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 Bank can no longer withdraw the offer of the termination benefit and when the Bank recognizes any related restructuring costs.

d. Employee preferential interest deposits

The Bank offers its employees preferential interest deposits, including of preferential interest deposits to current employees and those to retired employees and current employees after retirement in finite amounts. The difference between the interest rate of preferential interest deposits 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 from post-employment preferential interest deposits over those imputed by the market rate should be applicable to the requirements for defined benefit plans in IAS 19 Employee Benefits since the employee's retirement and accrued by actuarial method.

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

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the stockholders 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 elect Financial Holding Company to be the tax payer, and jointly declare and report profit-seeking enterprise income tax and the tax surcharge on surplus retained earnings of a profit-enterprise in accordance with the relevant provisions of the Income Tax Law. Addition tax payable or receivable due to the joint declaration of income tax is recognized under the payables or receivables for allocation of integrated income tax systems 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 and unused loss carryforwards 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 can 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.

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 provisions 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 recognized once after the completion of the provision of the loan or other services; if the service fee earned by the execution of the major project is recognized at the completion of the major project, service fee revenue and expense related to subsequent lending services are either amortized 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. CRITICAL 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, estimates and assumptions about 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 collaterals, amount of principal and interest due, and the length of the overdue period. Change of credit ratings on individual assets and collection received are also considered to determine the category. 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 as of 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, 2020	December 31, 2019	March 31, 2019
Cash on hand	$ 19,174,733	$ 23,746,182	$ 17,045,899
Checks for clearance	2,098,846	2,930,797	7,176,286
Due from banks	43,097,944	26,325,206	40,976,679
	64,371,523	53,002,185	65,198,864
Less: Allowance for impairment loss	(5,956)	(4,188)	(19,508)
	$ 64,365,567	$ 52,997,997	$ 65,179,356

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, 2020 and 2019 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2019 are shown below:

	December 31, 2019
Cash and cash equivalents, balance in the consolidated balance sheets	$ 52,997,997
Due from the Central Bank and call loans to other banks that meet the definition of cash and cash equivalents under IAS 7	46,221,746
Securities purchased under resale agreements that meet the definition of cash and cash equivalents under IAS 7	14,295,350
Cash and cash equivalents, ending balance in the consolidated statements of cash flows	$ 113,515,093

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

	March 31, 2020	December 31, 2019	March 31, 2019
Deposit reserves - general account	$ 58,401,022	$ 57,897,754	$ 54,153,370
Deposit reserves - foreign currency account	7,475,152	6,890,818	5,368,257
Deposits in the Central Bank - general account	35,369,417	14,455,036	30,807,707
Call loans and overdrafts	56,042,833	31,766,710	20,228,569
	157,288,424	111,010,318	110,557,903
Less: Allowance for impairment loss	(66,485)	(65,225)	(13,816)
	$ 157,221,939	$ 110,945,093	$ 110,544,087

The Bank

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

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These non-interest bearing reserves may be withdrawn at any time. As of March 31, 2020, December 31, 2019 and March 31, 2019, the balances of foreign-currency deposit reserves were $2,532,084 thousand, $2,099,097 thousand and $1,468,120 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 $909,641 thousand, $1,212,635 thousand and $707,452 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, 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 $1,315,296 thousand, $1,259,294 thousand and $1,503,319 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, 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 $2,718,131 thousand, $2,319,792 thousand and $1,689,366 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets mandatorily classified as at fair value through profit or loss			
Treasury bills	$ 9,922,510	$ 9,912,981	$ -
Commercial paper	153,845,238	141,390,530	93,216,729
Government bonds	44,438,722	41,562,839	38,061,226
Corporate bonds	6,890,508	6,617,762	3,282,226
Financial debentures	7,500,314	8,724,915	8,759,340
Negotiable certificates of deposit	16,666,666	38,680,277	56,541,596
Stock investments	11,299	308,796	769,522
Fund beneficiary certificates	87,512	288,747	195,049
	239,362,769	247,486,847	200,825,688
Derivative financial instruments			
Foreign exchange forward contracts	16,323,018	18,280,727	18,508,708
Interest rate swap	61,524,246	30,557,553	29,252,626
Options	4,280,212	1,947,083	882,270
Others	492,674	602,543	788,503
	82,620,150	51,387,906	49,432,107
	$ 321,982,919	$ 298,874,753	$ 250,257,795
Financial liabilities designated as at fair value through profit or loss			
Bonds	$ 52,503,297	$ 57,604,294	$ 55,223,461
Financial liabilities held for trading			
Derivative financial instruments			
Foreign exchange forward contracts	19,137,691	19,006,155	17,085,495
Interest rate swaps	51,617,471	25,867,768	26,165,223
Options	7,532,415	3,753,962	3,805,123
Others	564,260	538,760	1,135,024
	78,851,837	49,166,645	48,190,865
	$ 131,355,134	$ 106,770,939	$ 103,414,326

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, 2020, December 31, 2019 and March 31, 2019 were as follows:

(Unit: Thousands of U.S. Dollars)

	March 31, 2020	December 31, 2019	March 31, 2019
Foreign exchange forward contracts	$ 89,640,775	$ 85,742,506	$ 92,140,651
Interest rate swaps	64,559,066	68,168,029	84,459,524
Options	6,808,378	6,704,612	6,048,491
Futures	1,005,700	1,398,149	3,752,718
Cross-currency swaps	1,695,035	1,396,786	1,362,781
Commodity exchange contracts	7,858	584	9,194

As of March 31, 2020, December 31, 2019 and March 31, 2019, none of the financial assets at fair value through profit or loss were 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 December 2014, the Bank was authorized to issue unsubordinated financial debentures amounting to US$180 million (thirty years), which were subsequently issued on March 30, 2015. 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 4.20%. The bonds have been fully redeemed on March 30, 2020.

In March 2017, the Bank was authorized to issue unsubordinated financial debentures amounting to US$195 million (thirty years), which were subsequently issued on April 11, 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 4.30%.

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, 2020 and 2019, such interest rate swaps were valued with a net gain of $3,558,508 thousand and $2,396,461 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2020	December 31, 2019	March 31, 2019
Investments in equity instruments at FVTOCI			
Domestic listed shares	$ 2,580,260	$ 12,547,311	$ 6,417,548
Overseas stock investments	4,681,254	9,413,887	5,446,960
Domestic unlisted shares	3,269,236	4,043,607	3,936,102
	10,530,750	26,004,805	15,800,610
Investments in debt instruments at FVTOCI			
Corporate bonds	51,319,165	45,974,087	49,353,651
Financial debentures	80,579,552	80,267,723	73,938,362
Asset-based securities	28,314,266	27,942,654	17,490,306
Negotiable certificates of deposit	88,309,034	70,253,313	-
Government bonds	73,839,213	73,687,528	75,220,466
	322,361,230	298,125,305	216,002,785
	$ 332,891,980	$ 324,130,110	$ 231,803,395

These investments in equity instruments are held for medium to long-term strategic purposes. 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.

For investment strategy, the Company sold the investments in equity instruments at FVTOCI with the fair value of $13,570,239 thousand and $1,731,782 thousand for the three months ended March 31, 2020 and 2019, respectively, and the related unrealized loss of $22,825 thousand and unrealized gain of $232,402 thousand were transferred from other equity to retained earnings, accordingly.

Dividends of $4,191 thousand and $3,602 thousand were recognized as income for the three months ended March 31, 2020 and 2019, respectively. Those related to investments held as of March 31, 2020 and 2019 were $4,187 thousand and $3,592 thousand, respectively, and the remaining amounts were related to investments derecognized for the three months ended March 31, 2020 and 2019.

As of March 31, 2020, December 31, 2019 and March 31, 2019, certain financial assets at FVTOCI were sold under repurchase agreements with notional amounts of $47,203,774 thousand, $35,649,054 thousand and $42,308,800 thousand, respectively. The proceeds amounting to $46,052,260 thousand, $35,456,986 thousand, $40,609,441 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for $46,081,670 thousand, $35,556,515 thousand and $40,802,827 thousand before the end of May 2020, June 2020 and August 2019, respectively.

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

10. INVESTMENTS IN DEBT INSTRUMENT AT AMORTISED COST

	March 31, 2020	December 31, 2019	March 31, 2019
Short-term bills	$ 377,694,093	$ 380,904,061	$ 313,446,965
Government bonds	2,804,634	2,816,923	2,616,774
Corporate bonds	9,738,832	813,740	2,634,996
Financial debentures	15,428,080	18,140,531	16,289,854
Structured notes	-	3,436,962	3,082,500
Asset-based bonds	46,761,334	38,850,385	47,316,273
	452,426,973	444,962,602	385,387,362
Less: Allowance for impairment loss	(27,951)	(27,617)	(27,648)
	$ 452,399,022	$ 444,934,985	$ 385,359,714

For the three months ended March 31, 2020, the Bank disposed of certain asset-based bonds in advance due to the expected increase in credit risk, and recognized the loss arising from derecognition of financial assets measured at amortized cost amounted to $170 thousand.

As of March 31, 2020, December 31, 2019 and March 31, 2019, certain financial assets measured at amortized cost were sold under repurchase agreements with notional amounts of $3,500,314 thousand, $16,010,521 thousand and $2,530,601 thousand, respectively. The proceeds amounting to $3,210,933 thousand, $12,723,466 thousand and $1,974,418 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for $3,212,828 thousand, $12,731,800 thousand and $1,980,595 thousand before to the end of May 2020, March 2020 and May 2019, respectively.

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

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

March 31, 2020

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 319,894,254	$ 452,426,973	$ 772,321,227
Less: Allowance for impairment loss	(95,509)	(27,951)	(123,460)
Adjustment to fair value	2,562,485	-	2,562,485
	$ 322,361,230	$ 452,399,022	$ 774,760,252

December 31, 2019

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 294,390,952	$ 444,962,602	$ 739,353,554
Less: Allowance for impairment loss	(98,666)	(27,617)	(126,283)
Adjustment to fair value	3,833,019	-	3,833,019
	$ 298,125,305	$ 444,934,985	$ 743,060,290

March 31, 2019

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 213,321,501	$ 385,387,362	$ 598,708,863
Less: Allowance for impairment loss	(334,336)	(27,648)	(361,984)
Adjustment to fair value	3,015,620	-	3,015,620
	$ 216,002,785	$ 385,359,714	$ 601,362,499

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 values 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, 2020
Low credit risk	Low credit risk at reporting date	12-month ECLs	$ 772,321,227
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	-
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	-

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at December 31, 2019
Low credit risk	Low credit risk at reporting date	12-month ECLs	$ 739,353,554
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	-
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	-

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at March 31, 2019
Low credit risk	Low credit risk at reporting date	12-month ECLs	$ 598,708,863
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	-
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	-

The changes in balances of loss allowance 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, 2020

	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	$ 126,283	$ -	$ -
New debt instruments purchased	20,183	-	-
Derecognition	(10,163)	-	-
Effect of exchange rate changes and others	(12,843)	-	-
Balance at the end of the period	$ 123,460	$ -	$ -

For the three months ended March 31, 2019

	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	$ 345,820	$ -	$ -
New debt instruments purchased	13,172	-	-
Derecognition	(7,732)	-	-
Effect of exchange rate changes and others	10,724	-	-
Balance at the end of the period	$ 361,984	$ -	$ -

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Foreign bonds	$ 593,252	$ 2,397,041	$ 3,052,348
Corporate bonds	21,934,275	3,679,849	21,462,663
Government bonds	10,490,162	6,610,566	28,151,082
Financial debentures	3,028,877	1,609,102	6,006,100
	36,046,566	14,296,558	58,672,193
Less: Allowance for impairment loss	(3,938)	(1,208)	(6,255)
	$ 36,042,628	$ 14,295,350	$ 58,665,938

As of March 31, 2020 and December 31, 2019, none of the securities purchased under resell agreements were sold under repurchase agreements.

As of March 31, 2019, certain securities purchased under resell agreements with notional amounts of $1,510,425 thousand were sold under repurchase agreement. The proceeds amounting to $1,394,326 thousand were recognized as notes and bonds sold under repurchase agreement and were repurchased for $1,409,372 thousand before the end of April 2019.

13. RECEIVABLES, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Notes and accounts receivables	$ 71,625,151	$ 89,486,906	$ 70,050,479
Interest receivable	5,850,261	5,673,196	9,630,111
Acceptance	834,059	896,898	1,635,786
Factoring receivable	2,639,380	3,137,119	2,207,701
Others	7,682,867	4,071,172	8,734,779
	88,631,718	103,265,291	92,258,856
Less: Allowance for impairment loss	(2,388,322)	(2,377,268)	(2,046,371)
	$ 86,243,396	$ 100,888,023	$ 90,212,485

Refer to Note 50 the 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, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance, beginning of the period	$ 99,439,051	$ 1,560,450	$ 2,265,790	$ 103,265,291
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(753,281)	761,891	(8,610)	-
Transferred to credit-impaired financial assets	(46,584)	(75,221)	121,805	-
Transferred to 12-month ECLs	564,472	(560,559)	(3,913)	-
Derecognition of financial assets in the current reporting period	(44,875,655)	(613,044)	(147,472)	(45,636,171)
New financial assets purchased or originated	27,794,215	799,546	188,551	28,782,312
Write off bad debts	-	-	(133,177)	(133,177)
Effects of exchange rate changes and others	2,212,093	26,920	114,450	2,353,463
Balance, end of the period	$ 84,334,311	$ 1,899,983	$ 2,397,424	$ 88,631,718

For the three months ended March 31, 2019

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance, beginning of the period	$ 83,956,813	$ 1,660,989	$ 2,422,873	$ 88,040,675
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(1,110,791)	1,119,279	(8,488)	-
Transferred to credit-impaired financial assets	(77,982)	(57,324)	135,306	-
Transferred to 12-month ECLs	511,354	(509,253)	(2,101)	-
Derecognition of financial assets in the current reporting period	(37,913,184)	(832,127)	(166,881)	(38,912,192)
New financial assets purchased or originated	42,246,459	704,100	127,753	43,078,312
Write off bad debts	-	(70)	(114,092)	(114,162)
Effects of exchange rate changes and others	164,684	3,799	(2,260)	166,223
Balance, end of the period	$ 87,777,353	$ 2,089,393	$ 2,392,110	$ 92,258,856

The changes in the allowance for doubtful accounts of the Company's receivables were as follows:

For the three months ended March 31, 2020

	12-month Expected-credit Losses	Lifetime Expected-credit Losses (Collectively Assessed)	Lifetime Expected-credit Losses (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 509,882	$ 154,306	$ 1,660,104	$ 2,324,292	$ 52,976	$ 2,377,268
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(4,259)	99,912	(6,296)	89,357	-	89,357
Transferred to credit-impaired financial assets	(501)	(5,837)	79,659	73,321	-	73,321
Transferred to 12-month ECLs	3,333	(65,473)	(2,627)	(64,767)	-	(64,767)
Derecognition of financial assets in the period	(106,991)	(35,924)	(66,890)	(209,805)	-	(209,805)
New financial assets purchased or originated	55,031	23,407	125,834	204,272	-	204,272
Differences of impairment loss under regulations	-	-	-	-	(70)	(70)
Write off bad debts	-	-	(133,177)	(133,177)	-	(133,177)
Effects of exchange rate changes and others	8,209	(24,857)	68,396	51,748	175	51,923
Balance at end of the period	$ 464,704	$ 145,534	$ 1,725,003	$ 2,335,241	$ 53,081	$ 2,388,322

For the three months ended March 31, 2019

	12-month Expected-credit Losses	Lifetime Expected-credit Losses (Collectively Assessed)	Lifetime Expected-credit Losses (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Receivables						
Balance at the beginning of the period	$ 126,022	$ 116,965	$ 1,768,492	$ 2,011,479	$ 50,470	$ 2,061,949
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(4,779)	101,085	(6,001)	90,305	-	90,305
Transferred to credit-impaired financial assets	(368)	(4,330)	90,178	85,480	-	85,480
Transferred to 12-month ECLs	2,834	(49,241)	(1,475)	(47,882)	-	(47,882)
Derecognition of financial assets in the current reporting period	(68,681)	(26,336)	(80,760)	(175,777)	-	(175,777)
New financial assets purchased or originated	60,014	23,725	73,469	157,208	-	157,208
Differences of impairment loss under regulations	-	-	-	-	(5,207)	(5,207)
Write off bad debts	-	(70)	(114,092)	(114,162)	-	(114,162)
Effects of exchange rate changes and others	11,952	(24,463)	6,991	(5,520)	(23)	(5,543)
Balance at end of the period	$ 126,994	$ 137,335	$ 1,736,802	$ 2,001,131	$ 45,240	$ 2,046,371

14. DISCOUNTS AND LOANS, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Discounts and overdrafts	$ 1,801,907	$ 1,695,073	$ 1,967,092
Short-term loans	377,892,094	392,424,750	484,558,828
Medium-term loans	424,971,672	416,600,240	380,407,187
Long-term loans	759,935,259	765,622,224	778,095,366
Export negotiations	1,145,508	1,349,222	1,522,617
Overdue loans	3,367,189	2,870,685	2,905,411
	1,569,113,629	1,580,562,194	1,649,456,501
Less: Allowance for impairment loss	(27,870,922)	(27,411,288)	(26,415,245)
	$ 1,541,242,707	$ 1,553,150,906	$ 1,623,041,256

As of March 31, 2020, December 31, 2019 and March 31, 2019, the loan and credit balances of nonaccrual loans were $3,367,189 thousand, $2,870,685 thousand and $2,905,411 thousand, respectively. The Company wrote off certain credits after 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, 2020

	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	$ 1,500,192,488	$ 68,503,519	$ 11,866,187	$ 1,580,562,194
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(21,772,673)	21,874,862	(102,189)	-
Transferred to credit-impaired financial assets	(889,023)	(540,059)	1,429,082	-
Transferred to 12-month ECLs	10,637,784	(10,237,454)	(400,330)	-
Derecognition of financial assets in the period	(201,798,010)	(9,427,550)	(881,203)	(212,106,763)
New financial assets purchased or originated	199,817,658	2,550,318	321,500	202,689,476
Write off bad debts	-	-	(234,792)	(234,792)
Effects of exchange rate changes and others	(1,550,396)	(243,858)	(2,232)	(1,796,486)
Balance at end of the period	$ 1,484,637,828	$ 72,479,778	$ 11,996,023	$ 1,569,113,629

For the three months ended March 31, 2019

	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	$ 1,549,705,049	$ 59,275,734	$ 11,769,709	$ 1,620,750,492
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(22,955,924)	23,113,721	(157,797)	-
Transferred to credit-impaired financial assets	(1,271,927)	(822,913)	2,094,840	-
Transferred to 12-month ECLs	10,231,211	(10,058,984)	(172,227)	-
Derecognition of financial assets in the period	(189,119,827)	(11,380,580)	(686,500)	(201,186,907)
New financial assets purchased or originated	224,979,421	3,920,493	248,245	229,148,159
Write off bad debts	-	-	(197,477)	(197,477)
Effects of exchange rate changes and others	830,458	115,837	(4,061)	942,234
Balance at end of the period	$ 1,572,398,461	$ 64,163,308	$ 12,894,732	$ 1,649,456,501

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

For the three months ended March 31, 2020

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 2,753,556	$ 1,746,741	$ 5,386,493	$ 9,886,790	$ 17,524,498	$ 27,411,288
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(57,505)	937,741	(24,621)	855,615	-	855,615
Transferred to credit-impaired financial assets	(3,144)	(41,509)	308,162	263,509	-	263,509
Transferred to 12-month ECLs	47,335	(457,150)	(27,634)	(437,449)	-	(437,449)
Derecognition of financial assets in the period	(401,989)	(103,046)	(116,368)	(621,403)	-	(621,403)
New financial assets purchased or originated	877,517	53,597	190,176	1,121,290	-	1,121,290
Differences of impairment loss under regulations	-	-	-	-	(1,812,582)	(1,812,582)
Write off bad debts	-	-	(234,792)	(234,792)	-	(234,792)
Effects of exchange rate changes and others	730,516	474,281	121,941	1,326,738	(1,292)	1,325,446
Balance at end of the period	$ 3,946,286	$ 2,610,655	$ 5,603,357	$ 12,160,298	$ 15,710,624	$ 27,870,922

For the three months ended March 31, 2019

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 3,914,449	$ 1,667,321	$ 4,912,617	$ 10,494,387	$ 14,932,854	$ 25,427,241
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(76,573)	894,706	(2,363)	815,770	-	815,770
Transferred to credit-impaired financial assets	(4,387)	(41,332)	356,584	310,865	-	310,865
Transferred to 12-month ECL	67,643	(432,140)	(35,155)	(399,652)	-	(399,652)
Derecognition of financial assets in the period	(499,381)	(108,712)	(36,857)	(644,950)	-	(644,950)
New financial assets purchased or originated	454,543	47,796	118,615	620,954	-	620,954
Differences of impairment loss under regulations	-	(3,041)	-	(3,041)	2,060,190	2,057,149
Write off bad debts	-	-	(197,477)	(197,477)	-	(197,477)
Effects of exchange rate changes and others	(1,402,455)	(718,547)	552,982	(1,568,020)	(6,635)	(1,574,655)
Balance at end of the period	$ 2,453,839	$ 1,306,051	$ 5,668,946	$ 9,428,836	$ 16,986,409	$ 26,415,245

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, 2020

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under the Regulations	Total
Balance at the beginning of the period	$ 192,861	$ 95,644	$ 5,501	$ 294,006	$ 131,058	$ 425,064
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(240)	15,417	(300)	14,877	-	14,877
Transferred to credit-impaired financial assets	(7)	(21)	1,234	1,206	-	1,206
Transferred to 12-month ECLs	3,050	(22,143)	(270)	(19,363)	-	(19,363)
Derecognition of financial assets in the current reporting period	(47,375)	(20,128)	(1,318)	(68,821)	-	(68,821)
New financial assets purchased or originated	54,368	13,134	1,825	69,327	-	69,327
Differences of Impairment Loss under the regulations	-	-	-	-	(206)	(206)
Effects of exchange rate changes and others	37,551	15,965	(828)	52,688	-	52,688
Balance at the end of the period	$ 240,208	$ 97,868	$ 5,844	$ 343,920	$ 130,852	$ 474,772

For the three months ended March 31, 2019

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under the Regulations	Total
Balance at the beginning of the period	$ 251,972	$ 73,536	$ 5,118	$ 330,626	$ 71,327	$ 401,953
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,271)	56,110	(11)	50,828	-	50,828
Transferred to credit-impaired financial assets	(6)	(25)	1,327	1,296	-	1,296
Transferred to 12-month ECLs	2,620	(34,961)	(295)	(32,636)	-	(32,636)
Derecognition of financial assets in the period	(49,545)	(9,232)	(990)	(59,767)	-	(59,767)
New financial assets purchased or originated	36,292	9,829	907	47,028	148	47,176
Differences of Impairment Loss under the regulations	-	-	-	-	43,367	43,367
Effects of exchange rate changes and others	(79,998)	(25,337)	(828)	(106,163)	11,294	(94,869)
Balance at the end of the period	$ 156,064	$ 69,920	$ 5,228	$ 231,212	$ 126,136	$ 357,348

16. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statement

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

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%) March 31, 2020	December 31, 2019	March 31, 2019	Description
The Bank	Indovina Bank Limited (Indovina Bank)	Bank business	50	50	50	Incorporated in Vietnam on November 21, 1990
	Cathay United Bank (Cambodia) Corporation Limited (CUBC Bank)	Bank business	100	100	100	SBC Bank was incorporated in Cambodia on July 5, 1993, and renamed as CUBC as of January 14, 2014
	Cathay United Bank (China) Co., Ltd.(CUBCN Bank) (Note)	Bank business	100	100	-	Incorporated in China on September 3, 2018

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

17. INVESTMENTS MEASURED BY EQUITY METHOD, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Associates that are not individually material			
Taiwan Real-estate Management Corp.	$ 100,298	$ 100,958	$ 102,296
Taiwan Finance Corp.	1,705,452	1,675,881	1,688,220
	$ 1,805,750	$ 1,776,839	$ 1,790,516

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

	For the Three Months Ended March 31	
	2020	2019
The Bank's share of		
Net profit	$ 35,178	$ 21,642
Other comprehensive income	(6,266)	-
Total comprehensive income for the period	$ 28,912	$ 21,642

Investments accounted for using the 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, 2020

	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	$ 15,699,923	$ 10,229,180	$ 4,989,377	$ 116,199	$ 7,875,242	$ 261,194	$ 414,969	$ 39,586,084
Additions	-	-	58,055	1,809	60,090	-	102,402	222,356
Disposals	-	-	(26,758)	(2,919)	(43,079)	-	-	(72,756)
Reclassification	-	-	45,651	-	42,220	507	(91,209)	(2,831)
Others (Note)	(600)	-	-	-	-	-	-	(600)
Exchange differences	2,800	1,625	442	565	1,142	(2,399)	191	4,366
Balance at the end of the period	15,702,123	10,230,805	5,066,767	115,654	7,935,615	259,302	426,353	39,736,619
Accumulated depreciation and impairment								
Balance at the beginning of the period	-	4,517,098	3,128,964	76,940	5,955,250	133,412	-	13,811,664
Depreciation	-	53,441	147,273	2,395	123,085	8,069	-	334,263
Disposals	-	-	(26,742)	(2,919)	(43,062)	-	-	(72,723)
Reclassification	-	-	-	-	-	-	-	-
Exchange differences	-	548	533	374	591	(1,271)	-	775
Balance at the end of the period	-	4,571,087	3,250,028	76,790	6,035,864	140,210	-	14,073,979
Net								
Balance at the end of the period	$ 15,702,123	$ 5,659,718	$ 1,816,739	$ 38,864	$ 1,899,751	$ 119,092	$ 426,353	$ 25,662,640

For the three months ended March 31, 2019

	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	$ 15,379,376	$ 10,311,364	$ 4,875,823	$ 109,873	$ 7,712,030	$ 63,049	$ 489,005	$ 38,940,520
Additions	-	-	96,909	2,772	9,861	337	131,448	241,327
Disposals	-	-	(382,631)	(824)	(88,520)	(151)	(19,400)	(491,526)
Reclassification	-	-	52,696	-	(37,152)	110,465	(77,354)	48,655
Others (Note)	(600)	-	-	-	-	-	-	(600)
Exchange differences	399	1,016	(5,254)	329	26,243	723	(19,622)	3,834
Balance at the end of the period	15,379,175	10,312,380	4,637,543	112,150	7,622,462	174,423	504,077	38,742,210
Accumulated depreciation and impairment								
Balance at the beginning of the period	$ -	$ 4,355,181	$ 3,103,465	$ 81,073	$ 5,934,810	$ 25,427	$ -	$ 13,499,956
Depreciation	-	53,976	129,273	1,857	126,381	2,265	-	313,752
Disposals	-	-	(391,008)	(824)	(63,777)	(65)	-	(455,674)
Reclassification	-	-	-	-	(88,577)	88,577	-	-
Exchange differences	-	2,806	604	(27)	(13,629)	5,643	-	(4,603)
Balance at the end of the period	-	4,411,963	2,842,334	82,079	5,895,208	121,847	-	13,353,431
Net								
Balance at the end of the period	$ 15,379,175	$ 5,900,417	$ 1,795,209	$ 30,071	$ 1,727,254	$ 52,576	$ 504,077	$ 25,388,779

Note: The urban renewal demolition and resettlement compensation fees.

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

Buildings	
Main buildings	50 to 60 years
Buildings renovation	5 years
Equipment	3 to 8 years
Transportation equipment	3 to 7 years
Miscellaneous equipment	3 to 15 years
Leasehold improvements	5 years

19. RENTAL AGREEMENTS

a. Right-of-use assets

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amount of right-of-use assets			
Land and buildings	$ 4,389,126	$ 4,182,603	$ 4,260,650
Equipment	2,691	3,082	1,637
Transportation equipment	33,662	40,412	23,434
	$ 4,425,479	$ 4,226,097	$ 4,285,721

	For the Three Months Ended March 31	
	2020	2019
Additions of right-of-use assets	$ 575,210	$ 147,744

	For the Three Months Ended March 31	
	2020	2019
Depreciation expense of right-of-use assets		
Land and buildings	$ 364,681	$ 273,878
Equipment	375	209
Transportation equipment	7,118	2,965
	$ 372,174	$ 277,052

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, 2020 and 2019.

b. Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amount of lease liabilities	$ 4,490,747	$ 4,246,381	$ 4,340,904

The discount rate intervals of lease liabilities are as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Land and buildings	0.33%-5.03%	0.35%-5.22%	0.35%-5.22%
Equipment	0.70%-4.15%	0.70%-4.15%	0.70%-2.99%
Transportation equipment	0.67%-5.38%	0.70%-5.38%	0.70%-5.38%

c. Other lease information

	For the Three Months Ended March 31	
	2020	2019
Short-term rental expense	$ 143,236	$ 228,373
Low value assets rental expense	$ 117,537	$ 115,642
Variable lease payment expense not included in measurable lease liabilities	$ 18	$ 100
Gross cash outflow for leases	$ 592,320	$ 569,742

The Company leases certain assets which qualify as short-term leases and certain assets which qualify as 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

	March 31, 2020	December 31, 2019	March 31, 2019
Land	$ 721,204	$ 721,204	$ 1,311,785
Buildings	136,300	136,300	127,901
	$ 857,504	$ 857,504	$ 1,439,686

a. As of March 31, 2020, December 31, 2019 and March 31, 2019, no investment property was pledged.

b. Part of the purpose of holding certain real estate of the Bank is to earn rent or capital surplus, the other part is 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 Bank's investment properties were appraised by qualified real estate appraisers in Taiwan, according to the "Technical Rules for Real Estate Valuation." The valuation dates were December 31, 2019 and 2018, respectively. The appraisers had reviewed the original valuation reports issued on the aforementioned valuation date and clarified that the valuation reports were in effect on March 31, 2020 and 2019, respectively.

Appraiser Firm	December 31 2019	December 31 2018
REPro KnightFrank Real Estate Appraiser Firm	Hong-Xu, Wu; You-Xiang Cai	Hong-Xu, Wu; Zhi-Hao, Wu; Fu-Xue, Shi

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 their rent levels are similar to comparable properties in the same neighborhood, their fair values have been determined using the comparison approach and the income approach.

   Net rental income is based on current market practices, assuming an annual rent increase of 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 based on the actual payment data. If there is no payment data, the house tax is based on the reference tables of current house values from each city to estimate the total current house value, including the area of the subject property and related public utilities, and then calculated with tax rates according to House Tax Act.

   Land value tax is based on the changes in the announced land value of the underlying property in the past few years and the actual payment data, to further extrapolate the announced land value in the future.

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

The main parameters are as follows:

	December 31	
	2019	2018
Direct capitalization rate	1.98%-5.76%	1.98%-5.73%
Overall capital interest rate	0.76%-2.89%	0.76%-2.89%

2) The fair value has been determined by the method of land development analysis and comparison. Reserved area in hillside land, scenic land site, areas for agriculture, animal husbandry and forestry had fewer market transactions as their uses are restricted by law, and will not have significant changes in the market in the near future.

	December 31	
	2019	2018
Rate of return	-	15.00%
Overall capital interest rate	-	2.11%

Operating expenses directly related to investment properties

	For the Three Months Ended March 31	
	2020	2019
Generating rental income	$ -	$ -
Not generating rental income	316	451
	$ 316	$ 451

21. INTANGIBLE ASSETS, NET

For the three months ended March 31, 2020

	Computer Software	Goodwill	Other	Total
Cost				
Balance at the beginning of the period	$ 2,816,530	$ 6,991,316	$ -	$ 9,807,846
Additions	82,776	-	-	82,776
Disposal	(116,929)	-	-	(116,929)
Reclassification	5,612	-	-	5,612
Exchange differences	(6,877)	1,564	-	(5,313)
Balance at the end of the period	2,781,112	6,992,880	-	9,773,992
Accumulated amortization and impairment				
Balance at the beginning of the period	1,654,657	-	-	1,654,657
Amortization	116,413	-	-	116,413

(Continued)

	Computer Software	Goodwill	Other	Total
Disposal	$ (116,929)	$ -	$ -	$ (116,929)
Exchange differences	(1,484)	-	-	(1,484)
Balance at the end of the period	1,652,657	-	-	1,652,657
Net				
Balance at the end of the period	$ 1,128,455	$ 6,992,880	$ -	$ 8,121,335

(Concluded)

For the three months ended March 31, 2019

	Computer Software	Goodwill	Other	Total
Cost				
Balance at the beginning of the period	$ 2,434,377	$ 6,997,944	$ 22,170	$ 9,454,491
Additions	185,160	-	3,864	189,024
Disposal	(72,265)	-	-	(72,265)
Reclassification	12,265	-	(26,060)	(13,795)
Exchange differences	5,271	972	26	6,269
Balance at the end of the period	2,564,808	6,998,916	-	9,563,724
Accumulated amortization and impairment				
Balance at the beginning of the period	1,433,552	-	-	1,433,552
Amortization	117,070	-	-	117,070
Disposal	(72,265)	-	-	(72,265)
Exchange differences	(2,904)	-	-	(2,904)
Balance at the end of the period	1,475,453	-	-	1,475,453
Net				
Balance at the end of the period	$ 1,089,355	$ 6,998,916	$ -	$ 8,088,271

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 next five years 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, 2020	December 31, 2019	March 31, 2019
Prepayments	$ 1,435,435	$ 871,053	$ 1,742,338
Temporary payments and suspense accounts	185,193	259,245	208,914
Interbank clearing funds	5,408,862	8,499,483	5,392,072
Refundable deposits, net	25,538,104	18,283,158	21,552,675
Operating deposits, net	519,905	592,456	647,950
Others	119,861	119,861	90,855
	$ 33,207,360	$ 28,625,256	$ 29,634,804

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	March 31, 2020	December 31, 2019	March 31, 2019
Call loans from banks	$ 48,330,047	$ 42,890,945	$ 49,154,174
Due to Chunghwa Post Co., Ltd.	17,709,405	17,709,405	18,035,686
Banks overdrafts	696,701	461,623	555,905
Deposits from the Central Bank and banks	20,395,599	23,046,155	30,320,759
	$ 87,131,752	$ 84,108,128	$ 98,066,524

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Asset-based securities	$ 13,747,037	$ 6,317,892	$ 409,962
Corporate bonds	2,301,685	4,825,574	4,017,287
Real estate mortgages securities	-	-	2,971,804
Government bonds	16,556,971	12,102,396	23,868,753
Financial debentures	16,657,500	24,934,590	12,710,379
	$ 49,263,193	$ 48,180,452	$ 43,978,185

25. PAYABLES

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts payable	$ 2,546,451	$ 3,494,933	$ 7,407,922
Accrued expenses	5,929,026	8,731,588	5,833,807
Payable on bonds trade settle	8,005,449	1,347,019	4,680,889
Interest payable	5,251,405	4,705,505	5,427,651
Dividends payable	446,246	-	393,414
Receipts under custody	658,063	823,815	338,825
Banker's acceptances	839,605	902,894	1,643,411
Others	7,317,117	6,859,049	4,907,347
	$ 30,993,362	$ 26,864,803	$ 30,633,266

26. DEPOSITS AND REMITTANCES

	March 31, 2020	December 31, 2019	March 31, 2019
Checking deposits	$ 12,598,835	$ 15,020,465	$ 13,342,212
Demand deposits	568,810,092	532,155,747	524,370,197
Demand savings deposits	965,683,815	931,589,893	876,623,803
Time deposits	471,827,498	469,560,296	455,086,522
Time savings deposits	378,943,079	382,673,168	374,090,774
Negotiable certificates of deposits	2,847,500	2,931,000	3,277,000
Outward remittances and remittances payable	1,480,438	1,400,539	1,309,113
	$ 2,402,191,257	$ 2,335,331,108	$ 2,248,099,621

27. FINANCIAL DEBENTURES PAYABLE

	March 31, 2020	December 31, 2019	March 31, 2019
2nd issue of subordinated financial debentures in 2009; fixed rate at 2.6%; maturity: July 2019	$ -	$ -	$ 1,500,000
1st issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	1,500,000	1,500,000	1,500,000
2nd issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	2,500,000	2,500,000	2,500,000
1st issue of subordinated financial debentures in 2012; fixed rate at 1.48%; maturity: June 2019	-	-	200,000
1st issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000	4,200,000
2nd issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	5,600,000	5,600,000	5,600,000
1st issue of subordinated financial debentures in 2013; fixed rate at 1.55%; maturity: April 2020	100,000	100,000	100,000

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
1st issue of subordinated financial debentures in 2013; fixed rate at 1.7%; maturity: April 2023	$ 9,900,000	$ 9,900,000	$ 9,900,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.7%; maturity: May 2021	3,000,000	3,000,000	3,000,000
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 1.5%; maturity: April 2024	2,400,000	2,400,000	2,400,000
	$ 53,900,000	$ 53,900,000	$ 55,600,000

(Concluded)

28. OTHER FINANCIAL LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Principal of structured products	$ 59,260,855	$ 65,604,222	$ 74,526,718

29. PROVISIONS

	March 31, 2020	December 31, 2019	March 31, 2019
Reserve for employee benefits			
Defined benefit plan	$ 2,592,403	$ 2,619,553	$ 2,376,048
Retired employees' preferential interest deposits	616,462	620,011	592,394
Reserve for losses on guarantees	181,882	163,312	156,867
Reserve for finance commitments	285,223	255,433	197,137
Other operating reserve	41,533	33,725	22,680
Other reserve - letter of credit	7,667	6,319	3,344
	$ 3,725,170	$ 3,698,353	$ 3,348,470

30. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Bank adopted a pension plan under the Labor Pension Act (the "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, 2020 and 2019, the Company recognized expenses of $104,546 thousand and $102,333 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.

For the three months ended March 31, 2020 and 2019, pension expenses under the defined benefit plan recognized in the consolidated statements of comprehensive income amounted to $49,220 thousand and $49,140 thousand, respectively.

c. Employees' preferential interest deposit plan

For the three months ended March 31, 2020 and 2019, employees' preferential interest deposit plan expenses amounted to $90,160 thousand and $88,488 thousand, respectively.

31. OTHER LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Advance receipts	$ 421,365	$ 554,785	$ 584,930
Temporary receipts and suspense accounts	1,697,276	2,065,820	2,183,065
Guarantee deposits received	5,373,597	5,218,681	3,399,259
Contract liabilities	1,675,540	1,411,216	1,623,009
Others	332	13	1
	$ 9,168,110	$ 9,250,515	$ 7,790,264

32. EQUITY

a. Capital stock

Common stock

	March 31, 2020	December 31, 2019	March 31, 2019
Number of authorized shares (in thousands)	10,165,835	10,165,835	9,119,762
Amount of authorized shares	$ 101,658,353	$ 101,658,353	$ 91,197,623
Number of issued and fully paid shares (in thousands)	10,165,835	10,165,835	9,119,762
Amount of issued and fully paid shares	$ 101,658,353	$ 101,658,353	$ 91,197,623

On May 3, 2019, the Bank's board of directors resolved on behalf of the shareholder to transfer the retained earnings of $5,460,730 thousand in the form of shareholder's dividends to increase capital and issued 546,073 thousand new shares for total authorized capital of $96,658,353 thousand. The capital increase was approved by the FSC on June 21, 2019 and the recapitalization record date was July 3, 2019.

In response to the "Domestic systemically important banks (D-SIBs)" policy announced by the FSC and for business growth, on August 15, 2019, the Bank's board of directors resolved on behalf of the shareholder to issue common stock for cash by private placement. The common stock price is $20 per share and the upper limit is 500,000 thousand shares. The issue raised funds up to $10,000,000 thousand, and the issue was made once within one year from the date of the resolution of the shareholder. The capital increase was approved by the FSC, and 500,000 thousand new shares were issued on December 4, 2019, the recapitalization record date. Both the authorized capital and the paid-in capital were increased to $101,658,353 thousand.

On April 29, 2020, the Bank's board of directors resolved on behalf of the shareholder to transfer the retained earnings of $5,327,477 thousand in the form of shareholder's dividends to increase capital and issued 532,748 thousand new shares for total authorized capital of $106,985,830 thousand. The capital increase is pending approval from the authorities, which is required before the relevant procedures can be completed.

b. Capital surplus

	March 31, 2020	**December 31, 2019**	**March 31, 2019**
Capital surplus from the merger	$ 10,949,303	$ 10,949,303	$ 10,949,303
Additional paid-in capital	27,648,873	27,648,873	22,648,873
Others	89,100	89,100	12,807
	$ 38,687,276	$ 38,687,276	$ 33,610,983

On August 15, 2019, Cathay Financial Holdings' board of directors resolved to increase and had increased its capital and retained 10% of the capital increase in accordance with the law for subscription by employees of the parent company and subsidiaries. The Company recognized salary expense and capital surplus of $76,293 thousand for share-based payments in December 2019.

c. Legal reserve

Retained earnings are set aside to legal reserve until the amount of legal reserve equals the 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 as cash dividend 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 financial condition and business operations and has set aside legal reserve in compliance with the Banking Law, the restrictions stipulated above shall not apply.

d. Special reserve

According to Rule No. 1030006415 issued by the FSC on May 25, 2016, on the first-time adoption of the fair value model for investment properties, the Bank is required to recognize the net incremental fair value directly in retained earnings, which should be appropriated the same amount to special reserve. 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 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. 1010012865, Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," 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.

The above special reserve may be used to offset a deficit; if the reserve has reached at least 50% of the paid-in capital, half of this special reserve may be capitalized.

According to Rule No. 10510001510 issued by the FSC, the Bank should appropriate between 0.5% and 1% of net income after tax to special reserve when it appropriates earnings of 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.

The changes in the special reserve of the Bank for the three months ended March 31, 2020 and 2019 were as follows:

	Investment Properties	Others	Total
Balance at January 1, 2020	$ 1,625,296	$ 558,682	$ 2,183,978
Decrease	-	-	-
Balance at March 31, 2020	$ 1,625,296	$ 558,682	$ 2,183,978
Balance at January 1, 2019	$ 1,625,296	$ 1,308,512	$ 2,933,808
Increase	-	-	-
Balance at March 31, 2019	$ 1,625,296	$ 1,308,512	$ 2,933,808

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 shareholder, which should be resolved by the shareholder.

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 2019 and 2018 which were approved by the Bank's board of directors on behalf of the shareholder in accordance with the Company Act on April 29, 2020 and May 3, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2019	2018	2019	2018
Legal reserve	$ 6,590,232	$ 6,304,671		
Special reserve	49,731	(749,830)		
Cash dividends	10,000,000	10,000,000	$ 0.98	$ 1.10
Stock dividends	5,327,477	5,460,730	0.52	0.60

f. Other equity items

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

	For the Three Months Ended March 31	
	2020	2019
Balance at the beginning of the period	$ (1,670,723)	$ (1,008,735)
Exchange differences on translating the net assets of foreign operations	(143,307)	402,585
Tax effects	28,662	(80,517)
Other comprehensive income	(114,645)	322,068
Balance at the end of the period	$ (1,785,368)	$ (686,667)

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

	For the Three Months Ended March 31	
	2020	2019
Balance at the beginning of the period	$ 10,124,219	$ 2,730,681
Recognized for the period		
Unrealized gains (losses)		
Debt instruments	1,448,292	3,268,586
Equity instruments	(4,695,492)	1,955,044
Net remeasurement of loss allowance	(2,911)	12,774
Share from associates accounted for using equity method	(3,762)	-
Reclassification adjustment		
Disposal of investment in debt instruments	(2,464,205)	(482,011)
Tax effects	578,694	(287,598)
Other comprehensive income	(5,139,384)	4,466,795
Accumulated unrealized gain of equity instruments transferred to retained earnings due to disposal	22,825	(232,402)
Balance at the end of the period	$ 5,007,660	$ 6,965,074

3) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2019	2018
Balance at the beginning of the period	$ (1,715,929)	$ (1,369,428)
Remeasurement of defined benefit plans	1,126	-
Share from associates accounted for using equity method	(2,504)	-
Tax effect	(225)	-
Other comprehensive income	(1,603)	-
Balance at the end of the period	$ (1,717,532)	$ (1,369,428)

4) Property revaluation surplus

	For the Year Ended December 31	
	2019	2018
Balance at the beginning of the period	$ 457,968	$ 249,819
Other comprehensive income	-	-
Balance at the end of the period	$ 457,968	$ 249,819

5) Changes in the fair value of financial liabilities attributed to changes in the credit risk

	For the Year Ended December 31	
	2019	2018
Balance at the beginning of the period	$ (1,850,508)	$ 774,084
Change in fair value attributed to changes in credit risk	1,704,438	(1,215,777)
Tax effect	(340,888)	243,156
Other comprehensive income	1,363,550	(972,621)
Balance at the end of the period	$ (486,958)	$ (198,537)

g. Non-controlling interests

	For the Three Months Ended March 31	
	2020	2019
Balance at the beginning of the period	$ 4,409,576	$ 4,041,481
Net income attributable to non-controlling interests	109,712	224,529
Exchange differences on translating the financial statements of foreign entities	45,317	11,865
Change in non-controlling interests	(472,302)	(393,414)
Gains from investments in debt instruments measured at fair value through other comprehensive income	344,628	15,541
Balance at the end of the period	$ 4,436,931	$ 3,900,002

33. NET INTEREST REVENUE

	For the Three Months Ended March 31	
	2020	2019
Interest income		
Discounts and loans	$ 10,080,665	$ 10,141,050
Investment securities	2,526,472	2,726,040
Revolving credit	613,840	577,204
Due from banks and call loans to banks	634,502	658,768
Others	116,836	246,653
	13,972,315	14,349,715

(Continued)

	For the Three Months Ended March 31	
	2020	2019
Interest expense		
Deposits	$ 3,542,361	$ 3,714,785
Financial debentures	239,187	243,187
Structured products	431,555	660,506
Due to the Central Bank and other banks	430,680	518,815
Notes and bonds issued under repurchase agreements	170,183	302,143
Others	42,150	66,492
	4,856,116	5,505,928
	$ 9,116,199	$ 8,843,787

(Concluded)

34. NET SERVICE FEE REVENUE

	For the Three Months Ended March 31	
	2020	2019
Service fee income		
Credit card business	$ 1,370,235	$ 1,606,714
Trust business	1,170,884	715,454
Loan business	283,128	354,887
Cross-selling marketing	1,995,622	2,525,903
Others	732,194	655,397
	5,552,063	5,858,355
Service fee expenses		
Credit card business	795,464	884,018
Others	314,143	303,335
	1,109,607	1,187,353
	$ 4,442,456	$ 4,671,002

The Bank also engaged in the business for online pay services. For the three months ended March 31, 2020 and 2019, service fee revenue were $86 thousand and $134 thousand, respectively, and the revenue and other income resulting from the fund 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	
	2020	2019
Stock	$ (61,091)	$ 33,747
Short-term bills	340,202	306,360
Fund beneficiary certificates	(16,372)	10,955
Investment in debt instrument	(2,580,231)	(1,719,721)
Derivative financial instruments	3,309,680	3,874,571
	$ 992,188	$ 2,505,912
Realized gain (loss)		
Gain (loss) on disposal	$ (285,367)	$ 888,608
Interest income	563,748	396,024
Interest expense	(354,906)	(360,822)
Unrealized gain (loss)		
Valuation gain	1,068,713	1,582,102
	$ 992,188	$ 2,505,912

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

	For the Three Months Ended March 31	
	2020	2019
Net gain on disposal - debt instruments	$ 2,464,205	$ 482,011
Dividend income	4,191	3,602
	$ 2,468,396	$ 485,613

37. IMPAIRMENT LOSS (REVERSAL) ON ASSETS

	For the Three Months Ended March 31	
	2020	2019
Debt instruments at FVTOCI	$ (3,448)	$ 18,732
Debt instruments at amortised cost	252	(3,601)
	$ (3,196)	$ 15,131

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

	For the Three Months Ended March 31	
	2020	2019
Discounts and loans	$ 478,172	$ 767,770
Receivables	62,505	24,706
Guarantee liability provisions	18,626	(6,866)
Financial commitment provisions	29,284	(37,157)
Others	699	1,303
	$ 589,286	$ 749,756

39. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended March 31	
	2020	2019
Salaries	$ 3,878,683	$ 3,865,799
Insurance	270,105	261,154
Post-employment benefits	176,974	173,811
Remuneration of directors	963	1,005
Others	89,720	96,286
	$ 4,416,445	$ 4,398,055

For the three months ended March 31, 2020 and 2019, the average number of the Company’s employees was 12,112 and 12,167, including 19 and 17 non-executive directors, respectively.

As of March 31, 2020 and 2019, the number of employees of the Company was 12,065 and 12,111, respectively.

Under the Articles of Incorporation of the Bank, the Bank accrued employees’ compensation and remuneration of directors at the rates of 0.05% and no higher than 0.1%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors (after offsetting accumulated deficits). For the three months ended March 31, 2020 and 2019, employees’ compensation and the remuneration of directors were as follows:

	For the Three Months Ended March 31	
	2020	2019
Employees’ compensation	$ 4,320	$ 3,600
Remuneration of directors	$ 963	$ 1,005

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.

Employees' compensation and the remuneration of directors for the years ended December 31, 2019 and 2018 which have been approved by the Bank's board of directors on March 11, 2020 and March 21, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	$ 12,661	$ 12,022
Remuneration of directors	$ 6,000	$ 6,300

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018, respectively.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended March 31	
	2020	**2019**
Depreciation expense		
Property and equipment	$ 334,263	$ 313,752
Right-of-use assets	372,174	277,052
Amortization expense		
Intangible assets	116,413	117,070
	$ 822,850	$ 707,874

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended March 31	
	2020	**2019**
Rental expenses	$ 260,791	$ 344,115
Tax expenses	605,834	584,805
Product promotion expenses	834,305	1,005,456
Insurance expenses	192,222	184,474
Others	1,072,957	1,390,157
	$ 2,966,109	$ 3,509,007

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	
	2020	2019
Current tax		
In respect of the period	$ 1,254,416	$ 893,493
Deferred tax		
In respect of the period	(118,416)	76,507
Income tax of overseas subsidiaries	179,438	100,011
Total income tax recognized in profit or loss	$ 1,315,438	$ 1,070,011

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, 2012, 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 Holdings 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	
	2020	2019
Deferred tax		
Recognized in OCI		
Remeasurement of defined benefit plans	$ 225	$ -
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	340,888	(243,156)
Translation of foreign operations	(28,662)	80,517
Fair value changes of financial assets at FVTOCI	(578,694)	287,598
Total income tax recognized in other comprehensive income	$ (266,243)	$ 124,959

c. Assessment of income tax returns

The Bank's income tax returns through 2014 had been assessed; however, the Bank has invoked the administrative remedy for cases on employee benefits in 2011, 2012 and 2014.

43. EARNINGS PER SHARE

Unit: Dollar Per Share

	For the Three Months Ended March 31	
	2020	**2019**
Basic earnings per share	$ 0.74	$ 0.64

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

Net income

	For the Three Months Ended March 31	
	2020	**2019**
Net income for calculating basic earnings per share	$ 7,489,821	$ 6,148,933

Number of shares

Unit: In Thousands of Shares

	For the Three Months Ended March 31	
	2020	**2019**
Weighted average number of ordinary shares used for calculating basic earnings per share	10,165,835	9,665,835

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 Securities (Hong Kong) 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 Investment Inc.	Other related party
Conning Asia Pacific Ltd.	Other related party
Cathay Life Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Futures Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Cathay Dragon Fund etc.	Other related party
Cathay United Bank Foundation	Other related party
Cathay Life Insurance Employees’ Welfare Committee	Other related party
Cathay Real Estate Development Employees’ Welfare Committee	Other related party
Cathay Private Equity Co., Ltd.	Other related party
Vietinbank	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Lin Yuan Property Management Co., Ltd.	Other related party
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Other related party
Tailin Management Consulting Ltd.	Other related party
Hangzhou Kunning Health Consulting Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Neo Cathay Power Co., Ltd.	Other related party
PSS Co., Ltd.	Other related party
Kao-Yi International Investment Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
TaiYang Solar Power Co., Ltd.	Other related party
Directors, managers, and their relatives and affiliates	Other related party

b. Significant transactions between the Company and related parties

1) Loans

March 31, 2020

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	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	26	$ 114,922	$ 18,483	V	$ -	None	None	$ 118	$ 300
Self-used housing mortgage loans	241	1,887,613	1,758,277	V	-	Real estate and securities	None	(1,028)	21,740
Others	Cathay Real Estate Development Co., Ltd.	250,000	-	V	-	Real estate	None	(2,500)	-
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	-	330
Others	Cathay Securities Co., Ltd.	707,913	-	V	-	securities	None	-	-
Others	Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	10,000	V	-	Real estate	None	-	100
Others	TaiYang Solar Power Co., Ltd.	70,549	69,223	V	-	Property	None	25	692

December 31, 2019

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	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	27	$ 66,064	$ 9,862	V	$ -	None	None	$ 27	$ 175
Self-used housing mortgage loans	252	1,959,428	1,765,551	V	-	Real estate and securities	None	3,062	22,640
Others	Cathay Real Estate Development Co., Ltd.	2,040,000	250,000	V	-	Real estate	None	(1,500)	2,500
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	(69)	330
Others	Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	10,000	V	-	Real estate	None	100	100

March 31, 2019

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	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	12	$ 31,210	$ 4,163	V	$ -	None	None	$ 20	$ 124
Self-used housing mortgage loans	225	1,750,425	1,636,157	V	-	Real estate	None	539	20,676
Others	Cathay Real Estate Development Co., Ltd.	870,000	-	V	-	Real estate	None	(4,000)	-
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	(69)	330

	Interest Revenue For the Three Months Ended March 31	
	2020	2019
Associates		
Taiwan Real-estate Management Corp.	$ 147	$ 143
Other related parties		
Cathay Real Estate Development Co., Ltd.	60	470
Cathay Securities Co., Ltd.	59	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	44	-
TaiYang Solar Power Co., Ltd.	402	-
Others	7,291	6,756
	7,856	7,226
	$ 8,003	$ 7,369

Deposits

	March 31, 2020	December 31, 2019	March 31, 2019
Parent company			
Cathay Financial Holding Co., Ltd.	$ 331,920	$ 79,099	$ 102,240
Other related parties			
Cathay Life Insurance Co., Ltd.	44,009,199	23,917,315	20,633,677
Cathay Century Insurance Co., Ltd.	2,052,907	2,474,304	2,069,221
Cathay Securities Co., Ltd.	2,538,192	2,034,207	2,855,941
Cathay Securities (Hong Kong) Ltd.	63	63	65
Cathay Futures Co., Ltd.	1,549,289	1,429,607	1,697,977
Cathay Venture Inc.	9,987	25,405	36,057
Cathay Securities Investment Trust Co., Ltd.	123,574	143,714	132,853
Cathay Securities Investment Consulting Co., Ltd.	487,289	204,526	207,981
Cathay Investment Inc.	1,828	34,946	-
Cathay Real Estate Development Co., Ltd.	177,623	257,587	297,458
Cathay Hospitality Management Co., Ltd.	1,597	6,203	2,052
Cathay Life Insurance (Vietnam) Co., Ltd.	207,097	497,313	1,070,933
Cathay Insurance (Vietnam) Co., Ltd.	189,149	168,057	168,495
Cathay Dragon Fund etc.	136,600	84,784	18,068
Symphox Information Co., Ltd.	121,965	154,446	124,740
Conning Asia Pacific Ltd.	79,037	78,469	79,211
Cathay Private Equity Co., Ltd.	16,178	15,989	30,739
Cathay United Bank Foundation	523,237	532,486	541,501
Cathay Life Insurance Employees' Welfare Committee	2,255,979	2,142,876	2,261,408
Cathay Real Estate Development Employees' Welfare Committee	395,211	397,367	384,346
Neo Cathay Power Co., Ltd.	11	11	95,979
Lin Yuan (Shanghai) Real Estate Co., Ltd.	1,031,228	990,004	704,115
Tailin Management Consulting Ltd.	73,512	31,074	-
Hangzhou Kunning Health Consulting Co., Ltd.	-	312	-
Others	7,835,928	7,614,151	8,918,358
	63,816,680	43,235,216	42,331,175
	$ 64,148,600	$ 43,314,315	$ 42,433,415

	Interest Expense For the Three Months Ended March 31	
	2020	2019
Parent company		
Cathay Financial Holding Co., Ltd.	$ 17	$ 90
Other related parties		
Cathay Life Insurance Co., Ltd.	6,894	13,648
Cathay Century Insurance Co., Ltd.	1,793	2,152
Cathay Securities Co., Ltd.	1,148	974
Cathay Futures Co., Ltd.	2,085	1,813
Cathay Venture Inc.	1	1
Cathay Securities Investment Trust Co., Ltd.	32	40
Cathay Securities Investment Consulting Co., Ltd.	162	163
Cathay Investment Inc.	1	-
Cathay Real Estate Development Co., Ltd.	4	13
Cathay Hospitality Management Co., Ltd.	1	1
Cathay Life Insurance (Vietnam) Co., Ltd.	4,367	18,695
Cathay Insurance (Vietnam) Co., Ltd.	621	2,248
Symphox Information Co., Ltd.	184	177
Conning Asia Pacific Ltd.	232	329
Cathay Private Equity Co., Ltd.	1	4
Cathay United Bank Foundation	1,304	1,394
Cathay Life Insurance Employees' Welfare Committee	5,093	5,489
Cathay Real Estate Development Employees' Welfare Committee	990	1,028
Neo Cathay Power Co., Ltd.	-	14
Lin Yuan (Shanghai) Real Estate Co., Ltd.	7,549	4,864
Tailin Management Consulting Ltd.	21	-
Others	18,404	20,117
	50,887	73,164
	$ 50,904	$ 73,254

Item/Related Parties	Account Balance March 31, 2020	December 31, 2019	March 31, 2019
<u>Due from commercial banks</u>			
Other related parties			
Vietinbank	$ 5,153,099	$ 5,216,825	$ 5,391,452
<u>Due to commercial banks</u>			
Other related parties			
Vietinbank	5,205,173	5,265,818	5,349,695

Item/Related Parties	Interest Income (Expense) For the Three Months Ended March 31 2020	2019
Due from commercial banks		
Other related parties		
Vietinbank	$ 1,305	$ 1,330
Due to commercial banks		
Other related parties		
Vietinbank	(1,285)	(1,312)

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

2) Guarantees

March 31, 2020

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collaterals
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	$ 68,190	$ 55,190	$ 19	0.65%-0.58%	Securities

December 31, 2019

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collaterals
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	$ 54,440	$ 54,440	$ 5	0.65%-0.8%	Securities

March 31, 2019

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collaterals
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	$ 42,277	$ 41,815	$ 5	0.65%	Securities

3) Derivatives

March 31, 2020

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2019.05.28-2021.03.09	$ 94,241,210	$ 429,161	Valuation adjustment for FVTPL financial assets	$ 293,451
					Valuation adjustment for FVTPL financial liabilities	(485,628)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2019.04.11-2021.03.11	2,880,181	14,714	Valuation adjustment for FVTPL financial assets	10,053
					Valuation adjustment for FVTPL financial liabilities	(8,320)
	SWAP - exchange between customers (EUR)	2020.02.24-2021.02.24	24,952	169	Valuation adjustment for FVTPL financial assets	270
					Valuation adjustment for FVTPL financial liabilities	-

December 31, 2019

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2019.01.30-2020.11.06	$ 78,727,190	$ 2,074,629	Valuation adjustment for FVTPL financial assets	$ 25,148
					Valuation adjustment for FVTPL financial liabilities	(1,172,591)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2019.02.12-2020.11.16	2,790,826	24,314	Valuation adjustment for FVTPL financial assets	367
					Valuation adjustment for FVTPL financial liabilities	(32,862)
	SWAP - exchange between customers (EUR)	2019.08.20-2020.02.24	25,312	(974)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(859)

March 31, 2019

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2018.06.28-2020.03.23	$ 112,973,625	$ 2,609,378	Valuation adjustment for FVTPL financial assets	$ 2,157,861
					Valuation adjustment for FVTPL financial liabilities	-
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2018.05.07-2020.02.20	2,610,878	47,900	Valuation adjustment for FVTPL financial assets	31,039
					Valuation adjustment for FVTPL financial liabilities	-
	SWAP - exchange between customers (EUR)	2019.02.20-2019.08.22	25,967	(298)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(255)

4) Lease agreement - the Company as lessee

Related Parties	Acquisition of right-of-use assets For the Three Months Ended March 31 2020	2019
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 357,826	$ -
Cathay Real Estate Development Co., Ltd.	-	7,458

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

Related Parties	Lease Liabilities		
	March 31, 2020	December 31, 2019	March 31, 2019
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 2,177,757	$ 1,956,803	$ 2,171,374
Cathay Real Estate Development Co., Ltd.	16,085	20,954	17,197

Related Parties	Rental expense For the Three Months Ended March 31		
	2020	2019	Payment Term
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 11,363	$ 57,222	Monthly
Cathay Real Estate Development Co., Ltd.	-	2,502	Monthly

Related Parties	Refundable Deposits		
	March 31, 2020	December 31, 2019	March 31, 2019
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 189,918	$ 188,158	$ 189,738
Cathay Real Estate Development Co., Ltd.	4,625	4,625	4,625

5) Lease agreement - the Company as lessor

Related Parties	Rental income For the Three Months Ended March 31		
	2020	2019	Payment Term
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 12,137	$ 12,147	Monthly

Related Parties	Guarantee Deposits		
	March 31, 2020	December 31, 2019	March 31, 2019
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 12,019	$ 12,019	$ 12,019

The lease period and contract method are in accordance with the provisions, the general lease terms are one to three years and the payments are mainly monthly.

6) Others

Item/Related Parties	For the Three Months Ended March 31 2020	2019
Commissions and handling fees income		
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 1,772,838	$ 2,395,810
Cathay Century Insurance Co., Ltd.	34,632	36,216
Cathay Securities Co., Ltd.	27,834	15,838
Cathay Securities Investment Trust Co., Ltd.	7,821	8,625
Cathay Securities Investment Consulting Co., Ltd.	3,617	4,544
Miscellaneous income		
Other related parties		
Cathay Life Insurance Co., Ltd.	14,943	-
Insurance expense paid		
Other related parties		
Cathay Life Insurance Co., Ltd.	5,065	3,903
Cathay Century Insurance Co., Ltd.	43,582	43,921
Other operating expense		
Other related parties		
Cathay Life Insurance Co., Ltd.	28,538	36,357
Symphox Information Co., Ltd.	107,379	142,060
Lin Yuan Property Management Co., Ltd.	3,010	2,497
Cathay Healthcare Management Co., Ltd.	956	7,230
Seaward Card Co., Ltd	59,750	59,814

Item/Related Parties	March 31, 2020	December 31, 2019	March 31, 2019
Receivables			
Other related parties			
Cathay Securities Investment Trust Co., Ltd.	$ 2,108	$ 4,342	$ 2,837
Receivables for commission of collecting insurances			
Other related parties			
Cathay Life Insurance Co., Ltd.	289,244	43,208	656,257
Refundable deposit			
Other related parties			
Cathay Futures Co., Ltd.	212,750	508,694	77,526
Accrued expenses			
Other related parties			
Seaward Card Co., Ltd.	27,483	37,704	25,079
Accounts payable			
Other related parties			
Cathay Century Insurance Co., Ltd.	24,046	49,719	23,531
Symphox Information Co., Ltd.	141,198	123,346	138,348
Payables for allocation of integrated income tax systems account			
Parent company			
Cathay Financial Holding Co., Ltd.	2,682,400	1,703,104	117,608

The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of $0 thousand and $1,823 thousand for the three months ended March 31, 2020 and 2019, 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, 2020, December 31, 2019 and March 31, 2019, the unconverted bonus points amounted to $21,468 thousand, $25,797 thousand and $21,114 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 management personnel

Compensation of directors and other management personnel for the three months ended March 31, 2020 and 2019 was as follows:

	For the Three Months Ended March 31	
	2020	**2019**
Short-term employment benefits	$ 88,650	$ 77,112
Post-employment benefits	1,699	1,316
Others	-	34
	$ 90,349	$ 78,462

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

45. PLEDGED ASSETS

The Company's assets used as collaterals for loans, Central Bank overdraft and for provisional seizure of certain assets were as follows:

	March 31, 2020	**December 31, 2019**	**March 31, 2019**
Financial assets at FVTOCI	$ 14,000,007	$ 10,006,563	$ 14,319
Investments in debt instruments at amortised cost	42,800,723	47,521,950	64,441,414

46. CONTINGENCIES AND COMMITMENTS

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

a. The Bank

1) Entrusted items and guarantees:

	March 31, 2020	**December 31, 2019**	**March 31, 2019**
Trust and security held for safekeeping	$ 739,722,020	$ 720,298,578	$ 752,645,748
Travelers checks for sale	252,453	257,286	277,506
Collection and payment on behalf of customers	35,588,148	36,708,754	35,622,519
Book-entry for government bonds and depository for short-term marketable securities under management	431,909,563	429,136,051	406,756,292
Entrusted financial management business	7,927,376	8,205,335	20,881,895
Guarantees on duties and contracts	13,177,764	12,957,304	14,154,307
Unused commercial letters of credit	6,458,460	4,496,860	4,385,758
Irrevocable loan commitments	184,376,622	189,579,513	114,802,247
Unused credit card commitments	641,553,357	623,899,000	602,250,597
Underwritten securities	420,000	1,350,000	3,380,000

2) As of March 31, 2020, the Bank's significant lawsuits and proceedings arising due to normal business relationships are as follows:

Lee & Li, Attorneys-at-Law and SanDisk Corporation of USA alleged that the embezzlement case of Liu Wei-Chieh (an 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 approximately $991,002 thousand. The case has been pending in the court since July 2007, and the Bank won favorable decisions in both the first and second instances. The proceedings are currently pending in 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.

b. Indovina Bank

Entrusted item and guarantees

	March 31, 2020	December 31, 2019	March 31, 2019
Financial guarantee contracts	$ 1,396,823	$ 1,380,304	$ 1,769,409
Unused commercial letters of credit	550,182	662,214	1,230,038
Irrevocable loan commitments	-	-	663

c. CUBC Bank

Entrusted item and guarantees

	March 31, 2020	December 31, 2019	March 31, 2019
Financial guarantee contracts	$ 23,769	$ 23,652	$ 75,609
Credit card line commitments	306,579	280,881	256,650
Irrevocable loan commitments	402,374	488,140	406,139

d. CUBCN Bank

Entrusted item and guarantees

	March 31, 2020	December 31, 2019	March 31, 2019
Financial guarantee contracts	$ 451,838	$ 427,986	$ 82,044
Unused commercial letters of credit	171,253	95,593	574,674
Irrevocable loan commitments	805,352	1,050,539	834,577

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

As of March 31, 2020, December 31, 2019 and March 31, 2019, the trust assets (liabilities) were in the amount of $475,576,367 thousand, $499,608,303 thousand and $493,211,924 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. Remuneration apportionment and expenses allocation for cross-selling marketing personnel follow the "Cathay Financial Company Scope of Cross-selling Marketing and Rules for Reward".

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. Calculation methods for expenses allocation have been established.

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 on original recognition, and in many cases, usually refer to the transaction price. On subsequent measurement, except for some financial instruments that are measured at amortized 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 a 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 futures market or exchanges.

2) Level 2

The products in this level have fair values that can be inferred from either directly or indirectly observable inputs other than quoted prices in an active market. The observation 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, interested parties' prices, and the correlation of price between the product 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 this 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 as forward contracts, cross-currency swap contracts, simple interest bearing bonds, convertible bonds and commercial paper.

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 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 measured at fair value on a recurring basis, were as follows:

Item	March 31, 2020			
	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	$ 11,299	$ -	$ -	$ 11,299
Bonds	58,829,544	2,810,416	56,019,128	-
Others	180,521,926	87,512	180,434,414	-
Financial assets at fair value through other comprehensive income				
Stocks	10,530,750	7,232,382	-	3,298,368
Bonds	234,052,196	66,766,133	166,829,984	456,079
Others	88,309,034	-	88,309,034	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	52,503,297	-	52,503,297	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	82,620,150	21,854	71,535,314	11,062,982
Liabilities				
Financial liabilities at fair value through profit or loss	78,851,837	31,799	67,757,056	11,062,982

Item	December 31, 2019			
	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	$ 308,796	$ 292,533	$ -	$ 16,263
Bonds	56,905,516	4,293,184	52,612,332	-
Others	190,272,535	182,220	190,090,315	-
Financial assets at fair value through other comprehensive income				
Stocks	26,004,805	21,918,515	-	4,086,290
Bonds	227,871,992	63,235,736	164,182,408	453,848
Others	70,253,313	-	70,253,313	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	57,604,294	-	57,604,294	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	51,387,906	123,118	40,583,609	10,681,179
Liabilities				
Financial liabilities at fair value through profit or loss	49,166,645	36,488	38,448,978	10,681,179

Item	March 31, 2019			
	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	$ 769,522	$ 766,118	$ -	$ 3,404
Bonds	50,102,792	13,384,955	36,717,837	-
Others	149,953,374	97,920	149,855,454	-
Financial assets at fair value through other comprehensive income				
Stocks	15,800,610	11,672,871	789	4,126,950
Bonds	216,002,785	106,380,841	109,621,944	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	55,223,461	-	55,223,461	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	49,432,107	107,413	37,605,415	11,719,279
Liabilities				
Financial liabilities at fair value through profit or loss	48,190,865	133,327	36,338,259	11,719,279

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, 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. The source of market data should be transparent and easy to access and can be referred to by independent resources.

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.

b) Marking to model

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

The Company uses the forward rates provided by Reuters to estimate the fair values of forward contracts, foreign exchange swap contracts, interest rate swap and cross-currency swap contacts and the discounted cash flow method to calculate the fair values 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 contracts.

3) Fair value adjustments

<u>Credit risk evaluation adjustments</u>

Credit risk evaluation adjustment refers to the fair value of the Over The Counter (OTC) derivative financial commodity contracts, which also reflects the credit risk of both parties. It can be mainly divided into "credit evaluation adjustment" and "debit evaluation adjustment":

a) Credit value adjustments (CVA): Adjustment to a transaction in a non-concentrated trading market, that is, the adjustment of a derivatives 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 derivatives 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 default loss rate (LGD) and multiplied by the exposure at default (EAD).

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

The Bank uses 60% as the default loss rate based on the recommendation of "IFRS 13 CVA and DVA Related Disclosure Guidelines" of the stock exchange. The Bank may use other default loss rate 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

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2020 and 2019.

5) Reconciliation of Level 3 fair value measurements

a) Reconciliation of Level 3 fair value measurements

For the three months ended March 31, 2020

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	Transferred to Level 3	Sale or Change in Fair Value	Transferred from Level 3		
Financial assets at fair value through profit or loss									
Stocks	$ 16,263	$ (4,964)	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,299
Derivative financial instruments	10,681,179	1,001,786	-	54,779	-	674,762	-	-	11,062,982
Financial assets at fair value through other comprehensive income									
Stocks	4,086,290	-	(759,037)	2,732	-	31,620	-	3	3,298,368
Bonds	453,848	-	2,231	-	-	-	-	-	456,079

For the three months ended March 31, 2019

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	Transferred to Level 3	Sale or Change in Fair Value	Transferred from Level 3		
Financial assets at fair value through profit or loss									
Stock	$ 3,657	$ (253)	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,404
Derivative financial assets	12,084,217	(128,027)	-	11,153	-	248,064	-	-	11,719,279
Financial assets at fair value through other comprehensive income									
Stock	3,557,263	-	573,051	-	-	3,364	-	-	4,126,950

Total gains or losses shown on the tables above that contain unrealized gains and losses related to assets on hand as of March 31, 2020 and 2019 amounted to gains of $996,822 thousand and losses of $128,280 thousand, respectively.

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

For the three months ended March 31, 2020

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	$ 10,681,179	$ 1,001,786	$ -	$ 54,779	$ -	$ 674,762	$ -	$ 11,062,982

For the three months ended March 31, 2019

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	$ 12,084,217	$ (128,027)	$ -	$ 11,153	$ -	$ 248,064	$ -	$ 11,719,279

Total gains or losses shown on the tables above that contain unrealized gains and losses related to liabilities on hand as of March 31, 2020 and 2019 amounted to losses of $1,001,786 thousand and gains of $128,027 thousand, respectively.

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

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy are as follows:

March 31, 2020

Item	Product	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	$ 11,299	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	2,251,051	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
		43,621	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		1,003,696	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

December 31, 2019

Item	Product	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	$ 16,263	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	3,019,173	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
		45,437	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		1,021,680	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

March 31, 2019

Item	Product	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	$ 3,404	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	3,111,748	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
		41,822	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		973,380	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 analyses 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, 2020		December 31, 2019		March 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Investments in debt instruments at amortised cost	$ 452,399,022	$ 452,839,982	$ 444,934,985	$ 444,630,239	$ 385,359,714	$ 384,669,986

2) Information on fair value hierarchy

Item	March 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 452,839,982	$ 6,699,843	$ 444,961,005	$ 1,179,134

Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 444,630,239	$ 2,008,127	$ 438,282,248	$ 4,339,864

Item	March 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 384,669,986	$ 48,762,947	$ 330,555,298	$ 5,351,741

3) Valuation techniques

The methods and assumptions used by the Company to estimate 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 resale 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 close 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 book value is taken as the current fair value. The book value is the estimated recoverable amount after deduction of allowance for bad debts, so the book value is the fair value.

c) If an investment in a debt instrument at amortized cost has a public quoted price in an active market, the market price is the 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 follow the requirements of customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, the Bank adopted 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 setup its risk management committee, whose responsibilities are as follows:

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

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

c. To report the significant risk management issues, such as credit ratings, market assessment and risk indicators;

d. To analyze the issues that the Bank's business unit brought up for discussion;

e. Other issues.

The Bank organized a risk management group 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 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 Division 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 Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts implement credit risk controls. Cathay United Bank and Indovina Bank perform periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

The Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing 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. The disclosure of the maximum credit exposure shall not take into account any collateral held or other enhancements.

CUBC Bank

CUBC Bank board of directors resolved that a risk management department would be established to manage the credit risk. CUBC Bank board of directors sets the counterparty credit limits, which are then implemented by the credit committee.

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 on or liquidate the collateral, which effectively reduces Cathay United Bank's credit risk. The disclosure of the maximum credit exposure shall not take into account any collateral held or other enhancements.

Judgement of significant increase in credit risk after initial recognition

The Bank and CUBCN Bank

The Bank and CUBCN Bank assess 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. In the assessment, The Bank and CUBCN Bank consider to show the reasonable and corroborative information (including prospective information) on the significant increase in credit risk after the 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 and the credit rating has not met the investment grade, the credit risk has increased significantly since the initial recognition.

b) Information on the overdue status of a contract

When the contract payment was overdue for 30 days to 89 days as at the reporting date, the credit risk has increased significantly since the initial recognition.

2) Qualitative indicators

When the information observed at the reporting date meets the following conditions, it is determined that the credit risk has increased significantly since the initial recognition.

a) Bounced checks are reported.

b) Accountants 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.

<u>Indovina Bank</u>

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 the credit risk has increased significantly since the initial recognition:

1) Notch downgrade

A notch downgrade of obligor's internal or external ratings between the current grade and the grade at initial recognition greater than specific threshold would be classified as a significant increase in credit risk since initial recognition.

2) 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.

3) Past due information

The contract payment over 30 days past due would be classified as a significant increase in credit risk since initial recognition.

4) Internal credit assessment indicators

The indicators with credit quality information that is weaker than upon initial recognition would be classified as a significant increase in credit risk since initial recognition.

<u>CUBC Bank</u>

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

1) Past due information

Contract payment is more than 30 days past due for long-term loans or more than 15 days past due for short-term loans would indicate a significant increase in credit risk since initial recognition.

2) Loan classification from National Bank of Cambodia

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

3) Internal credit assessment indicators

   Credit quality information at the reporting date that is weaker than upon initial recognition would be an indicator of a significant increase in credit risk since initial recognition.

Default and credit impairment of financial asset

The Bank and CUBCN Bank

The Bank's and 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, 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 as at the reporting date, it is determined as credit impairment.

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.

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 the credit risk subjected to default:

1) Notch downgrade

   An obligor who has failed to pay one or more of its financial obligations or is rated as default at the reporting date is considered to be credit-impaired.

2) Past due information

   The contract payment over 90 days past due would be classified as a credit-impaired loan.

3) Internal credit assessment indicators

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

CUBC Bank

CUBC Bank assesses default risk during the expected lifetime of various types of financial assets based on the following indicators at each reporting date:

1) Past due information

   Loan contract with payment more than 90 days past due for long-term loans or more than 30 days past due for short-term loans would be classified as a credit-impaired loan.

2) Loan classification from National Bank of Cambodia

   A loan contract with specific positions, such as substandard, doubtful and loss, at reporting date would be classified as loan with a significant increase in credit risk since initial recognition.

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 indicator of credit-impaired assets.

Measurement of expected credit loss

The Bank and CUBCN Bank

For the purpose of assessing the expected credit losses, the Bank and CUBCN Bank classify 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/external 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 and CUBCN 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 the credit impairment has existed (Stage 3) after the initial recognition, the Bank and CUBCN Bank will measure the allowance for losses at the lifetime expected credit losses.

For the measurement of the expected credit losses ("ECL"), the Bank and CUBCN Bank calculate 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 life time.

The PD and LGD applied in the impairment assessment of the credit business of the Bank and CUBCN Bank are adjusted and calculated based on the internal and external 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 and CUBCN Bank assessed the EAD of loan at the reporting date. According to internal and external information, the Bank and CUBCN Bank consider the portion of the loan commitment that is expected to be drawn within 12 months after the reporting date and the lifetime, to determine the EAD for calculating the expected credit losses.

The Bank and CUBCN Bank perform impairment assessment of debt instruments measured at FVTOCI and those measured at amortized cost in accordance with related requirements:

i. The EAD is measured at the amortized cost of a financial asset plus its interest receivable.

ii. 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.).

iii. The LGD is selected according to the type of debt instrument based on the information regularly published by Moody's.

The valuation techniques or significant assumptions for assessing the expected credit losses have no significant change on March 31, 2020.

Indovina Bank

Indovina Bank has grouped their exposures on the basis of shared credit risk characteristic, including product category, counterparty type and enterprise size as follows:

Category	**Description**
Loan portfolio	Grouped by counterparty type and enterprise size, such as large corporate, SME and retail loans
Bond portfolio	Grouped by product category, external credit rating and payment ranks, such as sovereign and corporate bonds

1) Loan portfolio

   The segmentation of Indovina Bank's loan portfolio is based on its risk characteristics, such as product class, counterparty type and enterprise size. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built by the Bank's historical delinquent information and recovery data and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, the above criteria for a significant increase in credit risk since initial recognition are not hit, the allowance loss 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 allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

2) Bond portfolio

   The segmentation of Indovina Bank's bond portfolio is based on its product class, external rating and payment rank. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built by external information with sufficient historical default data and recovery rates and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, the above criteria for a significant increase in credit risk since initial recognition are not hit, the allowance loss 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 allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

CUBC Bank

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

Category	Description
Loan	Grouped by product characteristics, industry and counterparty type
Credit Card	Grouped by product characteristics

The segmentation of CUBC Bank's loan portfolio is based on its risk characteristics, such as product class, counterparty type and loan classification by NBC. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built by the internal and external historical delinquent information, default rates and recovery amounts and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, the above criteria for a significant increase in credit risk since initial recognition are not hit, the allowance loss 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 allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

Write-off policy

If any of the following conditions exist, the Company writes off its non-performing and nonaccrual loans as uncollectible, less the estimated recoverable amount.

The Company can not reasonably expect to collected the financial assets with the following indications:

1) The recovery activity has stopped.

2) The borrower is assessed to have no sufficient assets or sources of income to pay the overdraft.

The Company continues to pursue recovery of written-off amounts according to policies on litigation proceedings.

Consideration of forward-looking information

The Bank and CUBCN Bank

The Bank and CUBCN Bank use 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 use the regression model or imputation adjustment method to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD and LGD differ depending on the type of financial instruments.

The significant economic factors identified by the Bank and CUBCN Bank at March 31, 2020 are as follows:

Credit Category	Probability of Default (PD)	Loss Given Default (LGD)
Enterprise loan	Consumer Price Index Government Expenditures GDP % Proportion of investment to GDP (%)	GDP %
Consumer loan	Proportion of investment to GDP (%) Proportion of savings to GDP (%) Unemployment rate % Price Index	
Credit Card	Price Index Proportion of revenue from government to GDP (%)	

Indovina Bank

Based on the qualitative and quantitative analysis of historical default data and macroeconomic factors, Indovina Bank applies the selected local and global economic factors in different portfolios. Regression models and interpolation adjustment were used to estimate the forward-looking parameters complied with regulatory requirements. The selected economic factors and their effects on PDs and LGDs varied from different types of portfolios.

The macroeconomic factors selected by the Bank for the forward-looking adjustments in 2020 were as follows:

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

CUBC Bank

Based on the qualitative and quantitative analysis of historical default data and regional macroeconomic factors, CUBC Bank chooses the local macroeconomic factor for parameter adjustments. The regression analysis was used to estimate the forward-looking parameters complied with regulatory requirements. The selected economic factors and their effects on PDs varied from different groups of products.

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2020 were as follows:

Segment	Selected Factors
Loan	Change of inflation (%) Change of volume of imports (%) Proportion of investment in GDP (%)
Credit Card	Change of volume of exports (%) Proportion of savings in GDP (%) Proportion of current account balance in GDP (%)

Credit risk management policy

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

1) Category of credit risk

   The credit risk of the Bank is classified into five categories. Normal credit assets is classified as “Category One.” The remaining unsound credit assets are evaluated based on the status of the loan collaterals 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 level 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 measuring the credit risk of the clients, the Bank employs the statistical methods and obtains the professional advice from the experts. The Bank develops the rating model of business credit after considering the clients’ relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and make necessary revision to the parameters to optimize the results.

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

   The credit quality of the Bank’s corporate borrowers is classified as excellent, good, average, and bad.

   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 every year 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 collaterals. To ensure the creditor's rights, the Bank sets the scope of collaterals and the procedures for appraising, managing, and disposing of the collaterals. In addition, a credit contract stipulates the bases for credit claims, preservation of collaterals, and offset provisions when a credit loss event occurs; the Bank may reduce the limit, cut down the payback period, or deem all debts mature. 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 collaterals depend 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 instrument, the maximum credit risk exposure of on-balance-sheet financial assets equals their carrying values. The maximum credit risk exposures of off-balance-sheet items (without considering the collaterals or other credit enhancement) are as follows:

a) The Bank

Off Balance Sheet Items	**Maximum Exposure to Credit Risk**		
	March 31, 2020	**December 31, 2019**	**March 31, 2019**
Irrevocable loan commitments	$ 184,376,622	$ 189,579,513	$ 114,802,247
Credit card commitments	710,032,702	710,712,032	674,289,020
Unused commercial letters of credit	6,458,460	4,496,860	4,385,758
Guarantees on duties and contracts	13,177,764	12,957,304	14,154,307

b) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2020	December 31, 2019	March 31, 2019
Financial guarantee contracts	$ 1,396,823	$ 1,380,304	$ 1,769,409
Unused commercial letters of credit	550,182	662,214	1,230,038
Irrevocable loan commitments	-	-	663

c) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2020	December 31, 2019	March 31, 2019
Financial guarantee contracts	$ 23,769	$ 23,652	$ 75,609
Credit card commitments	306,579	280,881	256,650
Irrevocable loan commitments	402,374	488,140	406,139

d) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2020	December 31, 2019	March 31, 2019
Financial guarantee contracts	$ 451,838	$ 427,986	$ 82,044
Unused commercial letters of credit	171,253	95,593	574,674
Irrevocable loan commitments	805,352	1,050,539	834,577

To reduce the risk from any businesses, the Bank conducts an overall assessment and takes appropriate risk reduction measures, such as obtaining collateral and guarantors. For obtaining of collateral, the Bank has Guidelines Governing Collateral to ensure that a 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 more strict rating procedures when extending credits and conducts reviews regularly.

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

March 31, 2020

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference of Impairment Loss under Regulations	Total
Total carrying amount	$ 1,484,637,828	$ 72,479,778	$ 11,996,023	$ -	$ 1,569,113,629
Less: Allowance impairment	(3,946,286)	(2,610,655)	(5,603,357)	-	(12,160,298)
Less: Difference of impairment loss under regulations	-	-	-	(15,710,624)	(15,710,624)
	$ 1,480,691,542	$ 69,869,123	$ 6,392,666	$ (15,710,624)	$ 1,541,242,707

	Receivable				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference of Impairment Loss under Regulations	Total
Total carrying amount	$ 84,334,311	$ 1,899,983	$ 2,397,424	$ -	$ 88,631,718
Less: Allowance impairment	(464,704)	(145,534)	(1,725,003)	-	(2,335,241)
Less: Difference of impairment loss under regulations	-	-	-	(53,081)	(53,081)
	$ 83,869,607	$ 1,754,449	$ 672,421	$ (53,081)	$ 86,243,396

December 31, 2019

	Discounts and Loans				
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Impairment Loss under Regulations	Total
Total carrying amount	$ 1,500,192,488	$ 68,503,519	$ 11,866,187	$ -	$ 1,580,562,194
Less: Allowance impairment	(2,753,556)	(1,746,741)	(5,386,493)	-	(9,886,790)
Less: Difference of impairment loss under regulations	-	-	-	(17,524,498)	(17,524,498)
	$ 1,497,438,932	$ 66,756,778	$ 6,479,694	$ (17,524,498)	$ 1,553,150,906

	Receivable				
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Impairment Loss under Regulations	Total
Total carrying amount	$ 99,439,051	$ 1,560,450	$ 2,265,790	$ -	$ 103,265,291
Less: Allowance impairment	(509,882)	(154,306)	(1,660,104)	-	(2,324,292)
Less: Difference of impairment loss under regulations	-	-	-	(52,976)	(52,976)
	$ 98,929,169	$ 1,406,144	$ 605,686	$ (52,976)	$ 100,888,023

March 31, 2019

	Discounts and Loans				
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Impairment Loss under Regulations	Total
Total carrying amount	$ 1,572,398,461	$ 64,163,308	$ 12,894,732	$ -	$ 1,649,456,501
Less: Allowance impairment	(2,453,839)	(1,306,051)	(5,668,946)	-	(9,428,836)
Less: Difference of impairment loss under regulations	-	-	-	(16,986,409)	(16,986,409)
	$ 1,569,944,622	$ 62,857,257	$ 7,225,786	$ (16,986,409)	$ 1,623,041,256

	Receivable				
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Impairment Loss under Regulations	Total
Total carrying amount	$ 87,777,353	$ 2,089,393	$ 2,392,110	$ -	$ 92,258,856
Less: Allowance impairment	(126,994)	(137,335)	(1,736,802)	-	(2,001,131)
Less: Difference of impairment loss under regulations	-	-	-	(45,240)	(45,240)
	$ 87,650,359	$ 1,952,058	$ 655,308	$ (45,240)	$ 90,212,485

5) Concentration of credit risk

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 or cross-line portfolio of 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 and overdue receivables is not significant. Discounts and loans, including overdue loans, guarantees, bills purchased, and acceptances receivable of the Company according to industry and country are listed below:

	March 31, 2020		December 31, 2019		March 31, 2019	
Industry Type	Amount	%	Amount	%	Amount	%
Manufacturing	$ 120,850,328	7.62	$ 116,211,750	7.28	$ 114,774,844	6.90
Financial institutions and insurance	76,350,611	4.82	79,217,724	4.96	68,559,748	4.12
Leasing and real estate	148,030,781	9.34	144,353,511	9.04	127,220,969	7.64
Individuals	907,596,389	57.26	904,288,042	56.65	891,035,204	53.54
Others	332,354,492	20.96	352,249,142	22.07	462,790,076	27.80
	$ 1,585,182,601	100.00	$ 1,596,320,169	100.00	$ 1,664,380,841	100.00

Geographic Region	March 31, 2020 Amount	%	December 31, 2019 Amount	%	March 31, 2019 Amount	%
Domestic	$ 1,291,152,256	81.45	$ 1,308,219,217	81.95	$ 1,454,408,819	87.38
Asia	218,450,487	13.78	211,659,637	13.26	105,180,735	6.32
America	51,773,096	3.27	53,564,188	3.36	36,127,352	2.17
Others	23,806,762	1.50	22,877,127	1.43	68,663,935	4.13
	$ 1,585,182,601	100.00	$ 1,596,320,169	100.00	$ 1,664,380,841	100.00

b. Liquidity risk

1) Source and definition of liquidity risk

Liquidity risk means the Bank cannot provide sufficient funding for business growth and for meeting obligations on matured liabilities or have to make late payments to counterparties or raise emergency funding to cover funding gaps.

2) Liquidity risk management strategy and principles

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. The Asset and Liability Management Committee is responsible for the planning of liquidity risk management strategy and the Financial Trading Department is responsible for the implementation, including liquidity risk measurement, interest rate sensitivity analysis, stress testing and continuous contingency planning with quantitative management requirements and systems. The Bank adjusts its liquidity gap according to its daily funds and market changes to ensure appropriate liquidity. When the liquidity has or expects significant changes, the Bank immediately reports to the board of directors.

3) Analysis of financial assets and non-derivative financial liabilities by remaining contractual maturities

a) Financial assets held to manage liquidity risk

The Bank holds highly marketable and diverse financial assets that are assumed to 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 on time remaining 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, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	$ 37,640,443	$ 5,460,774	$ 32,155,964	$ 25,603	$ 75,282,784
Non-derivative financial liabilities at fair value through profit or loss	-	763,762	191,911	44,927,190	45,882,863
Securities sold under agreements to repurchase	32,577,496	7,038,173	-	1,495,450	41,111,119
Payables	11,326,432	8,704,876	3,663,556	525,200	24,220,064
Deposits and remittances	361,190,126	940,899,026	916,181,430	129,056,025	2,347,326,607
Financial debentures payable	517,542	355,401	1,500,000	52,300,000	54,672,943
Lease liabilities	128,745	570,243	591,089	2,770,245	4,060,322
Other capital outflow at maturity	15,998,644	27,765,844	9,533,188	1,337,358	54,635,034

	December 31, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	$ 22,576,316	$ 25,750,616	$ 22,544,961	$ 25,038	$ 70,896,931
Non-derivative financial liabilities at fair value through profit or loss	-	506,683	91,623	51,704,655	52,302,961
Securities sold under agreements to repurchase	24,470,192	15,794,728	-	3,545,494	43,810,414
Payables	16,791,015	2,827,107	42,427	423,028	20,083,577
Deposits and remittances	356,619,761	916,163,370	881,024,339	125,375,198	2,279,182,668
Financial debentures payable	-	618,152	37,111	53,800,000	54,455,263
Lease liabilities	98,283	463,089	555,164	2,675,758	3,792,294
Other capital outflow at maturity	17,889,711	35,241,114	6,346,258	1,096,744	60,573,827

	March 31, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	$ 47,458,618	$ 7,247,832	$ 28,553,291	$ 185,111	$ 83,444,852
Non-derivative financial liabilities at fair value through profit or loss	-	778,177	195,533	52,341,468	53,315,178
Securities sold under agreements to repurchase	16,827,453	6,960,580	-	20,404,209	44,192,242
Payables	15,595,171	4,262,339	3,105,541	474,272	23,437,323
Deposits and remittances	322,162,596	859,555,048	895,074,914	120,980,513	2,197,773,071
Financial debentures payable	425,064	2,063,970	-	53,900,000	56,389,034
Lease liabilities	-	-	49,061	4,064,583	4,113,644
Other capital outflow at maturity	25,485,413	39,975,676	7,988,244	1,068,911	74,518,244

Additional information about the maturity analysis of lease liabilities:

	March 31, 2020				
	Less than 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
Lease liabilities	$ 1,290,077	$ 2,580,277	$ 189,968	$ -	$ 4,060,322

	December 31, 2019				
	Less than 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
Lease liabilities	$ 1,116,536	$ 2,470,871	$ 204,253	$ 634	$ 3,792,294

	March 31, 2019				
	Less than 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
Lease liabilities	$ 49,061	$ 3,721,874	$ 342,709	$ -	$ 4,113,644

c) Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by the Bank include:

i. Foreign exchange derivative instruments: Foreign exchange options, non-delivery forwards;

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

	March 31, 2020				
	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	$ 1,360,461	$ 21,619	$ 7,854	$ 5	$ 1,389,939
Interest rate derivative instruments	18,013	520,241	637,544	41,549,996	42,725,794
	$ 1,378,474	$ 541,860	$ 645,398	$ 41,550,001	$ 44,115,733

	December 31, 2019				
	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	$ 131,322	$ 95,306	$ 7,545	$ 92	$ 234,265
Interest rate derivative instruments	53,997	195,095	501,056	20,153,630	20,903,778
	$ 185,319	$ 290,401	$ 508,601	$ 20,153,722	$ 21,138,043

	March 31, 2019				
	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	$ 73,096	$ 268,518	$ 23,292	$ 368	$ 365,274
Interest rate derivative instruments	13,488	359,293	461,478	22,616,015	23,450,274
	$ 86,584	$ 627,811	$ 484,770	$ 22,616,383	$ 23,815,548

Gross settled derivative financial instruments engaged by the Bank include:

i. Foreign exchange derivative instruments: Currency swaps;

ii. Interest rate derivative instruments: Cross currency swaps;

iii. Credit derivative instruments: All derivatives shown in gross value make periodic payments of fees in return for a payment by the protection seller upon the occurrence, if any, of such a credit event.

The contract maturity date is the basic element to understand the Bank's gross settled derivative instruments as at balance sheet dates. The disclosed amounts are based on contractual cash flows and part of the disclosed amounts may not conform with related items on consolidated balance sheet. Maturity analysis of gross settled derivative financial liabilities is as follows:

	March 31, 2020				
	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	$ (3,362,210)	$ (6,102,395)	$ (753,344)	$ (192,095)	$ (10,410,044)
Cash inflow	2,177	4,420	-	-	6,597
Interest rate derivative instruments					
Cash outflow	(1,081)	(15,417)	(84,716)	(193,559)	(294,773)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(3,363,291)	(6,117,812)	(838,060)	(385,654)	(10,704,817)
Cash inflow subtotal	2,177	4,420	-	-	6,597
Net cash flow	$ (3,361,114)	$ (6,113,392)	$ (838,060)	$ (385,654)	$ (10,698,220)

	December 31, 2019				
	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	$ (3,014,684)	$ (7,300,980)	$ (1,041,437)	$ (110,918)	$ (11,468,019)
Cash inflow	15,580	6,979	638	-	23,197
Interest rate derivative instruments					
Cash outflow	(40,869)	(156)	(6,949)	(337,556)	(385,530)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(3,055,553)	(7,301,136)	(1,048,386)	(448,474)	(11,853,549)
Cash inflow subtotal	15,580	6,979	638	-	23,197
Net cash flow	$ (3,039,973)	$ (7,294,157)	$ (1,047,748)	$ (448,474)	$ (11,830,352)

	March 31, 2019				
	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	$ (1,992,871)	$ (3,810,448)	$ (782,024)	$ (287,866)	$ (6,873,209)
Cash inflow	38,506	35,269	8,699	-	82,474
Interest rate derivative instruments					
Cash outflow	(9,773)	(119,745)	(91,375)	(591,511)	(812,404)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(2,002,644)	(3,930,193)	(873,399)	(879,377)	(7,685,613)
Cash inflow subtotal	38,506	35,269	8,699	-	82,474
Net cash flow	$ (1,964,138)	$ (3,894,924)	$ (864,700)	$ (879,377)	$ (7,603,139)

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 credit line in a financing guarantee agreement.

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

	March 31, 2020			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 143,245,237	$ 34,322,540	$ 6,808,845	$ 184,376,622
Credit card commitments	12,392,380	233,609,264	464,031,058	710,032,702
Financial guarantee contracts	15,031,826	4,576,309	28,089	19,636,224

	December 31, 2019			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 138,846,179	$ 41,654,205	$ 9,079,129	$ 189,579,513
Credit card commitments	53,161,705	238,534,313	419,016,014	710,712,032
Financial guarantee contracts	11,989,747	5,406,180	58,237	17,454,164

	March 31, 2019			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 66,510,820	$ 39,872,087	$ 8,419,340	$ 114,802,247
Credit card commitments	12,282,486	239,085,443	422,921,091	674,289,020
Financial guarantee contracts	13,264,151	4,939,063	336,851	18,540,065

c. Market risk

1) Source and definition of market risk

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

The Bank organized market risk management department. The assets and liabilities management committee is responsible for the monitoring of the market risk 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

<u>Market risk management process</u>

a) Identification and measurement

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

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 test, 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. If the transaction reaches its stop-loss limitation, stop-loss process will be implemented immediately. If the stop-loss process is not implemented, the transaction department should document the reason for not implementing stop-loss process and response plan. Furthermore, the department reports to the executive management for approval and reports 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 investment 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 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. 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 by the information that is from an independent source and easily accessible. If it is 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 assumption and calculation of VaR: See VaR section.

ii. The Bank executes the stress test monthly with the following scenarios: The fluctuation of interest rate at 100bp, equity securities at 15% and foreign exchange rate at 3%, 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 of interest rate. 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 choose its investment target by studying the credibility and financial position of the securities issuers, their sovereign risk and the trend of interest rates. 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 assumption and calculation of VaR: See VaR section.
ii. The Bank measures the investment portfolio's interest risk exposure with DV01 monthly.

5) Interest risk management of banking book

The main objective of interest risk management of the banking book is to enhance the interest risk management, increase the operating efficiency of the fund and strengthen the business operation.

a) Strategy

Interest risk management enhances the Bank's ability to take responsive actions to measure, to manage and avoid the risk that the fluctuation of interest rate may cause on the profit and the economic value of assets or liabilities.

b) Management procedure

When undertaking the operations relating to interest rate instruments, the Bank identifies the repricing risk of interest rate, yield curve risk, basis risk and options risk characteristics. In additional, the Bank also measures the potential impact of interest rate changes on the profit and economic value of the Bank. The Bank analyzes and monitors the interest risk limits and each target of interest risk management monthly. The results of analysis and monitoring are regularly reported to not only the risk management committee but also the board of directors.

If any risk management targets is found to exceed the limit during the monitoring process, it will be reported to the risk management committee and a solution should be proposed.

c) Method of measurement

The interest risk of the Bank mainly measures the repricing risk that is caused by the difference between maturity date and repricing date of the assets, liabilities, and off balance sheet items in banking book. To stabilize long-term profitability and ensure business growth, the Bank sets the monitoring indicators of interest sensitivity in major terms and implements stress test. Each interest risk indicator and the result of stress test are reported to the executive management regularly for review.

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' position. Thus, the Bank suffers little 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 is described in VaR section.

For foreign exchange risk, the Bank sets the scenario at 3% fluctuation of foreign exchange rate of major currencies to execute the stress test 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, 2020		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 13,516,578	30.2540	$ 408,930,551
CNY	5,556,150	4.2592	23,664,754
HKD	7,669,952	3.9020	29,928,153
Non-monetary items			
USD	1,271,659	30.2540	38,472,771
HKD	1,975,960	3.9020	7,710,196
THB	3,473,375	0.9231	3,206,272
Financial liabilities			
Monetary items			
USD	12,495,680	30.2540	378,044,303
CNY	8,469,753	4.2592	36,074,372
AUD	1,678,374	18.6516	31,304,360
Non-monetary items			
USD	1,271,838	30.2540	38,478,187
CNY	3,403	4.2592	14,494
HKD	1,889,175	3.9020	7,371,561

	December 31, 2019		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 14,857,670	30.1060	$ 447,305,013
CNY	4,607,544	4.3231	19,918,873
HKD	7,909,268	3.8660	30,577,230
Non-monetary items			
USD	597,591	30.1060	17,991,075
HKD	2,086,409	3.8660	8,066,057
THB	3,473,375	1.0091	3,504,983
Financial liabilities			
Monetary items			
USD	13,585,965	30.1060	409,019,062
CNY	8,649,936	4.3231	37,394,538
AUD	1,582,582	21.0998	33,392,164
Non-monetary items			
USD	624,432	30.1060	18,799,150
CNY	3,771	4.3231	16,302
HKD	1,788,241	3.8660	6,913,340

	March 31, 2019		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 14,097,215	30.8250	$ 434,546,652
CNY	4,029,100	4.5808	18,456,501
HKD	6,112,843	3.9268	24,003,912
Non-monetary items			
USD	447,658	30.8250	13,799,058
HKD	2,551,989	3.9268	10,021,150
THB	3,473,375	0.9693	3,366,742
Financial liabilities			
Monetary items			
USD	11,995,489	30.8250	369,760,948
CNY	8,262,193	4.5808	37,847,454
AUD	1,652,171	21.8534	36,105,554
Non-monetary items			
USD	494,207	30.8250	15,233,931
CNY	5,647	4.5808	25,868
HKD	2,633,845	3.9268	10,342,583

As the Company has a large variety of foreign currencies, it is not possible to disclose foreign currency exchange gain or loss based on each foreign currency's exposure to major impact. The foreign currency exchange gains were $372,311 thousand and $203,172 thousand for the three months ended March 31, 2020 and 2019, 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 prices

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 prices

The Bank sets investment limits on industries, using the β value to measure the investment portfolio affected by the systemic risk monthly. The stop-loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop-loss point is reached but the investment is not going to be disposed of.

d) Measurement method

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

The Bank's risk of equity securities prices from its non-trading portfolio should be controlled by the bank according to its own business scale to develop a stress test under appropriate scenarios and report to the risk management committee.

The Bank adopts many methods to manage its market risk. Value-at-risk (VaR) is one of the methods. VaR is a statistical measure that assesses potential losses that might be 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% to extrapolate the VaR of one-year fluctuations. 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. Base 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, 2020				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 91,689	$ 151,996	$ 51,758	$ 106,371
Foreign exchange	124,189	346,224	35,686	346,224
Equity securities price	285,605	791,984	103,986	103,986

December 31, 2019				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 92,619	$ 212,043	$ 40,550	$ 119,090
Foreign exchange	110,161	198,936	35,686	121,699
Equity securities price	256,121	393,133	159,476	248,133

March 31, 2019				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 189,613	$ 479,859	$ 40,550	$ 55,280
Foreign exchange	151,994	202,948	104,364	198,936
Equity securities price	297,861	413,402	219,244	256,625

Note: Above information about factors of market risks is defined by risk management of the trading book.

The Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage the Bank's exposure to risks and to generate revenues through trading activities. The Bank trades derivative instruments on behalf of customers and for its own positions. The Bank provides derivative contracts to address customers' demands for customized derivatives and also takes proprietary positions for its own accounts.

8) Stress testing

The stress testing is used to measure the maximum losses of risk asset portfolio under the worst scenario. The Bank's stress testing considers various types of risk factors and the results will be reported to the executive management.

Stress Test				
Market/Product	**Scenarios**	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
Stock market	Major stock exchanges +15%	$ 388,735	$ 2,275,627	$ 1,547,204
	Major stock exchanges -15%	(388,735)	(2,275,627)	(1,547,204)
Interest rate/bond market	Major interest rate + 100bp	(1,379,512)	(2,123,313)	(1,269,412)
	Major interest rate -100bp	302,217	1,761,718	1,481,628
Foreign exchange market	Major currencies +3%	146,618	232,248	183,304
	Major currencies -3%	(137,661)	(219,225)	(171,237)
Composite	Major stock exchanges -15% Major interest rate +100bp Major currencies +3%	(1,621,629)	(4,166,692)	(2,633,312)

The information on stress test is defined by risk management policy of the trading book.

9) 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 bonds, interest rate swaps and structured products composed of such products.

b) Foreign exchange risk

Foreign exchange rate factor sensitivities ("FX delta") represent the change of the foreign exchange portfolios 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% (100 basis points) in the underlying stocks prices fluctuation. The Bank's equity portfolios include stocks and equity index options.

Risk Factors	Changes (+/-)	March 31, 2020 Sensitivity of Profit or Loss	March 31, 2020 Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$ 74,785	$ -
	HKD+1%	(23,402)	-
	JPY+1%	1,410	-
	AUD+1%	471	-
	CNY+1%	4,188	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(286)	-
	Yield curves (HKD) parallel shift+1bp	(56)	-
	Yield curves (AUD) parallel shift+1bp	(280)	-
	Yield curves (CNY) parallel shift+1bp	(784)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1bp	113	25,803

Risk Factors	Changes (+/-)	December 31, 2019 Sensitivity of Profit or Loss	December 31, 2019 Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$ 78,082	$ -
	HKD+1%	(26,787)	-
	JPY+1%	(1,077)	-
	AUD+1%	(926)	-
	CNY+1%	4,109	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(8,600)	-
	Yield curves (HKD) parallel shift+1bp	70	-
	Yield curves (JPY) parallel shift+1bp	(1)	-
	Yield curves (AUD) parallel shift+1bp	(385)	-
	Yield curves (CNY) parallel shift+1bp	(1,097)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1bp	2,761	148,947

Risk Factors	Changes (+/-)	March 31, 2019 Sensitivity of Profit or Loss	March 31, 2019 Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$ 10,404	$ -
	HKD+1%	3,350	-
	JPY+1%	416	-
	AUD+1%	(1,778)	-
	CNY+1%	7,409	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(140)	-
	Yield curves (HKD) parallel shift+1bp	35	-
	Yield curves (AUD) parallel shift+1bp	(656)	-
	Yield curves (CNY) parallel shift+1bp	(1,087)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1bp	8,644	94,642

d. Transfers of financial assets

Financial assets transferred that have not been fully derecognized

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

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

March 31, 2020					
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	$ 49,030,670	$ 46,052,260	$ 49,030,670	$ 46,052,260	$ 2,978,410
Investments in debt instruments measured at amortised cost					
Repurchase agreements	3,418,028	3,210,933	3,470,365	3,210,933	259,432

December 31, 2019					
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	$ 37,202,442	$ 35,456,986	$ 37,202,442	$ 35,456,986	$ 1,745,456
Investments in debt instruments measured at amortised cost					
Repurchase agreements	15,538,318	12,723,466	15,346,975	12,723,466	2,623,509

March 31, 2019					
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	$ 42,252,062	$ 40,609,441	$ 42,637,437	$ 40,609,441	$ 2,027,996
Investments in debt instruments measured at amortised cost					
Repurchase agreements	2,311,286	1,974,418	2,311,286	1,974,418	336,868
Securities purchased under resell agreements					
Repurchase agreements	1,533,806	1,394,326	1,533,806	1,394,326	139,480

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 amounts.

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 the financial instruments could be settled at gross amount if not. 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:

March 31, 2020

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 82,620,150	$ -	$ 82,620,150	$ 78,851,837	$ 3,768,313	$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 78,851,837	$ -	$ 78,851,837	$ 78,851,837	$ -	$ -

December 31, 2019

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 51,387,906	$ -	$ 51,387,906	$ 49,166,645	$ 2,221,261	$ -

Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 49,166,645	$ -	$ 49,166,645	$ 49,166,645	$ -	$ -

March 31, 2019

Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 49,432,107	$ -	$ 49,432,107	$ 48,190,865	$ 1,241,242	$ -

Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 48,190,865	$ -	$ 48,190,865	$ 48,190,865	$ -	$ -

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

51. CAPITAL MANAGEMENT

a. Capital adequacy maintenance strategy

The eligible capital of the Company must conform to the regulatory capital requirements and achieve the minimum capital 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
Securitization vehicle	Investment in asset-backed securities to receive returns	Investment in securitization vehicles issued by the entity

The carrying amount of assets recognized by company relating to its interests in unconsolidated structured entities is disclosed as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets at FVTOCI	$ 28,314,266	$ 27,942,654	$ 17,490,306
Investments in debt instruments measured at amortised cost	46,758,989	38,848,276	47,313,234
	$ 75,073,255	$ 66,790,930	$ 64,803,540

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

(In Thousands of New Taiwan Dollars, %)

March 31, 2020			
Rank	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group A - real estate activities for sale and rental with own or leased property	$ 31,151,532	13.48
2	Group B - packaging and testing of semi-conductors	17,481,930	7.57
3	Group C - ocean transportation	9,084,763	3.93
4	Group D - other financial intermediation	8,144,123	3.52
5	Group E - other	7,295,984	3.16
6	Group F - real estate development activities	6,400,000	2.77
7	Group I - other financial intermediation	5,854,956	2.53
8	Group G - manufacture of petroleum and coal products	4,919,862	2.13
9	Group H - wired telecommunications activities	4,265,673	1.85
10	Group J - activities of head offices	4,235,462	1.83

March 31, 2019			
Rank	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group A - real estate activities for sale and rental with own or leased property	$ 26,743,119	12.63
2	Group B - packaging and testing of semi-conductors	13,623,906	6.43
3	Group C - ocean transportation	9,685,755	4.57
4	Group D - other	9,454,796	4.47
5	Group E - other financial intermediation	9,386,625	4.43
6	Group F - real estate development activities	6,600,000	3.12
7	Group G - manufacture of computers	5,236,497	2.47
8	Group H - wired telecommunications activities	4,587,518	2.17
9	Group I - other financial intermediation	4,470,865	2.11
10	Group J - other	3,998,000	1.89

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars, %)

March 31, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,870,995,925	$ 65,869,946	$ 83,723,047	$ 122,848,270	$ 2,143,437,188
Interest rate-sensitive liabilities	194,132,354	1,362,037,802	265,247,450	92,662,555	1,914,080,161
Interest rate-sensitive gap	1,676,863,571	(1,296,167,856)	(181,524,403)	30,185,715	229,357,027
Net worth					231,083,343
Ratio of interest rate-sensitive assets to liabilities					111.98%
Ratio of interest rate sensitivity gap to net worth					99.25%

March 31, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,860,118,190	$ 35,517,498	$ 33,630,445	$ 103,707,912	$ 2,032,974,045
Interest rate-sensitive liabilities	182,503,216	1,251,173,528	266,478,830	96,065,840	1,796,221,414
Interest rate-sensitive gap	1,677,614,974	(1,215,656,030)	(232,848,385)	7,642,072	236,752,631
Net worth					211,730,721
Ratio of interest rate-sensitive assets to liabilities					113.18%
Ratio of interest rate sensitivity gap to net worth					111.82%

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)

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

March 31, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 9,492,769	$ 1,448,707	$ 388,395	$ 7,206,660	$ 18,536,531
Interest rate-sensitive liabilities	11,629,311	3,000,358	3,246,889	4,313,296	22,189,854
Interest rate-sensitive gap	(2,136,542)	(1,551,651)	(2,858,494)	2,893,364	(3,653,323)
Net worth					7,638,109
Ratio of interest rate-sensitive assets to liabilities					83.54%
Ratio of interest rate sensitivity gap to net worth					(47.83%)

March 31, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 7,860,303	$ 906,711	$ 370,645	$ 7,584,512	$ 16,722,171
Interest rate-sensitive liabilities	10,229,384	2,309,338	2,863,356	4,012,272	19,414,350
Interest rate-sensitive gap	(2,369,081)	(1,402,627)	(2,492,711)	3,572,240	(2,692,179)
Net worth					6,868,799
Ratio of interest rate-sensitive assets to liabilities					86.13%
Ratio of interest rate sensitivity gap to net worth					(39.19%)

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, 2020	For the Three Months Ended March 31, 2019
Return on total assets	Before income tax	0.29	0.26
	After income tax	0.25	0.22
Return on equity	Before income tax	3.81	3.53
	After income tax	3.25	3.02
Net income ratio		42.91	37.92

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 revenues

Note 4: Income before (after) income tax represents income for the three months ended March 31, 2020 and 2019.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)

March 31, 2020

	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	$ 2,788,089,474	$ 562,322,131	$ 294,118,520	$ 328,115,154	$ 272,371,337	$ 310,537,001	$ 1,020,625,331
Main capital outflow on maturity	3,321,996,213	162,431,922	235,719,347	530,999,015	608,819,247	554,482,096	1,229,544,586
Gap	(533,906,739)	399,890,209	58,399,173	(202,883,861)	(336,447,910)	(243,945,095)	(208,919,255)

March 31, 2019

	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	$ 2,741,891,088	$ 467,845,664	$ 408,091,723	$ 397,885,203	$ 194,220,129	$ 265,550,195	$ 1,008,298,174
Main capital outflow on maturity	3,177,237,256	156,631,710	261,696,622	519,774,781	510,390,897	535,972,042	1,192,771,204
Gap	(435,346,168)	311,213,954	146,395,101	(121,889,578)	(316,170,768)	(270,421,847)	(184,473,030)

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)

(In Thousands of U.S. Dollars)

March 31, 2020

	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	$ 67,007,101	$ 19,633,274	$ 16,545,471	$ 10,563,726	$ 9,441,974	$ 10,822,656
Main capital outflow on maturity	71,529,297	20,383,153	19,130,172	11,124,248	12,870,635	8,021,089
Gap	(4,522,196)	(749,879)	(2,584,701)	(560,522)	(3,428,661)	2,801,567

March 31, 2019

	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	$ 66,351,601	$ 20,684,384	$ 14,759,616	$ 10,895,313	$ 9,333,156	$ 10,679,132
Main capital outflow on maturity	72,294,983	22,889,406	17,698,456	9,580,041	13,454,854	8,672,226
Gap	(5,943,382)	(2,205,022)	(2,938,840)	1,315,272	(4,121,698)	2,006,906

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

54. OPERATING SEGMENTS

The information reported to the Company’s chief operating decision maker for the assessment of segment performance focuses mainly on operation and profitability. The Company’s reportable segments are as follows:

a. Corporate banking unit: Corporate banking, foreign exchange business, debt management and public treasury 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 Bank's assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operation segments.

Management monitors the operating results of its business units separately for the purpose of making decisions. 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, 2020				
	Corporate Banking	**Individual Banking**	**International Banking**	**Others**	**Total**
Net interest (from external)	$ 2,132,177	$ 2,558,554	$ 1,989,960	$ 2,435,508	$ 9,116,199
Segment revenue (expense)	$ (809,276)	$ 3,025,710	$ (154,813)	$ (2,061,621)	$ -
Segment net income	$ 1,237,404	$ 4,983,348	$ 1,066,063	$ 1,628,156	$ 8,914,971
Income tax expense					(1,315,438)
Income after income tax					$ 7,599,533

	For the Three Months Ended March 31, 2019				
	Corporate Banking	**Individual Banking**	**International Banking**	**Others**	**Total**
Net interest (from external)	$ 2,194,648	$ 3,140,611	$ 1,902,189	$ 1,606,339	$ 8,843,787
Segment revenue (expense)	$ (937,714)	$ 3,171,545	$ (216,400)	$ (2,017,431)	$ -
Segment net income	$ 799,800	$ 6,192,224	$ 1,509,075	$ (1,057,626)	$ 7,443,473
Income tax expense					(1,070,011)
Income after income tax					$ 6,373,462

Note 1: No revenue from transactions with a single external customer amounted to 10% or more of the Company 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. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and b. Proportionate share in investees:

1) Financing provided: The Bank - not applicable; investee - none

2) Endorsement/guarantee provided: The Bank - not applicable; investee - none

3) Marketable securities held: The Bank - not applicable; investee - none

4) Marketable securities acquired or disposed of at costs or prices of at least $300 million or 10% of the paid-in capital: The Bank - not applicable; investee - 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 costs 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) Related information of investees and proportionate share: Quarterly report is exempt from disclosure.

13) Derivative transactions: Note 8

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

An 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 percent 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
MARCH 31, 2020
(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.	Indovina Bank Limited (Note 1)	Subsidiary	$ 446,247	-	$ -	-	$ -	$ -
	CUBCN Bank (Note 2)	Subsidiary	486,981	-	-	-	-	-

Note 1: Dividends receivable.

Note 2: Interest receivable.

TABLE 2

CATHAY UNITED BANK CO., LTD.

ASSET QUALITY - NONPERFORMING LOANS
AS OF MARCH 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, %)

Period			March 31, 2020					March 31, 2019				
Items			Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 176,845	$ 250,804,780	0.07%	$ 3,696,173	2090.07%	$ 573,892	$ 222,254,139	0.26%	$ 2,967,994	517.17%
	Unsecured		311,372	321,872,702	0.10%	8,146,336	2616.28%	399,021	413,384,456	0.10%	7,119,908	1784.34%
Consumer banking	Housing mortgage (Note 4)		586,261	352,706,419	0.17%	5,674,582	967.93%	756,104	350,852,192	0.22%	5,615,322	742.67%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		221,548	93,202,710	0.24%	3,064,561	1383.25%	173,366	71,665,788	0.24%	2,436,479	1405.39%
	Other (Note 6)	Secured	873,341	464,670,901	0.19%	5,512,693	631.22%	849,953	502,065,177	0.17%	6,229,719	732.95%
		Unsecured	45,405	18,073,638	0.25%	260,877	574.55%	117,245	25,165,224	0.47%	434,419	370.52%
Loan			2,214,772	1,501,331,150	0.15%	26,355,222	1189.97%	2,869,581	1,585,386,976	0.18%	24,803,841	864.37%
			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			$ 131,771	$ 71,593,711	0.18%	$ 1,873,738	1421.96%	$ 99,538	$ 69,957,653	0.14%	$ 1,472,374	1479.21%
Accounts receivable factored without recourse (Note 7)			-	2,639,380	-	54,103	-	-	2,207,701	-	60,360	-

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 possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible 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. 094000494), 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, 2020		March 31, 2019	
	Not Reported as Nonperforming Loan	**Not Reported as Nonperforming Receivable**	**Not Reported as Nonperforming Loan**	**Not Reported as Nonperforming Receivable**
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 1,892	$ 79,651	$ 2,530	$ 94,435
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	59,223	1,190,315	39,790	1,179,943
Total	61,115	1,269,966	42,320	1,274,378

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, 2020
(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, 2020 (Note 1)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020	Note
					Outflow	Inflow							
Cathay United Bank (China) Limited	Local government approved banking	$ 14,377,562 (CNY 3,000,000)	Direct	$ 14,377,562 (CNY 3,000,000)	$ -	$ -	$ 14,377,562 (CNY 3,000,000)	$ 250,186	100	$ 250,186	$ 16,200,711	$ -	

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amount Approved by the Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
$ 14,377,562 (CNY 3,000,000)	$ 14,377,562 (CNY 3,000,000)	$ 141,312,164

Note 1: 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.

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 (CNY400,000,000), 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 (CNY600,000,000), 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$60,708,160.7 (CNY400,000,000) on January 5, 2015, and was authorized by MOEAIC on December 22, 2016.

Note 3: 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.

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, 2020
(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	Indovina Bank	a	Due from banks - interest revenue	$ 92	Note 4	0.00
		Indovina Bank	a	Call loan to banks - interest revenue	37,771	Note 4	0.21
		Indovina Bank	a	Due to banks	32,148	Note 4	0.00
		Indovina Bank	a	Due from bank	68,500	Note 4	0.00
		Indovina Bank	a	Call loan to banks	5,415,466	Note 4	0.18
		Indovina Bank	a	Dividend receivable	446,247	Note 4	0.01
1	Indovina Bank	Cathay United Bank	b	Due to banks - interest expense	92	Note 4	0.00
		Cathay United Bank	b	Call loan from banks - interest expense	37,771	Note 4	0.21
		Cathay United Bank	b	Due from bank	32,148	Note 4	0.00
		Cathay United Bank	b	Due to banks	68,500	Note 4	0.00
		Cathay United Bank	b	Call loan from banks	5,415,466	Note 4	0.18
		Cathay United Bank	b	Dividend payable	446,247	Note 4	0.01
0	Cathay United Bank	CUBC Bank	a	Call loan to banks - interest revenue	698	Note 4	0.00
		CUBC Bank	a	Call loan from banks - interest expense	315	Note 4	0.00
		CUBC Bank	a	Due to banks	9,617	Note 4	0.00
		CUBC Bank	a	Due from bank	61,414	Note 4	0.00
		CUBC Bank	a	Dividend receivable	178,339	Note 4	0.01
2	CUBC Bank	Cathay United Bank	b	Call loan from banks - interest expense	698	Note 4	0.00
		Cathay United Bank	b	Call loan to banks - interest revenue	315	Note 4	0.00
		Cathay United Bank	b	Due from bank	9,617	Note 4	0.00
		Cathay United Bank	b	Due to banks	61,414	Note 4	0.00
		Cathay United Bank	b	Dividend payable	178,339	Note 4	0.01
0	Cathay United Bank	CUBCN Bank	a	Call loan to banks - interest revenue	20,464	Note 4	0.12
		CUBCN Bank	a	Due to banks	40,818	Note 4	0.00
		CUBCN Bank	a	Due from bank	9,374,481	Note 4	0.31
		CUBCN Bank	a	Interest receivable	486,981	Note 4	0.02
3	CUBCN Bank	Cathay United Bank	b	Call loan from banks - interest expense	20,464	Note 4	0.12
		Cathay United Bank	b	Due from bank	40,818	Note 4	0.00
		Cathay United Bank	b	Due to banks	9,374,481	Note 4	0.31
		Cathay United Bank	b	Interest payable	486,981	Note 4	0.02

(Continued)

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 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.

(Concluded)