

**Cathay United Bank Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2022 and 2021 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, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 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 Cheng-Hung Kuo and Shiu-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 13, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2022 (Reviewed)		December 31, 2021 (Audited)		March 31, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	\$ 55,774,915	2	\$ 65,389,093	2	\$ 86,468,445	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 7, 44 and 45)	262,487,522	7	234,546,475	7	152,315,784	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	298,948,272	8	285,354,534	8	293,230,167	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 45 and 49)	319,116,183	9	313,368,538	9	283,890,800	9
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 45 and 49)	582,392,745	16	571,901,742	16	530,356,559	16
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	48,554,580	1	42,029,115	1	17,300,062	-
RECEIVABLES, NET (Notes 4, 13, 15 and 44)	88,462,508	3	103,894,679	3	91,642,636	3
CURRENT INCOME TAX ASSETS	7,483	-	2,740	-	4,099	-
ASSETS HELD FOR SALE, NET (Notes 4 and 18)	271,823	-	283,087	-	-	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 44)	1,870,624,221	52	1,807,076,659	52	1,743,600,748	53
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 17)	1,827,304	-	1,832,266	-	1,892,845	-
OTHER FINANCIAL ASSETS, NET (Note 6)	-	-	4,346,973	-	-	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	24,440,330	1	24,504,088	1	25,249,027	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 19 and 44)	4,314,458	-	3,660,366	-	4,044,672	-
INVESTMENT PROPERTIES, NET (Notes 4 and 20)	622,940	-	657,440	-	646,445	-
INTANGIBLE ASSETS, NET (Notes 4 and 21)	8,226,540	-	8,250,600	-	8,133,457	-
DEFERRED TAX ASSETS (Note 4)	4,119,441	-	4,612,273	-	4,300,178	-
OTHER ASSETS, NET (Notes 22 and 44)	<u>28,247,582</u>	<u>1</u>	<u>27,612,414</u>	<u>1</u>	<u>30,899,595</u>	<u>1</u>
TOTAL	<u>\$ 3,598,438,847</u>	<u>100</u>	<u>\$ 3,499,323,082</u>	<u>100</u>	<u>\$ 3,273,975,519</u>	<u>100</u>
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	\$ 112,784,410	3	\$ 74,605,174	2	\$ 80,305,732	2
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	1,076,000	-	1,076,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	88,231,832	3	75,884,932	2	94,975,430	3
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 24)	35,244,841	1	37,161,652	1	14,987,334	1
PAYABLES (Notes 25 and 44)	23,334,875	1	27,055,843	1	23,724,007	1
CURRENT TAX LIABILITIES (Note 4)	175,588	-	71,994	-	393,161	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	2,987,059,268	83	2,935,693,967	84	2,696,406,936	82
FINANCIAL DEBENTURES PAYABLE (Note 27)	47,360,991	1	46,800,000	2	52,300,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	34,265,474	1	31,502,729	1	37,172,339	1
PROVISIONS (Notes 4, 15 and 29)	3,567,051	-	3,810,166	-	3,738,244	-
LEASE LIABILITIES (Notes 4, 19 and 44)	4,372,043	-	3,679,114	-	4,116,186	-
DEFERRED TAX LIABILITIES (Note 4)	1,951,403	-	2,872,121	-	3,091,626	-
OTHER LIABILITIES (Notes 4, 31 and 44)	<u>8,180,499</u>	<u>-</u>	<u>8,382,187</u>	<u>-</u>	<u>9,241,456</u>	<u>-</u>
Total liabilities	<u>3,347,604,275</u>	<u>93</u>	<u>3,248,595,879</u>	<u>93</u>	<u>3,021,528,451</u>	<u>92</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 32)						
Capital stock						
Common stock	<u>106,985,830</u>	<u>3</u>	<u>106,985,830</u>	<u>3</u>	<u>106,985,830</u>	<u>4</u>
Capital surplus	<u>38,687,276</u>	<u>1</u>	<u>38,687,276</u>	<u>1</u>	<u>38,687,276</u>	<u>1</u>
Retained earnings						
Legal reserve	71,182,447	2	71,182,447	2	64,526,043	2
Special reserve	2,083,756	-	2,083,756	-	2,084,653	-
Unappropriated earnings	<u>31,914,094</u>	<u>1</u>	<u>25,236,235</u>	<u>1</u>	<u>29,177,218</u>	<u>1</u>
Total retained earnings	<u>105,180,297</u>	<u>3</u>	<u>98,502,438</u>	<u>3</u>	<u>95,787,914</u>	<u>3</u>
Other equity	<u>(4,488,470)</u>	<u>-</u>	<u>2,175,568</u>	<u>-</u>	<u>6,992,125</u>	<u>-</u>
Total equity attributable to owners of the Bank	246,364,933	7	246,351,112	7	248,453,145	8
NON-CONTROLLING INTERESTS (Note 32)	<u>4,469,639</u>	<u>-</u>	<u>4,376,091</u>	<u>-</u>	<u>3,993,923</u>	<u>-</u>
Total equity	<u>250,834,572</u>	<u>7</u>	<u>250,727,203</u>	<u>7</u>	<u>252,447,068</u>	<u>8</u>
TOTAL	<u>\$ 3,598,438,847</u>	<u>100</u>	<u>\$ 3,499,323,082</u>	<u>100</u>	<u>\$ 3,273,975,519</u>	<u>100</u>

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			
	2022		2021	
	Amount	%	Amount	%
NET INTEREST REVENUE (Notes 4, 33 and 44)				
Interest income	\$ 12,759,464	76	\$ 11,917,618	73
Interest expense	<u>(2,599,719)</u>	<u>(16)</u>	<u>(2,705,361)</u>	<u>(17)</u>
Total net interest revenue	<u>10,159,745</u>	<u>60</u>	<u>9,212,257</u>	<u>56</u>
NET REVENUE OTHER THAN INTEREST				
Net service fee revenue (Notes 4, 34 and 44)	5,283,496	31	4,617,257	28
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 35 and 44)	313,464	2	779,192	5
Realized gain on financial assets at fair value through other comprehensive income (Notes 4, 9 and 36)	823,498	5	1,268,953	8
Loss arising from derecognition of financial assets measured at amortised cost (Notes 4 and 14)	(210,119)	(1)	-	-
Foreign exchange gain (Notes 4 and 50)	339,736	2	233,222	2
Impairment reversal (loss) on assets (Notes 4 and 37)	(24,874)	-	47,428	-
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 17)	13,462	-	35,441	-
Net other revenue other than interest income (Notes 4 and 44)	<u>133,885</u>	<u>1</u>	<u>110,937</u>	<u>1</u>
Total net revenue other than interest	<u>6,672,548</u>	<u>40</u>	<u>7,092,430</u>	<u>44</u>
NET REVENUE	<u>16,832,293</u>	<u>100</u>	<u>16,304,687</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 13, 14, 15 and 38)	<u>(296,328)</u>	<u>(2)</u>	<u>(1,244,699)</u>	<u>(8)</u>
TOTAL OPERATING EXPENSES				
Employee benefits expenses (Notes 4, 39 and 44)	(4,684,360)	(28)	(4,259,772)	(26)
Depreciation and amortization expense (Notes 4, 18, 19, 21 and 40)	(890,991)	(5)	(852,457)	(5)
Other general and administrative expense (Notes 4, 41 and 44)	<u>(2,656,008)</u>	<u>(16)</u>	<u>(2,644,242)</u>	<u>(16)</u>
Total operating expenses	<u>(8,231,359)</u>	<u>(49)</u>	<u>(7,756,471)</u>	<u>(47)</u>

(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			
	2022		2021	
	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 8,304,606	49	\$ 7,303,517	45
INCOME TAX EXPENSE (Notes 4 and 42)	<u>(1,432,402)</u>	<u>(8)</u>	<u>(899,995)</u>	<u>(6)</u>
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	<u>6,872,204</u>	<u>41</u>	<u>6,403,522</u>	<u>39</u>
OTHER COMPREHENSIVE LOSS, NET OF TAX (Notes 4 and 32)				
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax				
Remeasurement of defined benefit plans	(826)	-	(655)	-
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	120,136	1	4,288,414	26
Change in fair value of financial liability attributable to change in credit risk of liability	333,517	2	456,692	3
Share of other comprehensive income of associates and joint ventures accounted for using equity method	1,829	-	5,219	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 42)	(58,411)	(1)	(317,863)	(2)
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	1,310,631	8	(133,322)	(1)
Share of other comprehensive loss of associates and joint ventures accounted for using equity method	(20,253)	-	(10,984)	-
Losses from investments in debt instruments measured at fair value through other comprehensive income	(8,583,837)	(51)	(4,529,968)	(28)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 42)	<u>132,379</u>	<u>1</u>	<u>101,500</u>	<u>1</u>
Other comprehensive loss, net of tax	<u>(6,764,835)</u>	<u>(40)</u>	<u>(140,967)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>\$ 107,369</u>	<u>1</u>	<u>\$ 6,262,555</u>	<u>38</u>

(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			
	2022		2021	
	Amount	%	Amount	%
PROFIT ATTRIBUTABLE TO:				
Owners of the Bank	\$ 6,732,568	40	\$ 6,365,631	39
Non-controlling interests	<u>139,636</u>	<u>1</u>	<u>37,891</u>	<u>-</u>
	<u>\$ 6,872,204</u>	<u>41</u>	<u>\$ 6,403,522</u>	<u>39</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Bank	\$ 13,821	-	\$ 6,156,273	38
Non-controlling interests	<u>93,548</u>	<u>1</u>	<u>106,282</u>	<u>-</u>
	<u>\$ 107,369</u>	<u>1</u>	<u>\$ 6,262,555</u>	<u>38</u>
EARNINGS PER SHARE (Note 43)				
Basic	<u>\$ 0.63</u>		<u>\$ 0.59</u>	

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											Non-controlling Interests	Total Equity
	Retained Earnings					Other Equity							
	Capital Stock 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		
BALANCE AT JANUARY 1, 2021	\$ 106,985,830	\$ 38,687,276	\$ 64,526,043	\$ 2,084,653	\$ 22,122,582	\$ (2,034,967)	\$ 12,999,487	\$ (1,478,705)	\$ (1,910,070)	\$ 314,743	\$ 7,890,488	\$ 4,358,749	\$ 246,655,621
Net income for the three months ended March 31, 2021	-	-	-	-	6,365,631	-	-	-	-	-	-	37,891	6,403,522
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	(109,767)	(465,282)	365,354	337	-	(209,358)	68,391	(140,967)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	6,365,631	(109,767)	(465,282)	365,354	337	-	(209,358)	106,282	6,262,555
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(471,108)	(471,108)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	689,005	-	(689,005)	-	-	-	(689,005)	-	-
BALANCE AT MARCH 31, 2021	\$ 106,985,830	\$ 38,687,276	\$ 64,526,043	\$ 2,084,653	\$ 29,177,218	\$ (2,144,734)	\$ 11,845,200	\$ (1,113,351)	\$ (1,909,733)	\$ 314,743	\$ 6,992,125	\$ 3,993,923	\$ 252,447,068
BALANCE AT JANUARY 1, 2022	\$ 106,985,830	\$ 38,687,276	\$ 71,182,447	\$ 2,083,756	\$ 25,236,235	\$ (2,766,438)	\$ 7,527,083	\$ (889,397)	\$ (1,980,688)	\$ 285,008	\$ 2,175,568	\$ 4,376,091	\$ 250,727,203
Net income for the three months ended March 31, 2022	-	-	-	-	6,732,568	-	-	-	-	-	-	139,636	6,872,204
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	948,173	(7,934,254)	266,813	521	-	(6,718,747)	(46,088)	(6,764,835)
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	6,732,568	948,173	(7,934,254)	266,813	521	-	(6,718,747)	93,548	107,369
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(54,709)	-	54,709	-	-	-	54,709	-	-
BALANCE AT MARCH 31, 2022	\$ 106,985,830	\$ 38,687,276	\$ 71,182,447	\$ 2,083,756	\$ 31,914,094	\$ (1,818,265)	\$ (352,462)	\$ (622,584)	\$ (1,980,167)	\$ 285,008	\$ (4,488,470)	\$ 4,469,639	\$ 250,834,572

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	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 8,304,606	\$ 7,303,517
Adjustments:		
Depreciation expense	759,417	735,980
Amortization expense	131,574	116,477
Expected credit loss/bad debt expense	296,328	1,244,699
Net gains on financial assets and liabilities at fair value through profit or loss	(313,464)	(779,192)
Interest expense	2,599,719	2,705,361
Net losses arising from derecognition of financial assets measured at amortised cost	210,119	-
Interest income	(12,759,464)	(11,917,618)
Dividend income	(11,252)	(20,591)
Share of profit of associates and joint ventures accounted for using equity method	(13,462)	(35,441)
Losses on disposal of property and equipment	1,669	2,549
Gains on disposal of investment properties	(2,300)	-
Gains on disposal of assets held for sale	(12,436)	-
Gains on disposal of investments	(812,246)	(1,248,362)
Impairment loss (reversal of impairment loss) on financial assets	24,874	(47,428)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(1,266,024)	(4,150,312)
Financial assets at fair value through profit or loss	16,091,165	12,331,338
Financial assets at fair value through other comprehensive income	(13,418,052)	53,251,142
Investments in debt instruments at amortised cost	(10,707,044)	(28,618,306)
Receivables	14,745,518	7,668,866
Discounts and loans	(63,883,468)	(83,620,862)
Other financial assets	4,346,973	368
Other assets	1,009,637	3,995,690
Deposits from the Central Bank and banks	38,179,236	14,174,673
Financial liabilities at fair value through profit or loss	(16,897,615)	(989,969)
Notes and bonds issued under repurchase agreement	(1,916,811)	4,895,276
Payables	(5,312,722)	(2,048,513)
Deposits and remittances	51,365,301	47,411,912
Other financial liabilities	2,762,745	(2,575,985)
Provisions	(219,089)	(16,825)
Other liabilities	(121,184)	571,189
Cash generated from operations	13,162,248	20,339,633
Interest received	14,018,536	12,820,797
Dividends received	23,869	25,526

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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	
	2022	2021
Interest paid	\$ (2,631,599)	\$ (2,899,573)
Income tax paid	<u>(393,741)</u>	<u>(201,206)</u>
Net cash generated from operating activities	<u>24,179,313</u>	<u>30,085,177</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets held for sale	23,700	-
Acquisition of property and equipment	(266,259)	(307,450)
Proceeds from disposal of property and equipment	331	51
Acquisition of intangible assets	(47,097)	(45,181)
Proceeds from disposal of investment properties	36,800	-
Other assets	<u>(1,689,310)</u>	<u>(780,077)</u>
Net cash used in investing activities	<u>(1,941,835)</u>	<u>(1,132,657)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of financial debentures	545,684	-
Repayments of financial debentures payable	-	(1,500,000)
Repayments of the principal portion of lease liabilities	(367,234)	(367,069)
Other liabilities	(86,346)	(2,170,866)
Cash dividends paid	<u>-</u>	<u>(471,108)</u>
Net cash generated from (used in) financing activities	<u>92,104</u>	<u>(4,509,043)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,284,164</u>	<u>(127,879)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,613,746	24,315,598
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>254,581,778</u>	<u>151,993,849</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 278,195,524</u>	<u>\$ 176,309,447</u>

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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)

	<u>March 31</u>	
	<u>2022</u>	<u>2021</u>
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, 2022 AND 2021		
Cash and cash equivalents reported in the consolidated balance sheets	\$ 55,774,915	\$ 86,468,445
Due from the Central Bank and call loans to banks qualifying for cash		
and cash equivalents under the definition of IAS 7	173,866,029	72,540,940
Securities purchased under resell agreements qualifying for cash and		
cash equivalents under the definition of IAS 7	<u>48,554,580</u>	<u>17,300,062</u>
Cash and cash equivalents at the end of the period	<u>\$ 278,195,524</u>	<u>\$ 176,309,447</u>

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

(Concluded)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 ultimate parent company.

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

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 on May 13, 2022.

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)

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 applicated starting from 2022 by the FSC did not have a material impact on the Company’s accounting policies.

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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 properties which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements 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 the consolidated financial statements

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

The accounting policies of the consolidated entities are same.

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

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

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

Entities included in the consolidated financial statements

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

Foreign Currencies

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

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

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

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

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

Current and Non-current Assets and Liabilities

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

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

a) Financial assets at FVTPL

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

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

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

b) Financial assets at amortised cost

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

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

c) Investments in debt instruments at FVTOCI

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

- i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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 amortised cost using the effective interest method:

a) Financial liabilities at FVTPL

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

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

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

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

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

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

b) Financial guarantee contracts

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

- i. The amount of the loss allowance reflecting expected credit loss; and
- ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2) Derecognition of financial liabilities

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

d. Derivatives

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

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

e. Modification of financial instruments

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

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

Investments in Associates

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

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

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

When the Bank subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Bank's proportionate interest in the associate. The Bank records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates 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 measured by equity method is insufficient, the shortage is debited to retained earnings.

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

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

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

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

Nonperforming Loans

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

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

Repurchase and Resale Transactions

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

Property and Equipment

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

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

For a transfer from the property and equipment classification to investment property based on the actual use of assets, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

Goodwill

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

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

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

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

Foreclosed Collateral

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

Intangible Assets (Excluding Goodwill)

a. Intangible assets acquired separately

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

b. Derecognition

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

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

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

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

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

Assets Held for Sale

Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

Leasing

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

a. The Company as lessor

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

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

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

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

b. The Company as lessee

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

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

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

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

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

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

Provisions

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

c. Termination benefits

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

d. Employee preferential interest rate deposits

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

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

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period’s pre-tax income the tax rate that would be applicable to expected total annual earnings.

a. Current tax

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

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

b. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Bank 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.

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

c. Current and deferred taxes

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

Recognition of Interest Revenue and Expense

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

Recognition of Service Fee Revenue and Expense

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

Customer Loyalty Program

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

5. 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Assessment of Impairment of Loans

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

6. CASH AND CASH EQUIVALENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 18,745,382	\$ 23,454,370	\$ 19,086,080
Checks for clearance	1,887,645	6,116,728	2,212,369
Due from banks	<u>35,160,006</u>	<u>35,838,074</u>	<u>65,192,235</u>
	55,793,033	65,409,172	86,490,684
Less: Allowance for impairment loss	<u>(18,118)</u>	<u>(20,079)</u>	<u>(22,239)</u>
	<u>\$ 55,774,915</u>	<u>\$ 65,389,093</u>	<u>\$ 86,468,445</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, due from banks that mature exceed one year from the date of acquisition are recorded as other financial assets, amounting to \$0 thousand, \$4,346,973 thousand and \$0 thousand, respectively.

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, 2022 and 2021 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2021 are shown below:

	December 31, 2021
Cash and cash equivalents reported in the consolidated balance sheets	\$ 65,389,093
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	147,163,570
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>42,029,115</u>
Cash and cash equivalents reported in the consolidated statements of cash flows	<u>\$ 254,581,778</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Deposit reserves - general account	\$ 74,789,014	\$ 73,493,011	\$ 65,768,398
Deposit reserves - foreign currency account	13,943,229	13,965,956	14,098,366
Deposits in the Central Bank - general account	48,604,938	43,547,855	35,881,343
Call loans and overdrafts	<u>125,261,091</u>	<u>103,615,715</u>	<u>36,659,597</u>
	262,598,272	234,622,537	152,407,704
Less: Allowance for impairment loss	<u>(110,750)</u>	<u>(76,062)</u>	<u>(91,920)</u>
	<u>\$ 262,487,522</u>	<u>\$ 234,546,475</u>	<u>\$ 152,315,784</u>

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, 2022, December 31, 2021 and March 31, 2021, the balances of foreign-currency deposit reserves were \$6,500,542 thousand, \$7,259,716 thousand and \$7,616,269 thousand, respectively.

Refer to Note 45 for information relating to deposit reserves - general account pledged as security.

Indovina Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the State Bank of Vietnam were \$1,387,796 thousand, \$1,435,366 thousand and \$1,330,334 thousand as of March 31, 2022, December 31, 2021 and March 31, 2021, 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 \$857,927 thousand, \$814,485 thousand and \$837,613 thousand as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

CUBCN Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the People's Bank of China were \$5,196,964 thousand, \$4,456,389 thousand and \$4,314,150 thousand as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>			
Treasury bills	\$ 12,731,567	\$ 7,567,899	\$ 12,265,247
Commercial paper	143,927,884	151,041,669	149,365,935
Government bonds	9,613,984	17,741,331	27,034,356
Corporate bonds	20,717,920	18,795,119	9,899,730
Financial debentures	41,337,026	38,719,321	15,839,649
Negotiable certificates of deposits	16,621,440	9,776,810	17,955,535
Stock investments	304,997	3,114,840	4,171,005
Fund beneficiary certificates	57,026	85,133	35,374
	<u>245,311,844</u>	<u>246,842,122</u>	<u>236,566,831</u>
Derivative financial instruments			
Foreign exchange forward contracts	28,857,736	13,529,981	23,959,713
Interest rate swaps	19,899,901	20,596,333	27,392,419
Options	3,720,230	2,963,723	3,791,550
Others	1,158,561	1,422,375	1,519,654
	<u>53,636,428</u>	<u>38,512,412</u>	<u>56,663,336</u>
	<u>\$ 298,948,272</u>	<u>\$ 285,354,534</u>	<u>\$ 293,230,167</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>			
Bonds	<u>\$ 39,832,757</u>	<u>\$ 40,587,123</u>	<u>\$ 42,722,501</u>
<u>Financial liabilities held for trading</u>			
Derivative financial instruments			
Foreign exchange forward contracts	25,602,696	14,160,913	25,331,144
Interest rate swaps	16,465,332	15,631,389	21,319,156
Options	4,676,548	4,008,026	4,359,215
Others	1,654,499	1,497,481	1,243,414
	<u>48,399,075</u>	<u>35,297,809</u>	<u>52,252,929</u>
	<u>\$ 88,231,832</u>	<u>\$ 75,884,932</u>	<u>\$ 94,975,430</u>

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, 2022, December 31, 2021 and March 31, 2021 were as follows:

(Unit: Thousands of U.S. Dollars)

	Contract Amounts		
	March 31, 2022	December 31, 2021	March 31, 2021
<u>The Bank</u>			
Foreign exchange forward contracts	\$ 99,832,927	\$ 98,048,307	\$ 95,148,046
Interest rate swaps	44,277,695	43,544,052	46,547,382
Options	5,843,226	5,598,747	6,917,593
Futures	1,114,443	952,858	1,331,419
Cross-currency swaps	3,052,424	3,259,720	2,503,095
Commodity exchange contracts	8,677	4,285	7,548

	Contract Amounts		
	March 31, 2022	December 31, 2021	March 31, 2021
<u>Indovina Bank</u>			
Foreign exchange forward contracts	\$ 49,763	\$ 54,756	\$ -
Cross-currency swaps	324,000	258,000	-

	Contract Amounts		
	March 31, 2022	December 31, 2021	March 31, 2021
<u>CUBCN Bank</u>			
Foreign exchange forward contracts	\$ 93,844	\$ 49,268	\$ 12,765
Interest rate swaps	3,884,566	3,842,715	1,051,542
Options	3,536	3,119	3,042
Cross-currency swaps	-	-	36,157
Commodity exchange contracts	4,325,167	3,328,761	1,626,348

As of March 31, 2022 and December 31, 2021, certain financial assets at FVTPL were sold under repurchase agreements with notional amounts of \$2,289,760 thousand and \$2,215,200 thousand, respectively. The proceeds amounting to \$2,198,340 thousand and \$2,148,959 thousand, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$2,198,728 thousand and \$2,149,060 thousand before the end of April and January 2022. As of March 31, 2021, none of the financial assets at FVTPL was sold under repurchase agreements.

Financial Liabilities Designated as at Fair Value through Profit or Loss

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

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

The Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the three months ended March 31, 2022 and 2021, such interest rate swaps were valued with a net loss of \$1,879,713 thousand and \$1,512,498 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2022	December 31, 2021	March 31, 2021
Investments in equity instruments			
Domestic listed shares	\$ 9,603,970	\$ 13,805,472	\$ 20,037,795
Overseas stock investments	10,194,182	10,840,795	8,274,278
Domestic unlisted shares	5,348,160	5,437,458	5,112,493
	<u>25,146,312</u>	<u>30,083,725</u>	<u>33,424,566</u>
Investments in debt instruments			
Corporate bonds	91,311,824	98,631,312	90,893,159
Financial debentures	55,103,264	80,292,790	78,150,525
Asset-based securities	8,770,563	10,163,330	7,073,191
Negotiable certificates of deposit	74,381,551	25,599,336	24,714,162
Government bonds	64,402,669	68,598,045	45,967,590
Inter-bank discounted notes	-	-	3,667,607
	<u>293,969,871</u>	<u>283,284,813</u>	<u>250,466,234</u>
	<u>\$ 319,116,183</u>	<u>\$ 313,368,538</u>	<u>\$ 283,890,800</u>

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.

In consideration of its investment strategy, the Company sold its investments in equity instruments at FVTOCI with the fair value of \$7,734,833 thousand and \$4,006,801 thousand during the three months ended March 31, 2022 and 2021, respectively, and the related unrealized loss of \$54,709 thousand and unrealized gain of \$689,005 thousand were transferred from other equity to retained earnings, accordingly.

Dividends of \$11,252 thousand and \$20,591 thousand were recognized as income for the three months ended March 31, 2022 and 2021, respectively. Those related to investments held as of March 31, 2022 and 2021 were \$6,532 thousand and \$20,591 thousand, respectively, and the remaining amounts were related to investments derecognized for the three months ended March 31, 2022 and 2021.

As of March 31, 2022, December 31, 2021 and March 31, 2021, certain financial assets at FVTOCI were sold under repurchase agreements with notional amounts of \$19,615,259 thousand, \$28,230,898 thousand and \$13,778,932 thousand, respectively. The proceeds amounting to \$18,575,292 thousand, \$27,600,460 thousand and \$13,639,111 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$18,589,274 thousand, \$27,614,471 thousand and \$13,656,321 thousand before the end of June 2022, June 2022 and August 2021, respectively.

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

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST

	March 31, 2022	December 31, 2021	March 31, 2021
Short-term bills	\$ 445,500,419	\$ 461,857,140	\$ 434,228,090
Government bonds	40,010,016	37,671,344	15,884,246
Corporate bonds	16,166,902	13,479,441	13,690,145
Financial debentures	33,674,416	18,508,912	18,954,099
Asset-based bonds	<u>47,076,273</u>	<u>40,413,469</u>	<u>47,636,699</u>
	582,428,026	571,930,306	530,393,279
Less: Allowance for impairment loss	<u>(35,281)</u>	<u>(28,564)</u>	<u>(36,720)</u>
	<u>\$ 582,392,745</u>	<u>\$ 571,901,742</u>	<u>\$ 530,356,559</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, certain financial assets measured at amortised cost were sold under repurchase agreements with notional amounts of \$15,935,377 thousand, \$7,791,895 thousand and \$1,643,286 thousand, respectively. The proceeds amounting to \$14,471,159 thousand, \$7,412,233 thousand and \$1,348,223 thousand, respectively, recorded as notes and bonds sold under repurchase agreements and were repurchased for \$14,475,445 thousand, \$7,417,746 thousand and \$1,348,134 thousand before the end of June 2022, February 2022 and May 2021, 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, 2022

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	\$ 300,483,474	\$ 582,428,026	\$ 882,911,500
Less: Allowance for impairment loss	(117,345)	(35,281)	(152,626)
Adjustment to fair value	<u>(6,396,258)</u>	<u>-</u>	<u>(6,396,258)</u>
	<u>\$ 293,969,871</u>	<u>\$ 582,392,745</u>	<u>\$ 876,362,616</u>

December 31, 2021

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	\$ 281,032,982	\$ 571,930,306	\$ 852,963,288
Less: Allowance for impairment loss	(106,084)	(28,564)	(134,648)
Adjustment to fair value	<u>2,357,915</u>	<u>-</u>	<u>2,357,915</u>
	<u>\$ 283,284,813</u>	<u>\$ 571,901,742</u>	<u>\$ 855,186,555</u>

March 31, 2021

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	\$ 247,426,510	\$ 530,393,279	\$ 777,819,789
Less: Allowance for impairment loss	(204,703)	(36,720)	(241,423)
Adjustment to fair value	<u>3,244,427</u>	<u>-</u>	<u>3,244,427</u>
	<u>\$ 250,466,234</u>	<u>\$ 530,356,559</u>	<u>\$ 780,822,793</u>

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

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

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

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at March 31, 2022
Low credit risk	Low credit risk at the reporting date	12-month ECLs	\$ 882,280,479
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	631,021
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, 2021
Low credit risk	Low credit risk at the reporting date	12-month ECLs	\$ 852,305,969
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	657,319
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, 2021
Low credit risk	Low credit risk at the reporting date	12-month ECLs	\$ 777,819,789
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, 2022

	Credit Rating		
	Low Credit Risk (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	In Default (Lifetime ECLs - Credit-impaired)
Balance at the beginning of the period	\$ 122,072	\$ 12,576	\$ -
New debt instruments purchased	58,922	-	-
Derecognition	(47,296)	-	-
Effect of exchange rates changes and others	<u>3,933</u>	<u>2,419</u>	<u>-</u>
Balance at the end of the period	<u>\$ 137,631</u>	<u>\$ 14,995</u>	<u>\$ -</u>

For the three months ended March 31, 2021

	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	\$ 242,946	\$ -	\$ -
New debt instruments purchased	87,232	-	-
Derecognition	(38,073)	-	-
Effect of exchange rates changes and others	<u>(50,682)</u>	<u>-</u>	<u>-</u>
Balance at the end of the period	<u>\$ 241,423</u>	<u>\$ -</u>	<u>\$ -</u>

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Corporate bonds	\$ 36,186,693	\$ 33,129,004	\$ 11,571,028
Government bonds	2,295,440	2,098,165	1,844,505
Financial debentures	<u>10,090,786</u>	<u>6,822,077</u>	<u>3,886,873</u>
	48,572,919	42,049,246	17,302,406
Less: Allowance for impairment loss	<u>(18,339)</u>	<u>(20,131)</u>	<u>(2,344)</u>
	<u>\$ 48,554,580</u>	<u>\$ 42,029,115</u>	<u>\$ 17,300,062</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, none of the securities purchased under resell agreements were sold under repurchase agreements.

13. RECEIVABLES, NET

	March 31, 2022	December 31, 2021	March 31, 2021
Notes and accounts receivables	\$ 74,817,493	\$ 88,600,959	\$ 75,602,968
Interest receivable	5,335,343	6,063,620	5,726,468
Acceptance	1,434,885	1,372,808	1,090,454
Factoring receivable	4,811,921	4,081,459	4,530,549
Others	<u>4,499,765</u>	<u>6,211,367</u>	<u>7,168,156</u>
	90,899,407	106,330,213	94,118,595
Less: Allowance for impairment loss	<u>(2,436,899)</u>	<u>(2,435,534)</u>	<u>(2,475,959)</u>
	<u>\$ 88,462,508</u>	<u>\$ 103,894,679</u>	<u>\$ 91,642,636</u>

Refer to Note 50 for impairment loss analysis of receivables.

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

For the three months ended March 31, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 101,532,216	\$ 2,692,899	\$ 2,105,098	\$ 106,330,213
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(578,401)	583,125	(4,724)	-
Transferred to credit-impaired financial assets	(5,155)	(60,648)	65,803	-
Transferred to 12-month ECLs	1,100,532	(1,098,263)	(2,269)	-
Derecognition of financial assets in the period	(60,113,282)	(898,712)	(94,743)	(61,106,737)
New financial assets purchased or originated	44,985,402	560,890	76,816	45,623,108
Written-off as bad debt expense	-	-	(75,037)	(75,037)
Effects of exchange rate changes and others	<u>120,371</u>	<u>5,022</u>	<u>2,467</u>	<u>127,860</u>
Balance at the end of the period	<u>\$ 87,041,683</u>	<u>\$ 1,784,313</u>	<u>\$ 2,073,411</u>	<u>\$ 90,899,407</u>

For the three months ended March 31, 2021

	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	\$ 98,245,219	\$ 1,889,559	\$ 2,141,088	\$ 102,275,866
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(646,017)	650,423	(4,406)	-
Transferred to credit-impaired financial assets	(42,767)	(66,313)	109,080	-
Transferred to 12-month ECLs	510,475	(508,034)	(2,441)	-
Derecognition of financial assets in the period	(42,367,277)	(883,548)	(159,726)	(43,410,551)
New financial assets purchased or originated	34,310,777	941,498	169,943	35,422,218
Written-off as bad debt expense	-	-	(102,429)	(102,429)
Effects of exchange rate changes and others	<u>(66,532)</u>	<u>(72)</u>	<u>95</u>	<u>(66,509)</u>
Balance at the end of the period	<u>\$ 89,943,878</u>	<u>\$ 2,023,513</u>	<u>\$ 2,151,204</u>	<u>\$ 94,118,595</u>

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

For the three months ended March 31, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 418,248	\$ 288,704	\$ 1,658,913	\$ 2,365,865	\$ 69,669	\$ 2,435,534
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,342)	215,386	(3,428)	206,616	-	206,616
Transferred to credit-impaired financial assets	(104)	(5,975)	20,996	14,917	-	14,917
Transferred to 12-month ECLs	29,588	(229,105)	(1,722)	(201,239)	-	(201,239)
Derecognition of financial assets in the period	(266,524)	(23,935)	(30,022)	(320,481)	-	(320,481)
New financial assets purchased or originated	98,685	19,072	51,419	169,176	-	169,176
Differences of impairment loss under the regulations	-	-	-	-	(51,706)	(51,706)
Written-off as bad debt expense	-	-	(75,037)	(75,037)	-	(75,037)
Effects of exchange rate changes and others	190,128	43,603	25,388	259,119	-	259,119
Balance at the end of the period	<u>\$ 464,679</u>	<u>\$ 307,750</u>	<u>\$ 1,646,507</u>	<u>\$ 2,418,936</u>	<u>\$ 17,963</u>	<u>\$ 2,436,899</u>

For the three months ended March 31, 2021

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 465,842	\$ 202,476	\$ 1,731,461	\$ 2,399,779	\$ 62,941	\$ 2,462,720
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,363)	92,066	(3,442)	83,261	-	83,261
Transferred to credit-impaired financial assets	(694)	(9,586)	86,244	75,964	-	75,964
Transferred to 12-month ECLs	4,182	(81,945)	(1,905)	(79,668)	-	(79,668)
Derecognition of financial assets in the period	(80,541)	(40,146)	(91,309)	(211,996)	-	(211,996)
New financial assets purchased or originated	105,728	28,922	119,613	254,263	-	254,263
Differences of impairment loss under the regulations	-	-	-	-	776	776
Written-off as bad debt expense	-	-	(102,429)	(102,429)	-	(102,429)
Effects of exchange rate changes and others	(15,697)	(23,743)	32,508	(6,932)	-	(6,932)
Balance at the end of the period	<u>\$ 473,457</u>	<u>\$ 168,044</u>	<u>\$ 1,770,741</u>	<u>\$ 2,412,242</u>	<u>\$ 63,717</u>	<u>\$ 2,475,959</u>

14. DISCOUNTS AND LOANS, NET

	March 31, 2022	December 31, 2021	March 31, 2021
Discounts and overdrafts	\$ 1,263,024	\$ 1,278,734	\$ 950,805
Short-term loans	461,408,150	437,829,639	417,777,961
Medium-term loans	479,890,978	464,070,380	451,764,920
Long-term loans	954,948,420	930,293,975	897,061,322
Export negotiations	1,701,272	1,354,799	1,510,698
Overdue loans	<u>2,133,405</u>	<u>2,227,284</u>	<u>3,812,513</u>
	1,901,345,249	1,837,054,811	1,772,878,219
Less: Allowance for impairment loss	<u>(30,721,028)</u>	<u>(29,978,152)</u>	<u>(29,277,471)</u>
	<u>\$ 1,870,624,221</u>	<u>\$ 1,807,076,659</u>	<u>\$ 1,743,600,748</u>

For the three months ended March 31, 2022 and 2021, the Bank disposed credit assets in order to increase debt recovery, and recognized the loss arising from the derecognition of credit assets measured at amortised cost amounting to \$210,119 thousand and \$0 thousand, respectively.

As of March 31, 2022, December 31, 2021 and March 31, 2021, the loan and credit balances of nonaccrual loans were \$2,133,405 thousand, \$2,227,284 thousand and \$3,812,513 thousand, respectively. For the three months ended March 31, 2022 and 2021, the Company did not write off certain credits without completing the required legal procedures.

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

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

For the three months ended March 31, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 1,763,964,944	\$ 60,965,797	\$ 12,124,070	\$ 1,837,054,811
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(10,443,277)	10,646,123	(202,846)	-
Transferred to credit-impaired financial assets	(196,045)	(372,481)	568,526	-
Transferred to 12-month ECLs	8,352,374	(8,161,895)	(190,479)	-
Derecognition of financial assets in the period	(172,282,072)	(8,017,347)	(594,107)	(180,893,526)
New financial assets purchased or originated	235,788,251	6,642,144	216,614	242,647,009
Written-off as bad debt expense	-	-	(141,165)	(141,165)
Effects of exchange rate changes and others	<u>2,289,369</u>	<u>333,193</u>	<u>55,558</u>	<u>2,678,120</u>
Balance at the end of the period	<u>\$ 1,827,473,544</u>	<u>\$ 62,035,534</u>	<u>\$ 11,836,171</u>	<u>\$ 1,901,345,249</u>

For the three months ended March 31, 2021

	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	\$ 1,621,545,452	\$ 55,888,623	\$ 12,109,964	\$ 1,689,544,039
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(19,754,017)	19,839,475	(85,458)	-
Transferred to credit-impaired financial assets	(1,184,844)	(425,142)	1,609,986	-
Transferred to 12-month ECLs	11,474,785	(11,309,938)	(164,847)	-
Derecognition of financial assets in the period	(192,778,483)	(7,071,381)	(1,200,712)	(201,050,576)
New financial assets purchased or originated	278,207,621	6,888,812	333,505	285,429,938
Written-off as bad debt expense	-	-	(586,867)	(586,867)
Effects of exchange rate changes and others	(249,157)	(213,423)	4,265	(458,315)
Balance at the end of the period	<u>\$ 1,697,261,357</u>	<u>\$ 63,597,026</u>	<u>\$ 12,019,836</u>	<u>\$ 1,772,878,219</u>

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, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 3,442,880	\$ 1,990,988	\$ 5,005,473	\$ 10,439,341	\$ 19,538,811	\$ 29,978,152
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(47,044)	803,821	(68,143)	688,634	-	688,634
Transferred to credit-impaired financial assets	(1,289)	(36,225)	198,533	161,019	-	161,019
Transferred to 12-month ECLs	48,696	(749,288)	(32,641)	(733,233)	-	(733,233)
Derecognition of financial assets in the period	(367,190)	(152,252)	(92,274)	(611,716)	-	(611,716)
New financial assets purchased or originated	463,810	89,439	120,768	674,017	-	674,017
Differences of impairment loss under the regulations	-	-	-	-	1,306,283	1,306,283
Written-off as bad debt expense	-	-	(141,165)	(141,165)	-	(141,165)
Effects of exchange rate changes and others	(682,982)	57,030	24,989	(600,963)	-	(600,963)
Balance at the end of the period	<u>\$ 2,856,881</u>	<u>\$ 2,003,513</u>	<u>\$ 5,015,540</u>	<u>\$ 9,875,934</u>	<u>\$ 20,845,094</u>	<u>\$ 30,721,028</u>

For the three months ended March 31, 2021

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 4,643,771	\$ 2,095,225	\$ 5,124,881	\$ 11,863,877	\$ 16,384,201	\$ 28,248,078
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(134,597)	770,706	(18,724)	617,385	-	617,385
Transferred to credit-impaired financial assets	(3,966)	(59,031)	392,953	329,956	-	329,956
Transferred to 12-month ECLs	39,849	(584,060)	(20,939)	(565,150)	-	(565,150)
Derecognition of financial assets in the period	(534,786)	(158,214)	(66,083)	(759,083)	-	(759,083)
New financial assets purchased or originated	629,845	56,974	221,947	908,766	-	908,766
Differences of impairment loss under the regulations	-	-	-	-	2,549,377	2,549,377
Written-off as bad debt expense	-	-	(586,867)	(586,867)	-	(586,867)
Effects of exchange rate changes and others	(1,200,832)	(332,123)	67,964	(1,464,991)	-	(1,464,991)
Balance at the end of the period	<u>\$ 3,439,284</u>	<u>\$ 1,789,477</u>	<u>\$ 5,115,132</u>	<u>\$ 10,343,893</u>	<u>\$ 18,933,578</u>	<u>\$ 29,277,471</u>

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, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 173,324	\$ 72,005	\$ 4,532	\$ 249,861	\$ 184,559	\$ 434,420
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(275)	19,644	(14)	19,355	-	19,355
Transferred to credit-impaired financial assets	(2)	(4)	294	288	-	288
Transferred to 12-month ECLs	8,914	(43,030)	(147)	(34,263)	-	(34,263)
Derecognition of financial assets in the period	(24,666)	(33,296)	(657)	(58,619)	-	(58,619)
New financial assets purchased or originated	44,253	6,571	937	51,761	-	51,761
Differences of impairment loss under the regulations	-	-	-	-	(14,645)	(14,645)
Effects of exchange rate changes and others	4,364	358	(51)	4,671	-	4,671
Balance at the end of the period	<u>\$ 205,912</u>	<u>\$ 22,248</u>	<u>\$ 4,894</u>	<u>\$ 233,054</u>	<u>\$ 169,914</u>	<u>\$ 402,968</u>

For the three months ended March 31, 2021

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 294,502	\$ 55,062	\$ 5,663	\$ 355,227	\$ 130,717	\$ 485,944
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,450)	16,766	-	11,316	-	11,316
Transferred to credit-impaired financial assets	(7)	(46)	1,432	1,379	-	1,379
Transferred to 12-month ECLs	742	(21,214)	(142)	(20,614)	-	(20,614)
Derecognition of financial assets in the period	(46,873)	(10,827)	(2,202)	(59,902)	-	(59,902)
New financial assets purchased or originated	33,860	7,566	760	42,186	-	42,186
Differences of impairment loss under the regulations	-	-	-	-	14,918	14,918
Effects of exchange rate changes and others	<u>(96,852)</u>	<u>(6,961)</u>	<u>(1,028)</u>	<u>(104,841)</u>	<u>-</u>	<u>(104,841)</u>
Balance at the end of the period	<u>\$ 179,922</u>	<u>\$ 40,346</u>	<u>\$ 4,483</u>	<u>\$ 224,751</u>	<u>\$ 145,635</u>	<u>\$ 370,386</u>

16. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

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

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%)			Description
			March 31, 2022	December 31, 2021	March 31, 2021	
The Bank	Indovina Bank Limited (Indovina Bank) (Note 1)	Bank business	50	50	50	Incorporated in Vietnam on November 21, 1990
	Cathay United Bank (Cambodia) Corporation Limited (CUBC Bank) (Note 1)	Bank business	100	100	100	SBC Bank was incorporated in Cambodia on July 5, 1993, and renamed as CUBC as of January 14, 2014
	Cathay United Bank (China) Limited (CUBCN Bank) (Note 2)	Bank business	100	100	100	Incorporated in China on September 3, 2018

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

Note 2: As a major subsidiary, its financial statements have been reviewed. Please refer to Table 4 for the relevant investment information.

17. INVESTMENTS MEASURED BY EQUITY METHOD, NET

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Associates that are not individually material</u>			
Taiwan Real-estate Management Corp.	\$ 95,091	\$ 95,892	\$ 96,406
Taiwan Finance Corp.	<u>1,732,213</u>	<u>1,736,374</u>	<u>1,796,439</u>
	<u>\$ 1,827,304</u>	<u>\$ 1,832,266</u>	<u>\$ 1,892,845</u>

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

	<u>For the Three Months Ended March 31</u>	
	2022	2021
The Bank's share of		
Current net profit	\$ 13,462	\$ 35,441
Current other comprehensive loss	<u>(18,424)</u>	<u>(5,765)</u>
Current comprehensive (loss) income	<u>\$ (4,962)</u>	<u>\$ 29,676</u>

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

18. PROPERTY AND EQUIPMENT, NET

For the three months ended March 31, 2022

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
<u>Cost</u>								
Balance at the beginning of the period	\$ 15,440,070	\$ 9,886,194	\$ 5,223,402	\$ 114,426	\$ 7,899,628	\$ 377,974	\$ 299,800	\$ 39,241,494
Additions	-	-	95,809	-	31,959	267	138,224	266,259
Disposals	-	-	(10,572)	(1,259)	(32,063)	-	-	(43,894)
Reclassification	-	747	2,868	-	31,896	-	(44,432)	(8,921)
Exchange differences	<u>17,648</u>	<u>10,220</u>	<u>21,772</u>	<u>3,790</u>	<u>5,973</u>	<u>13,550</u>	<u>2,009</u>	<u>74,962</u>
Balance at the end of the period	<u>15,457,718</u>	<u>9,897,161</u>	<u>5,333,279</u>	<u>116,957</u>	<u>7,937,393</u>	<u>391,791</u>	<u>395,601</u>	<u>39,529,900</u>
<u>Accumulated depreciation and impairment</u>								
Balance at the beginning of the period	-	4,762,428	3,616,695	77,200	6,094,199	186,884	-	14,737,406
Depreciation	-	51,703	172,202	2,162	124,464	9,517	-	360,048
Disposals	-	-	(10,542)	(875)	(30,477)	-	-	(41,894)
Reclassification	-	-	529	-	(529)	-	-	-
Exchange differences	<u>-</u>	<u>4,347</u>	<u>16,178</u>	<u>2,590</u>	<u>4,081</u>	<u>6,814</u>	<u>-</u>	<u>34,010</u>
Balance at the end of the period	<u>-</u>	<u>4,818,478</u>	<u>3,795,062</u>	<u>81,077</u>	<u>6,191,738</u>	<u>203,215</u>	<u>-</u>	<u>15,089,570</u>
<u>Net</u>								
Balance at the end of the period	<u>\$ 15,457,718</u>	<u>\$ 5,078,683</u>	<u>\$ 1,538,217</u>	<u>\$ 35,880</u>	<u>\$ 1,745,655</u>	<u>\$ 188,576</u>	<u>\$ 395,601</u>	<u>\$ 24,440,330</u>

For the three months ended March 31, 2021

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
<u>Cost</u>								
Balance at the beginning of the period	\$ 15,667,286	\$ 10,211,629	\$ 5,199,696	\$ 112,996	\$ 7,878,125	\$ 280,099	\$ 324,506	\$ 39,674,337
Additions	-	-	88,371	3,630	80,946	30,936	103,567	307,450
Disposals	-	-	(332,738)	-	(26,039)	-	-	(358,777)
Reclassification	-	-	998	-	44,233	-	(82,494)	(37,263)
Others (Note)	(600)	-	-	-	-	-	-	(600)
Exchange differences	435	252	(1,437)	102	(345)	(1,685)	(414)	(3,092)
Balance at the end of the period	<u>15,667,121</u>	<u>10,211,881</u>	<u>4,954,890</u>	<u>116,728</u>	<u>7,976,920</u>	<u>309,350</u>	<u>345,165</u>	<u>39,582,055</u>
<u>Accumulated depreciation and impairment</u>								
Balance at the beginning of the period	-	4,724,122	3,414,551	78,301	5,969,057	157,840	-	14,343,871
Depreciation	-	53,228	162,131	2,256	123,020	6,624	-	347,259
Disposals	-	-	(331,790)	-	(24,387)	-	-	(356,177)
Exchange differences	-	110	(933)	74	(331)	(845)	-	(1,925)
Balance at the end of the period	<u>-</u>	<u>4,777,460</u>	<u>3,243,959</u>	<u>80,631</u>	<u>6,067,359</u>	<u>163,619</u>	<u>-</u>	<u>14,333,028</u>
<u>Net</u>								
Balance at the end of the period	<u>\$ 15,667,121</u>	<u>\$ 5,434,421</u>	<u>\$ 1,710,931</u>	<u>\$ 36,097</u>	<u>\$ 1,909,561</u>	<u>\$ 145,731</u>	<u>\$ 345,165</u>	<u>\$ 25,249,027</u>

Note: The urban renewal demolition and resettlement compensation fees.

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

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

As of March 31, 2022, December 31, 2021 and March 31, 2021, no property and equipment was pledged.

As of December 31, 2021, the Bank expected to dispose of two vacant premises and classified them as assets held for sale with a carrying amount of \$271,823 thousand. The two premises were originally used for the Bank's office and business warehouse. In January 2022, the Bank has disposed of one of the premises at the price of \$23,700 thousand. The Bank is currently actively negotiating the disposal of the other property with potential buyers and expects to dispose of the property within three months. No impairment loss was recognized on the classification of the premises as assets held for sale for the year ended December 31, 2021 and for the three months ended March 31, 2022.

19. LEASE AGREEMENTS

a. Right-of-use assets

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amount of right-of-use assets			
Land and buildings	\$ 4,266,416	\$ 3,610,474	\$ 4,012,637
Equipment	1,798	1,971	1,590
Transportation equipment	<u>46,244</u>	<u>47,921</u>	<u>30,445</u>
	<u>\$ 4,314,458</u>	<u>\$ 3,660,366</u>	<u>\$ 4,044,672</u>

	For the Three Months Ended March 31	
	2022	2021
Additions of right-of-use assets	<u>\$ 1,039,229</u>	<u>\$ 179,149</u>
Depreciation expense of right-of-use assets		
Land and buildings	\$ 392,073	\$ 379,454
Equipment	211	411
Transportation equipment	<u>7,085</u>	<u>8,856</u>
	<u>\$ 399,369</u>	<u>\$ 388,721</u>

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, 2022 and 2021.

b. Lease liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amount of lease liabilities	<u>\$ 4,372,043</u>	<u>\$ 3,679,114</u>	<u>\$ 4,116,186</u>

The discount rate intervals of lease liabilities are as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Land and buildings	0.04%-4.68%	0.04%-4.68%	0.04%-4.68%
Equipment	0.36%-4.15%	0.36%-4.15%	0.75%-4.15%
Transportation equipment	0.22%-4.12%	0.22%-4.13%	0.67%-4.13%

c. Other lease information

	For the Three Months Ended March 31	
	2022	2021
Short-term rental expenses	<u>\$ 127,718</u>	<u>\$ 126,725</u>
Low value assets rental expenses	<u>\$ 49,715</u>	<u>\$ 56,018</u>
Variable lease payment expenses not included in measurable lease liabilities	<u>\$ 3</u>	<u>\$ 69</u>
Gross cash outflow for leases	<u>\$ 554,914</u>	<u>\$ 549,881</u>

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

20. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
Balance at January 1, 2022	\$ 542,841	\$ 114,599	\$ 657,440
Disposal	<u>(28,829)</u>	<u>(5,671)</u>	<u>(34,500)</u>
Balance at March 31, 2022	<u>\$ 514,012</u>	<u>\$ 108,928</u>	<u>\$ 622,940</u>
Balance at January 1, 2021	<u>\$ 574,186</u>	<u>\$ 72,259</u>	<u>\$ 646,445</u>
Balance at March 31, 2021	<u>\$ 574,186</u>	<u>\$ 72,259</u>	<u>\$ 646,445</u>

- a. As of March 31, 2022, December 31, 2021 and March 31, 2021, no investment property was pledged.
- b. Some of the Bank's properties are held for earning rental income or for capital appreciation, while some are for self-use. When the part held for self-use is less than 5% of the individual real estate, the real estate is classified as investment properties.
- c. The fair values of the Bank's investment properties were based on the valuations carried out by qualified real estate appraisers in Taiwan in accordance with the "Regulations on Real Estate Appraisal". The valuation dates were December 31, 2021 and 2020, respectively. The appraisers had reviewed the original valuation reports issued on the aforementioned valuation dates and clarified that the valuation reports were in effect on March 31, 2022 and 2021, respectively.

Appraiser Office	December 31	
	2021	2020
REPro KnightFrank Real Estate Appraiser Firm	Xiang-Yi, Hsu; Hong-Xu, Wu; You-Xiang, Cai	Xiang-Yi, Hsu; You-Xiang, Cai

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

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

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

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

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

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

The main inputs used are as follows:

	December 31	
	2021	2020
Direct capitalization rates	1.20%-4.04%	1.93%-3.79%
Overall capital interest rate	0.67%-1.93%	0.67%-1.93%
 <u>Operating expenses directly related to investment properties</u>		
	For the Three Months Ended March 31	
	2022	2021
Generating rental income	\$ -	\$ -
Not generating rental income	<u>308</u>	<u>249</u>
	<u>\$ 308</u>	<u>\$ 249</u>

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

21. INTANGIBLE ASSETS, NET

For the three months ended March 31, 2022

	Computer Software	Goodwill	Total
<u>Cost</u>			
Balance at the beginning of the period	\$ 3,050,318	\$ 6,965,778	\$ 10,016,096
Additions	47,097	-	47,097
Disposals	(15,090)	-	(15,090)
Reclassification	52,893	-	52,893
Exchange differences	<u>9,780</u>	<u>9,851</u>	<u>19,631</u>
Balance at the end of the period	<u>3,144,998</u>	<u>6,975,629</u>	<u>10,120,627</u>
<u>Accumulated amortization and impairment</u>			
Balance at the beginning of the period	1,765,496	-	1,765,496
Amortization	131,574	-	131,574
Disposals	(15,090)	-	(15,090)
Exchange differences	<u>12,107</u>	<u>-</u>	<u>12,107</u>
Balance at the end of the period	<u>1,894,087</u>	<u>-</u>	<u>1,894,087</u>
<u>Net</u>			
Balance at the end of the period	<u>\$ 1,250,911</u>	<u>\$ 6,975,629</u>	<u>\$ 8,226,540</u>

For the three months ended March 31, 2021

	Computer Software	Goodwill	Total
<u>Cost</u>			
Balance at the beginning of the period	\$ 2,963,152	\$ 6,974,424	\$ 9,937,576
Additions	45,181	-	45,181
Disposals	(16,869)	-	(16,869)
Reclassification	66,184	-	66,184
Exchange differences	(2,204)	243	(1,961)
Balance at the end of the period	<u>3,055,444</u>	<u>6,974,667</u>	<u>10,030,111</u>
<u>Accumulated amortization and impairment</u>			
Balance at the beginning of the period	1,798,273	-	1,798,273
Amortization	116,477	-	116,477
Disposals	(16,869)	-	(16,869)
Exchange differences	(1,227)	-	(1,227)
Balance at the end of the period	<u>1,896,654</u>	<u>-</u>	<u>1,896,654</u>
<u>Net</u>			
Balance at the end of the period	<u>\$ 1,158,790</u>	<u>\$ 6,974,667</u>	<u>\$ 8,133,457</u>

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 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, 2022	December 31, 2021	March 31, 2021
Prepayments	\$ 1,546,875	\$ 958,645	\$ 1,414,822
Temporary payments and suspense accounts	536,553	270,575	4,015,242
Interbank clearing funds	8,542,821	10,450,180	6,502,703
Refundable deposits, net	17,065,854	15,443,116	18,536,461
Operating deposits, net	434,521	367,949	347,949
Others	<u>120,958</u>	<u>121,949</u>	<u>82,418</u>
	<u>\$ 28,247,582</u>	<u>\$ 27,612,414</u>	<u>\$ 30,899,595</u>

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	March 31, 2022	December 31, 2021	March 31, 2021
Call loans from banks	\$ 71,075,514	\$ 34,974,420	\$ 43,034,411
Due to Chunghwa Post Co., Ltd.	17,709,405	17,709,405	17,709,405
Banks overdrafts	2,155	2,741,680	968,057
Deposits from the Central Bank and banks	<u>23,997,336</u>	<u>19,179,669</u>	<u>18,593,859</u>
	<u>\$ 112,784,410</u>	<u>\$ 74,605,174</u>	<u>\$ 80,305,732</u>

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Asset-based securities	\$ 8,201,694	\$ 8,054,582	\$ 783,045
Corporate bonds	5,411,453	244,085	1,377,708
Government bonds	11,007,015	12,977,154	3,233,524
Financial debentures	<u>10,624,679</u>	<u>15,885,831</u>	<u>9,593,057</u>
	<u>\$ 35,244,841</u>	<u>\$ 37,161,652</u>	<u>\$ 14,987,334</u>

25. PAYABLES

	March 31, 2022	December 31, 2021	March 31, 2021
Accounts payable	\$ 2,240,558	\$ 6,598,067	\$ 2,675,843
Accrued expenses	5,327,944	8,384,211	5,256,828
Payable on bonds trade settle	3,821,712	693,070	2,934,869
Interest payable	3,652,038	3,354,011	3,862,179
Dividends payable	-	-	470,762
Receipts under custody	602,897	651,141	673,603
Banker's acceptances	1,449,797	1,396,596	1,122,597
Others	<u>6,239,929</u>	<u>5,978,747</u>	<u>6,727,326</u>
	<u>\$ 23,334,875</u>	<u>\$ 27,055,843</u>	<u>\$ 23,724,007</u>

26. DEPOSITS AND REMITTANCES

	March 31, 2022	December 31, 2021	March 31, 2021
Checking deposits	\$ 15,057,181	\$ 18,050,527	\$ 13,738,806
Demand deposits	861,743,646	854,216,452	736,305,844
Demand savings deposits	1,295,374,577	1,267,338,737	1,148,057,406
Time deposits	445,800,852	433,988,804	432,448,571
Time savings deposits	358,487,227	354,855,029	356,689,684
Negotiable certificates of deposits	8,327,689	4,665,005	6,708,820
Outward remittances and remittances payable	<u>2,268,096</u>	<u>2,579,413</u>	<u>2,457,805</u>
	<u>\$ 2,987,059,268</u>	<u>\$ 2,935,693,967</u>	<u>\$ 2,696,406,936</u>

27. FINANCIAL DEBENTURES PAYABLE

	March 31, 2022	December 31, 2021	March 31, 2021
2nd issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	\$ -	\$ -	\$ 2,500,000
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 1.70%; maturity: April 2023	9,900,000	9,900,000	9,900,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.70%; maturity: May 2021	-	-	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 1.50%; maturity: April 2024	2,400,000	2,400,000	2,400,000
6-month USD linked structured note; fixed rate at 1.00%; maturity: August 2022 (US\$19,600 thousand)	<u>560,991</u>	<u>-</u>	<u>-</u>
	<u>\$ 47,360,991</u>	<u>\$ 46,800,000</u>	<u>\$ 52,300,000</u>

28. OTHER FINANCIAL LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
Principal of structured products	<u>\$ 34,265,474</u>	<u>\$ 31,502,729</u>	<u>\$ 37,172,339</u>

29. PROVISIONS

	March 31, 2022	December 31, 2021	March 31, 2021
Reserve for employee benefits			
Defined benefit plan	\$ 2,399,612	\$ 2,598,776	\$ 2,700,865
Retired employees' preferential interest rate deposits	654,674	673,225	584,149
Reserve for losses on guarantees	199,085	209,703	186,862
Reserve for finance commitments	197,063	220,069	177,874
Other operating reserve	109,797	103,745	82,844
Other reserve - letter of credit	<u>6,820</u>	<u>4,648</u>	<u>5,650</u>
	<u>\$ 3,567,051</u>	<u>\$ 3,810,166</u>	<u>\$ 3,738,244</u>

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, 2022 and 2021, the Company recognized expenses of \$112,901 thousand and \$108,103 thousand in the consolidated statements of comprehensive income in accordance with the defined contribution plan, respectively.

b. Defined benefit plan

The defined benefit plan adopted by domestic branches of the Bank under the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contributes a fixed proportion of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The Bank uses the actuarially determined pension cost rate as of December 31, 2021 and 2020 respectively. For the three months ended March 31, 2022 and 2021, pension expenses under the defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$50,356 thousand and \$50,163 thousand, respectively.

c. Employee preferential interest rate deposit plan

For the three months ended March 31, 2022 and 2021, employee preferential interest rate deposit plan expenses amounted to \$69,983 thousand and \$83,370 thousand, respectively.

31. OTHER LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
Advance receipts	\$ 235,620	\$ 258,023	\$ 280,500
Temporary receipts and suspense accounts	1,921,512	2,197,331	2,115,850
Guarantee deposits received	4,382,322	4,468,668	5,187,091
Contract liabilities	1,640,310	1,457,888	1,657,570
Others	<u>735</u>	<u>277</u>	<u>445</u>
	<u>\$ 8,180,499</u>	<u>\$ 8,382,187</u>	<u>\$ 9,241,456</u>

32. EQUITY

a. Capital stock

Common stock

	March 31, 2022	December 31, 2021	March 31, 2021
Number of authorized shares (in thousands)	<u>10,698,583</u>	<u>10,698,583</u>	<u>10,698,583</u>
Amount of authorized shares	<u>\$ 106,985,830</u>	<u>\$ 106,985,830</u>	<u>\$ 106,985,830</u>
Number of shares issued and fully paid (in thousands)	<u>10,698,583</u>	<u>10,698,583</u>	<u>10,698,583</u>
Amount of shares issued	<u>\$ 106,985,830</u>	<u>\$ 106,985,830</u>	<u>\$ 106,985,830</u>

On May 4, 2022, the Bank's board of directors resolved on behalf of the shareholder to transfer the retained earnings of \$1,612,826 thousand in the form of shareholder's dividends to increase capital and issued 161,283 thousand new shares for total authorized capital of \$108,598,656 thousand. The capital increase is subject to authority's approval before the relevant procedures can be completed.

b. Capital surplus

	March 31, 2022	December 31, 2021	March 31, 2021
Capital surplus from the merger	\$ 10,949,303	\$ 10,949,303	\$ 10,949,303
Additional paid-in capital	27,648,873	27,648,873	27,648,873
Others	<u>89,100</u>	<u>89,100</u>	<u>89,100</u>
	<u>\$ 38,687,276</u>	<u>\$ 38,687,276</u>	<u>\$ 38,687,276</u>

c. Legal reserve

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

d. Special reserve

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

According to Rule No. 1090150022 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 the special reserve during the appropriation of earnings from 2016 through 2018. Since 2017, the Company is allowed to reverse special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology.

The changes in the special reserve of the Bank for the three months ended March 31, 2022 and 2021 were as follows:

	Investment Properties	Others	Total
Balance at January 1, 2022	\$ 1,525,074	\$ 558,682	\$ 2,083,756
Decrease	<u>-</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2022	<u>\$ 1,525,074</u>	<u>\$ 558,682</u>	<u>\$ 2,083,756</u>
Balance at January 1, 2021	\$ 1,525,971	\$ 558,682	\$ 2,084,653
Decrease	<u>-</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2021	<u>\$ 1,525,971</u>	<u>\$ 558,682</u>	<u>\$ 2,084,653</u>

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 2021 and 2020 which were approved by the Bank's board of directors on behalf of the shareholder in accordance with the Company Act on May 4, 2022 and April 28, 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 7,566,262	\$ 6,656,404		
Cash dividends	16,047,874	15,532,000	\$ 1.50	\$ 1.45
Stock dividends	1,612,826	-	0.15	-

f. Other equity items

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

	For the Three Months Ended March 31	
	2022	2021
Balance at the beginning of the period	\$ (2,766,438)	\$ (2,034,967)
Exchange differences generated from translating the net assets of foreign operations	1,185,216	(137,208)
Tax effects	(237,043)	27,441
Other comprehensive income	948,173	(109,767)
Balance at the end of the period	\$ (1,818,265)	\$ (2,144,734)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Three Months Ended March 31	
	2022	2021
Balance at the beginning of the period	\$ 7,527,083	\$ 12,999,487
Recognized for the period		
Unrealized gains (losses)		
Debt instruments	(7,605,452)	(3,355,521)
Equity instruments	120,136	4,288,414
Net remeasurement of loss allowance	5,364	9,410
Share from subsidiaries and associates accounted for using equity method	(19,606)	(6,626)
Reclassification adjustments		
Disposal of investment in debt instruments	(812,246)	(1,248,362)
Tax effect	377,550	(152,597)
Other comprehensive income	(7,934,254)	(465,282)
Accumulated unrealized gains (losses) on equity instruments transferred to retained earnings due to disposal	54,709	(689,005)
Balance at the end of the period	\$ (352,462)	\$ 11,845,200

3) Remeasurement of the defined benefit plans

	For the Three Months Ended March 31	
	2022	2021
Balance at the beginning of the period	\$ (1,980,688)	\$ (1,910,070)
Remeasurement	(826)	(655)
Share from associates accounted for using equity method	1,182	861
Tax effect	<u>165</u>	<u>131</u>
Other comprehensive income	<u>521</u>	<u>337</u>
Balance at the end of the period	<u>\$ (1,980,167)</u>	<u>\$ (1,909,733)</u>

4) Property revaluation surplus

	For the Three Months Ended March 31	
	2022	2021
Balance at the beginning of the period	\$ 285,008	\$ 314,743
Other comprehensive income	<u>-</u>	<u>-</u>
Balance at the end of the period	<u>\$ 285,008</u>	<u>\$ 314,743</u>

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

	For the Three Months Ended March 31	
	2022	2021
Balance at the beginning of the period	\$ (889,397)	\$ (1,478,705)
Change in fair value attributed to changes in credit risk	333,517	456,692
Tax effect	<u>(66,704)</u>	<u>(91,338)</u>
Other comprehensive income	<u>266,813</u>	<u>365,354</u>
Balance at the end of the period	<u>\$ (622,584)</u>	<u>\$ (1,113,351)</u>

g. Non-controlling interests

	For the Three Months Ended March 31	
	2022	2021
Balance at the beginning of the period	\$ 4,376,091	\$ 4,358,749
Net income attributable to non-controlling interests	139,636	37,891
Exchange differences on translating the financial statements of foreign operations	125,415	3,886
Change in non-controlling interests	-	(471,108)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	<u>(171,503)</u>	<u>64,505</u>
Balance at the end of the period	<u>\$ 4,469,639</u>	<u>\$ 3,993,923</u>

33. NET INTEREST REVENUE

	For the Three Months Ended March 31	
	2022	2021
Interest income		
Discounts and loans	\$ 9,505,346	\$ 8,728,256
Investment securities	2,192,829	2,039,554
Revolving credit	594,881	602,620
Due from banks and call loans to banks	413,274	524,117
Others	<u>53,134</u>	<u>23,071</u>
	<u>12,759,464</u>	<u>11,917,618</u>
Interest expense		
Deposits	2,093,055	2,222,238
Financial debentures	203,722	232,318
Structured products	108,909	120,410
Due to the Central Bank and other banks	116,929	103,572
Notes and bonds issued under repurchase agreements	63,514	12,783
Interest on lease liabilities	10,244	11,165
Others	<u>3,346</u>	<u>2,875</u>
	<u>2,599,719</u>	<u>2,705,361</u>
	<u>\$ 10,159,745</u>	<u>\$ 9,212,257</u>

34. NET SERVICE FEE REVENUE

	For the Three Months Ended March 31	
	2022	2021
Service fee income		
Credit card business	\$ 2,103,309	\$ 1,446,587
Trust business	1,157,044	1,474,600
Loan business	293,896	154,124
Cross-selling marketing	2,541,035	2,011,356
Others	<u>777,328</u>	<u>732,303</u>
	<u>6,872,612</u>	<u>5,818,970</u>
Service fee expenses		
Credit card business	1,217,548	845,242
Others	<u>371,568</u>	<u>356,471</u>
	<u>1,589,116</u>	<u>1,201,713</u>
	<u>\$ 5,283,496</u>	<u>\$ 4,617,257</u>

The Bank also engaged in the business of online payment services. For the three months ended March 31, 2022 and 2021, service fee revenue was \$185 thousand and \$109 thousand, respectively, and the revenue and other income resulting from the funds collected were both zero.

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

	For the Three Months Ended March 31	
	2022	2021
Stock	\$ (128,692)	\$ 206,769
Short-term bills	115,629	188,804
Fund beneficiary certificates	(34,221)	(956)
Investments in debt instruments	1,037,901	1,331,465
Derivative financial instruments	<u>(677,153)</u>	<u>(946,890)</u>
	<u>\$ 313,464</u>	<u>\$ 779,192</u>
Realized gain (loss)		
Gain on disposal	\$ 889,960	\$ 845,851
Interest income	524,953	396,440
Dividend income	11,546	2,308
Interest expense	(329,906)	(329,621)
Unrealized loss		
Valuation loss	<u>(783,089)</u>	<u>(135,786)</u>
	<u>\$ 313,464</u>	<u>\$ 779,192</u>

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

	For the Three Months Ended March 31	
	2022	2021
Net gain on disposal - debt instruments	\$ 812,246	\$ 1,248,362
Dividend income	<u>11,252</u>	<u>20,591</u>
	<u>\$ 823,498</u>	<u>\$ 1,268,953</u>

37. IMPAIRMENT REVERSAL (LOSS) ON ASSETS

	For the Three Months Ended March 31	
	2022	2021
Debt instruments at FVTOCI	\$ (18,952)	\$ 37,318
Debt instruments at amortised cost	<u>(5,922)</u>	<u>10,110</u>
	<u>\$ (24,874)</u>	<u>\$ 47,428</u>

38. BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION

	For the Three Months Ended March 31	
	2022	2021
Discounts and loans	\$ 335,906	\$ 1,316,075
Receivables	(40,664)	3,296
Guarantee liability provisions	(13,617)	(13,060)
Financial commitment provisions	(21,510)	(102,051)
Others	<u>36,213</u>	<u>40,439</u>
	<u>\$ 296,328</u>	<u>\$ 1,244,699</u>

39. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended March 31	
	2022	2021
Salaries	\$ 4,111,516	\$ 3,671,268
Insurance	311,651	315,329
Post-employment benefits	172,007	180,697
Remuneration of directors	1,005	1,054
Others	<u>88,181</u>	<u>91,424</u>
	<u>\$ 4,684,360</u>	<u>\$ 4,259,772</u>

For the three months ended March 31, 2022 and 2021, the average number of the Company's employees was 12,246 and 12,230, both including 20 non-executive directors.

As of March 31, 2022 and 2021, the number of employees of the Company was 12,230 and 12,163, respectively.

Under the Articles of Incorporation of the Bank, the Bank accrued compensation of employees and remuneration of directors at the rates of 0.05% and no higher than 0.1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors (after offsetting accumulated deficits). For the three months ended March 31, 2022 and 2021, compensation of employees and the remuneration of directors were as follows:

	For the Three Months Ended March 31	
	2022	2021
Compensation of employees	<u>\$ 4,000</u>	<u>\$ 3,650</u>
Remuneration of directors	<u>\$ 1,005</u>	<u>\$ 1,054</u>

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

Compensation of employees and the remuneration of directors for the years ended December 31, 2021 and 2020 which have been approved by the Bank's board of directors on March 11, 2022 and March 10, 2021, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
Compensation of employees	<u>\$ 13,368</u>	<u>\$ 12,520</u>
Remuneration of directors	<u>\$ 6,000</u>	<u>\$ 6,000</u>

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020, respectively.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Three Months Ended March 31	
	2022	2021
Depreciation expense		
Property and equipment	\$ 360,048	\$ 347,259
Right-of-use assets	399,369	388,721
Amortization expense		
Intangible assets	<u>131,574</u>	<u>116,477</u>
	<u>\$ 890,991</u>	<u>\$ 852,457</u>

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended March 31	
	2022	2021
Rental expenses	\$ 177,436	\$ 182,812
Tax expenses	653,640	583,900
Product promotion expenses	592,776	614,397
Insurance expenses	226,705	210,204
Others	<u>1,005,451</u>	<u>1,052,929</u>
	<u>\$ 2,656,008</u>	<u>\$ 2,644,242</u>

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	
	2022	2021
Current tax		
In respect of the period	\$ 1,541,112	\$ 1,295,498
Deferred tax		
In respect of the period	(226,112)	(435,498)
Income tax of overseas subsidiaries	<u>117,402</u>	<u>39,995</u>
Income tax expense recognized in profit or loss	<u>\$ 1,432,402</u>	<u>\$ 899,995</u>

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

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2022	2021
<u>Deferred tax</u>		
Recognized in OCI		
Remeasurement of defined benefit plans	\$ (165)	\$ (131)
Changes in fair value of financial liabilities attributable to change in credit risk	66,704	91,338
Exchange differences on translating the financial statements of foreign operations	237,043	(27,441)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>(377,550)</u>	<u>152,597</u>
Total income tax expense (benefit) recognized in other comprehensive income	<u>\$ (73,968)</u>	<u>\$ 216,363</u>

c. Income tax assessments

The Bank's income tax returns through 2016 had been assessed; however, the Bank dissatisfied and has invoked the administrative remedy for fiscal years 2014 and 2015. The Bank has assessed relevant income tax based on prudence principle.

43. EARNINGS PER SHARE

The numerator and denominator used in calculating earnings per share are as follows:

	Unit: Dollar Per Share	
	For the Three Months Ended March 31	
	2022	2021
Basic earnings per share	<u>\$ 0.63</u>	<u>\$ 0.59</u>

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	
	2022	2021
Net income for calculating basic earnings per share	<u>\$ 6,732,568</u>	<u>\$ 6,365,631</u>

Number of shares

	Unit: In Thousands	
	For the Three Months Ended March 31	
	2022	2021
Weighted average number of ordinary shares used for calculating basic earnings per share	<u>10,698,583</u>	<u>10,698,583</u>

44. RELATED-PARTY TRANSACTIONS

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

a. Related parties and relationships

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

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
Cathay Life Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Insurance (Vietnam) Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Cultural Foundation	Other related party
Cathay United Bank Employees' Welfare Committee	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Vietinbank	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Lin Yuan Property Management Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Sino Greenergy Group	Other related party
TaiYang Solar Power Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Jinhua Realty Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
Dejin Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Other related party
CM Energy Co., Ltd.	Other related party
Cathay Real-estate Management Co., Ltd.	Other related party
Cathay Industrial Research and Design Center Co., Ltd.	Other related party
CMG International One Co., Ltd.	Other related party
CMG International Two Co., Ltd.	Other related party
Lin Yuan Investment Co., Ltd.	Other related party
Bioengine Capital Inc.	Other related party
Tai Lung Capital Inc.	Other related party
Sanchong Realty Co., Ltd.	Other related party
Cathay Securities investment trust and other funds	Other related party
Directors, managers, and their relatives and affiliates	Other related party

(Concluded)

b. Significant transactions between the Company and related parties

1) Loans and deposits

Loans

March 31, 2022

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	21	\$ 169,722	\$ 13,826	V	\$ -	None	None	\$ (164)	\$ 200
Self-used housing mortgage loans	251	2,453,178	2,272,739	V	-	Real estate, stocks and certificates of deposits	None	432	28,614
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	-	330
Others	Sino Greenergy Group	75,465	73,579	V	-	Property	None	(19)	736
Others	Tai Yang Solar Power Co., Ltd.	59,939	58,613	V	-	Property	None	(13)	586

December 31, 2021

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	29	\$ 166,949	\$ 14,126	V	\$ -	None	None	\$ 37	\$ 356
Self-used housing mortgage loans	267	2,517,693	2,253,770	V	-	Real estate, stocks and certificates of deposits	None	941	28,127
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	-	330
Others	Sino Greenergy Group	83,012	75,465	V	-	Property	None	(13)	755
Others	Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	-	V	-	Real estate	None	-	-
Others	TaiYang Solar Power Co., Ltd.	65,244	59,939	V	-	Property	None	(9)	599

March 31, 2021

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	21	\$ 165,937	\$ 10,285	V	\$ -	None	None	\$ 1	\$ 189
Self-used housing mortgage loans	251	2,256,417	2,166,293	V	-	Real estate and certificates of deposits	None	2,839	29,112
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	-	330
Others	Sino Greenergy Group	83,012	81,125	V	-	Property	None	(19)	811
Others	Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	10,000	V	-	Real estate	None	100	100
Others	TaiYang Solar Power Co., Ltd.	65,244	63,918	V	-	Property	None	(344)	640

Interest Revenue For the Three Months Ended March 31

2022	2021
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Associate			
Taiwan Real-estate Management Corp.	\$	130	\$ 130
Other related parties			
Sino Greenergy Group		382	421
Yua-Yung Marketing (Taiwan) Co., Ltd.		-	29
TaiYang Solar Power Co., Ltd.		291	328
Others		7,765	7,305
		8,438	8,083
	\$	8,568	\$ 8,213

Deposits and interest expense

Related Parties	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Parent company						
Cathay Financial Holding Co., Ltd.	\$ 33,276	\$ 2	\$ 47,839	\$ 78	\$ 15,099	\$ 3
Associate						
Other	13,018	2	13,196	9	12,486	2
Other related parties						
Cathay Life Insurance Co., Ltd.	38,568,504	3,567	42,128,322	6,003	28,420,531	1,396
Cathay Century Insurance Co., Ltd.	3,021,477	149	2,432,503	415	1,839,633	166
Cathay Securities Co., Ltd.	3,929,416	500	14,241,811	1,846	2,609,322	463
Cathay Futures Co., Ltd.	552,113	34	360,353	643	822,005	522
Cathay Venture Inc.	39,563	1	55,273	20	160,114	7
Cathay Securities Investment Trust Co., Ltd.	468,803	19	159,611	69	155,415	17
Cathay Securities Investment Consulting Co., Ltd.	639,210	66	563,928	173	562,405	39
Cathay Real Estate Development Co., Ltd.	111,159	5	290,378	28	258,515	4
Cathay Medical Care Corp.	301,107	24	218,988	48	148,512	10

(Continued)

Related Parties	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Cathay Hospitality Management Co., Ltd.	\$ 113,795	\$ 4	\$ 163,365	\$ 10	\$ 33,237	\$ 2
Cathay Life Insurance (Vietnam) Co., Ltd.	1,887,542	27,799	1,830,226	131,557	6,027,516	14,554
Cathay Insurance (Vietnam) Co., Ltd.	249,671	3,135	243,871	14,584	235,270	3,952
Symphox Information Co., Ltd.	146,273	25	156,393	132	182,437	41
Cathay United Bank Foundation	538,664	1,102	541,531	4,189	530,447	1,038
Cathay Charity Foundation	292,938	525	281,451	1,918	275,092	473
Cathay Cultural Foundation	208,651	435	210,741	1,598	227,698	395
Cathay United Bank Employees' Welfare Committee	762,703	7,095	760,605	30,847	763,165	7,494
Cathay Life Insurance Employees' Welfare Committee	2,394,710	4,632	2,381,744	16,982	2,298,127	4,183
Cathay Real Estate Development Employees' Welfare Committee	437,539	977	438,380	3,506	415,470	847
Lin Yuan Property Management Co., Ltd.	200,513	308	267,301	1,178	184,648	322
Jinhua Realty Co., Ltd.	64,346	1	34,274	23	166,199	4
Pai Hsing Investment Co., Ltd	153,622	5	142,416	129	3,043	25
Bannan Realty Co., Ltd.	238,683	6	190,289	30	299,239	8
Yua-Yung Marketing (Taiwan) Co., Ltd.	116,971	21	121,802	211	127,412	69
Dejin Co., Ltd.	-	-	28,972	12	152,663	5
Ally Logistic Property Co., Ltd.	19,338	1	95,032	10	125,709	3
Lin Yuan (Shanghai) Real Estate Co., Ltd.	1,511,675	10,043	1,395,380	38,262	1,280,542	9,348
CM Energy Co., Ltd.	77,228	3	116,468	24	310,162	6
Cathay Real-estate Management Co., Ltd.	105,579	163	100,559	580	102,194	137
Cathay Industrial Research and Design Center Co., Ltd.	552,964	55	713,251	228	723,326	51
CMG International One Co., Ltd.	65,645	2	120,208	1	3,031	-
CMG International Two Co., Ltd.	75,240	2	167,291	2	8,484	1
Lin Yuan Investment Co., Ltd.	140,797	1	4,490	-	571	-
Bioengine Capital Inc.	137,292	4	26,454	22	-	-
Tai Lung Capital Inc.	104,410	127	91,854	452	78,539	112
Sanchong Realty Co., Ltd.	495,207	10	-	-	-	-
Cathay Securities investment trust and other funds	675,751	15	695,215	35	63,299	-
Others	9,011,303	13,730	8,229,278	46,565	7,905,396	12,661
	<u>68,410,402</u>	<u>74,591</u>	<u>80,000,008</u>	<u>302,332</u>	<u>57,499,368</u>	<u>58,355</u>
	<u>\$ 68,456,696</u>	<u>\$ 74,595</u>	<u>\$ 80,061,043</u>	<u>\$ 302,419</u>	<u>\$ 57,526,953</u>	<u>\$ 58,360</u>

(Concluded)

Accounts/Related Parties	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
<u>Due from commercial banks</u>						
Other related party Vietinbank	\$ 60,848	\$ 6	\$ 53,977	\$ 372	\$ 30,767	\$ 232
<u>Due to commercial banks</u>						
Other related party Vietinbank	18,279	-	17,825	(1)	19,526	-

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

2) Investments in financial debentures (recorded as financial assets at FVTOCI)

Related Parties	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party Vietinbank	\$ 375,781	\$ 5,889	\$ 365,738	\$ 24,885	\$ 370,854	\$ 6,759

3) Guarantees

March 31, 2022

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collateral
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	\$ <u>63,513</u>	\$ <u>63,513</u>	\$ <u>45</u>	0.65%-0.8%	Demand deposits

December 31, 2021

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collateral
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	\$ <u>63,513</u>	\$ <u>63,513</u>	\$ <u>43</u>	0.65%-0.8%	Demand deposits

March 31, 2021

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collateral
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	\$ <u>54,673</u>	\$ <u>54,673</u>	\$ <u>9</u>	0.65%-0.8%	Demand deposits

4) Derivatives

March 31, 2022

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)	2021.04.07-2022.09.28	\$ 71,125,670	\$ 1,792,569	Valuation adjustment for FVTPL financial assets	\$ 1,692,144
					Valuation adjustment for FVTPL financial liabilities	-
	SWAP - cross currency exchange between customers (USD)	2021.04.29-2023.05.04	2,862,200	(13,878)	Valuation adjustment for FVTPL financial assets	24,222
					Valuation adjustment for FVTPL financial liabilities	(38,100)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2021.04.20-2023.03.13	2,724,814	68,727	Valuation adjustment for FVTPL financial assets	67,450
					Valuation adjustment for FVTPL financial liabilities	-
	SWAP - exchange between customers (EUR)	2022.02.22-2023.02.24	55,801	926	Valuation adjustment for FVTPL financial assets	1,050
					Valuation adjustment for FVTPL financial liabilities	-

December 31, 2021

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)	2020.09.29-2022.09.28	\$ 79,885,650	\$ (231,691)	Valuation adjustment for FVTPL financial assets	\$ 2,154
					Valuation adjustment for FVTPL financial liabilities	(593,855)
	SWAP - cross currency exchange between customers (USD)	2021.04.29-2023.05.04	2,769,000	1,481	Valuation adjustment for FVTPL financial assets	8,500
					Valuation adjustment for FVTPL financial liabilities	(10,551)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.10.08-2022.07.28	2,636,088	(3,252)	Valuation adjustment for FVTPL financial assets	72
					Valuation adjustment for FVTPL financial liabilities	(19,146)
	SWAP - exchange between customers (EUR)	2021.02.22-2022.02.24	23,495	(2,170)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(2,002)

March 31, 2021

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)	2020.07.30-2022.03.24	\$ 77,604,320	\$ 896,517	Valuation adjustment for FVTPL financial assets	\$ 1,028,483
					Valuation adjustment for FVTPL financial liabilities	(387,277)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.04.20-2022.03.11	2,716,151	(15,760)	Valuation adjustment for FVTPL financial assets	11,320
					Valuation adjustment for FVTPL financial liabilities	(33,018)
	SWAP - exchange between customers (EUR)	2021.02.22-2022.02.24	25,102	(462)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(294)

5) Lease agreement - the Company as lessee

Acquisition of Right-of-use Assets
For the Three Months Ended
March 31

Related Parties	2022	2021
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 633,982	\$ 1,973
Cathay Real Estate Development Co., Ltd.	7,844	-

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, 2022	December 31,	March 31, 2021
		2021	
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 1,595,972	\$ 1,114,777	\$ 1,675,434
Cathay Real Estate Development Co., Ltd.	9,419	3,997	11,242

Related Parties	Interest Expense		
	For the Three Months Ended		
	March 31		
	2022	2021	
Other related parties			
Cathay Life Insurance Co., Ltd.		\$ 2,022	\$ 2,347
Cathay Real Estate Development Co., Ltd.		4	10

Related Parties	Refundable Deposits		
	March 31, 2022	December 31,	March 31, 2021
		2021	
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 187,398	\$ 187,202	\$ 186,551
Cathay Real Estate Development Co., Ltd.	4,482	4,446	4,446

6) Lease agreement - the Company as lessor

Related Parties	Rental Income		
	For the Three Months Ended March 31		
	2022	2021	Payment Term
Other related party			
Cathay Life Insurance Co., Ltd.	\$ 8,884	\$ 10,057	Monthly

Related Parties	Guarantee Deposits Received		
	March 31, 2022	December 31,	March 31, 2021
		2021	
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 10,087	\$ 10,087	\$ 12,019
Cathay Century Insurance Co., Ltd.	3,127	3,056	1,775

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

7) Others

Item/Related Parties	For the Three Months Ended March 31		
	2022	2021	
<u>Service fee income</u>			
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 2,195,075	\$ 1,843,341	
Cathay Century Insurance Co., Ltd.	57,907	31,533	
Cathay Securities Co., Ltd.	72,667	67,048	
Cathay Securities Investment Trust Co., Ltd.	15,240	10,220	
Cathay Securities Investment Consulting Co., Ltd.	9,619	6,980	
Cathay Real Estate Development Co., Ltd.	3,846	4,290	
<u>Service fee expenses</u>			
Other related party			
Cathay Securities Co., Ltd.	1,439	3,147	
<u>Other operating expenses</u>			
Other related parties			
Cathay Life Insurance Co., Ltd.	44,799	49,553	
Symphox Information Co., Ltd.	101,938	140,692	
Lin Yuan Property Management Co., Ltd.	12,822	9,084	
Seaward Card Co., Ltd.	50,666	52,258	
<u>Insurance expense paid</u>			
Other related parties			
Cathay Life Insurance Co., Ltd.	12,736	10,682	
Cathay Century Insurance Co., Ltd.	39,403	47,835	
		December 31,	
Item/Related Parties	March 31, 2022	2021	March 31, 2021
<u>Receivables</u>			
Other related party			
Cathay Securities Investment Trust Co., Ltd.	\$ 4,862	\$ 3,856	\$ 3,446
<u>Related party receivables for commission of collecting insurances</u>			
Other related party			
Cathay Life Insurance Co., Ltd.	671,918	185,415	421,537

Item/Related Parties	March 31, 2022	December 31, 2021	March 31, 2021
<u>Refundable deposit</u>			
Other related party			
Cathay Futures Co., Ltd.	\$ 1,042,569	\$ 559,180	\$ 530,776
<u>Accrued expenses</u>			
Other related party			
Seaward Card Co., Ltd.	22,410	30,880	19,167
<u>Accounts payable</u>			
Other related parties			
Cathay Century Insurance Co., Ltd.	23,402	43,890	29,994
Symphox Information Co., Ltd.	27,004	19,566	66,695
Parent company			
Cathay Financial Holding Co., Ltd.	6,000	6,000	6,000
<u>Related party payables for allocation of integrated income tax systems account</u>			
Parent company			
Cathay Financial Holding Co., Ltd.	1,826,933	507,935	1,816,086

The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of \$2,209 thousand and \$2,237 thousand during the three months ended March 31, 2022 and 2021, 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, 2022, December 31, 2021 and March 31, 2021, the unconverted bonus points amounted to \$43,240 thousand, \$41,965 thousand and \$19,536 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, 2022 and 2021 was as follows:

	For the Three Months Ended March 31	
	2022	2021
Short-term employment benefits	\$ 112,299	\$ 96,106
Post-employment benefits	1,738	1,588
Other long-term employment benefits	<u>20</u>	<u>-</u>
	<u>\$ 114,057</u>	<u>\$ 97,694</u>

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

45. PLEDGED ASSETS

The Company's due from the Central Bank had been used as collaterals to apply for financing projects of loans to small and medium enterprises affected by Covid-19 pandemic. The Company's assets also been used as collaterals to apply for loans, central bank overdraft and apply for provisional seizure of certain assets were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Due from the Central Bank (deposit reserves - general accounts)	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Financial assets at FVTOCI	-	-	12,006,486
Investments in debt instruments at amortised cost	57,670,810	57,689,894	45,527,443

46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. The Bank

1) Entrusted items and guarantees:

	March 31, 2022	December 31, 2021	March 31, 2021
Trust and security held for safekeeping	\$ 916,168,721	\$ 912,272,287	\$ 831,130,974
Collection and payment on behalf of customers	30,863,335	30,506,950	32,295,650
Book-entry for government bonds and depository for short-term marketable securities under management	372,001,054	388,239,044	414,495,150
Entrusted financial management business	25,801,493	11,589,694	12,072,920
Guarantees on duties and contracts	18,547,175	18,242,569	17,043,919
Unused commercial letters of credit	9,910,356	6,566,178	6,820,941
Irrevocable loan commitments	164,528,523	171,600,838	192,138,549
Unused credit card line commitments	696,368,651	686,086,086	671,397,863
Underwritten securities	-	-	3,220,000

- 2) As of March 31, 2022, 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. Although the Supreme Court reversed the original second-instance judgements, the Bank again won a favorable decision in the second instance on August 25, 2021. Lee & Li is appealing to the Supreme Court currently. 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, 2022	December 31, 2021	March 31, 2021
Financial guarantee contracts	\$ 1,267,547	\$ 1,292,761	\$ 1,249,362
Unused commercial letters of credit	973,438	994,336	563,318

c. CUBC Bank

Entrusted item and guarantees

	March 31, 2022	December 31, 2021	March 31, 2021
Financial guarantee contracts	\$ 21,219	\$ 20,528	\$ 18,276
Credit card line commitments	290,719	269,953	281,162
Irrevocable loan commitments	283,088	338,751	218,552

d. CUBCN Bank

Entrusted item and guarantees

	March 31, 2022	December 31, 2021	March 31, 2021
Financial guarantee contracts	\$ 224,760	\$ 255,149	\$ 281,461
Unused commercial letters of credit	556,541	621,893	168,556
Irrevocable loan commitments	964,233	1,016,657	1,477,602

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

As of March 31, 2022, December 31, 2021 and March 31, 2021, the trust assets (liabilities) were in the amount of \$619,007,430 thousand, \$569,339,345 thousand and \$546,050,615 thousand, respectively.

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

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

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

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

49. FINANCIAL INSTRUMENTS

a. Information on fair value hierarchy

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

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

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

1) Level 1

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

- a) All financial instruments in the market are homogeneous.
- b) There are willing buyers and sellers in the market all the time.
- c) The public can access the price information easily.

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

2) Level 2

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

- a) Quoted prices of similar products in an active market. This means the fair value can be derived from the current trading prices of similar products, and whether they are similar products should be judged on the characteristics and trading rules. The fair price valuation in this circumstance may be adjusted due to time differences, trading rule differences, transaction prices involving related parties, and the correlation of price between the product itself and similar goods;
- b) Quoted prices for identical or similar financial instruments in inactive markets;
- c) For the marking-to-model method, the inputs to the model should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be obtained from the market and can reflect the expectation of market participants;
- d) Inputs that are derived from observable market data through correlation or other means.

The fair values of products categorized in this level are usually calculated using a valuation model generally accepted by the market; such products are forward contracts, cross-currency swap contracts, simple interest bearing bonds, 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 part of emerging stocks, unlisted shares, complex derivative financial instruments or products with prices that are provided by brokers, such as complex foreign exchange options.

c. Measured at fair value on a recurring basis

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

Item	March 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	\$ 304,997	\$ 283,372	\$ -	\$ 21,625
Bonds	71,668,930	21,165,069	50,503,861	-
Others	173,337,917	57,026	173,280,891	-
Financial assets at fair value through other comprehensive income				
Stocks	25,146,312	16,131,251	-	9,015,061
Bonds	219,588,320	113,325,048	106,263,272	-
Others	74,381,551	-	74,381,551	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	39,832,757	-	39,832,757	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	53,636,428	247,875	49,028,925	4,359,628
Liabilities				
Financial liabilities at fair value through profit or loss	48,399,075	36,367	44,003,080	4,359,628

Item	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	\$ 3,114,840	\$ 3,089,897	\$ -	\$ 24,943
Bonds	75,255,771	10,525,281	64,730,490	-
Others	168,471,511	85,133	168,386,378	-
Financial assets at fair value through other comprehensive income				
Stocks	30,083,725	20,927,938	-	9,155,787
Bonds	257,685,477	133,663,036	124,022,441	-
Others	25,599,336	-	25,599,336	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	40,587,123	-	40,587,123	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	38,512,412	85,533	34,061,259	4,365,620
Liabilities				
Financial liabilities at fair value through profit or loss	35,297,809	65,062	30,867,127	4,365,620

Item	March 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	\$ 4,171,005	\$ 4,154,948	\$ -	\$ 16,057
Bonds	52,773,735	4,166,184	48,607,551	-
Others	179,622,091	35,374	179,586,717	-
Financial assets at fair value through other comprehensive income				
Stocks	33,424,566	28,254,521	-	5,170,045
Bonds	222,084,465	109,676,485	112,407,980	-
Others	28,381,769	-	28,381,769	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	42,722,501	-	42,722,501	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	56,663,336	314,648	50,736,450	5,612,238
Liabilities				
Financial liabilities at fair value through profit or loss	52,252,929	9,910	46,630,781	5,612,238

2) Financial instruments measured at fair value

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

a) Marking to market

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

- i. Ensure the consistency and integrity of market data.
- ii. Market data should be obtained from publicly available, easily accessible and independent sources.
- iii. Listed securities with tradable prices should be valued at closing prices.
- iv. Evaluation of unlisted securities that lack tradable closing prices should use quoted prices from independent brokers and comply with the rules issued by the authorities.

b) Marking to model

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

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

3) Fair value adjustments

Credit risk valuation adjustments

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

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

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

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

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

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

Except for the active market adjustments of some bond prices, there were no significant transfers between Level 1 and Level 2 for the three months ended March 31, 2022 and 2021.

5) Reconciliation of Level 3 fair value measurements

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

For the three months ended March 31, 2022

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3		
Financial assets at fair value through profit or loss									
Stocks	\$ 24,943	\$ (3,318)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,625
Derivative financial instruments	4,365,620	102,520	-	8,261	-	116,773	-	-	4,359,628
Financial assets at fair value through other comprehensive income									
Stocks	9,155,787	-	(275,591)	-	-	-	-	134,865	9,015,061

For the three months ended March 31, 2021

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3		
Financial assets at fair value through profit or loss									
Stocks	\$ 20,303	\$ (4,246)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,057
Derivative financial instruments	5,361,832	193,314	-	123,216	-	66,124	-	-	5,612,238
Financial assets at fair value through other comprehensive income									
Stocks	4,062,859	-	1,107,185	-	-	-	-	1	5,170,045

Total gains or losses shown in the tables above that contain unrealized gains and losses related to assets held for the three months ended March 31, 2022 and 2021 amounted to gains of \$99,202 thousand and \$189,068 thousand, respectively.

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

For the three months ended March 31, 2022

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	\$ 4,365,620	\$ 102,520	\$ -	\$ 8,261	\$ -	\$ 116,773	\$ -	\$ 4,359,628

For the three months ended March 31, 2021

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	\$ 5,361,832	\$ 193,314	\$ -	\$ 123,216	\$ -	\$ 66,124	\$ -	\$ 5,612,238

Total gains or losses shown on the tables above that contain unrealized gains and losses related to liabilities committed for the three months ended March 31, 2022 and 2021 amounted to losses of \$102,520 thousand and \$193,314 thousand, respectively.

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

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

March 31, 2022

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	Stock	\$ 21,625	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	8,059,404	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
		58,658	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		896,999	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, 2021

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	Stock	\$ 24,943	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	8,110,174	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
		61,305	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		984,308	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, 2021

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	Stock	\$ 16,057	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	4,141,190	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
		47,503	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		981,352	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

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

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

d. Financial instruments that were not measured at fair value

1) Information on fair value

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

	March 31, 2022		December 31, 2021		March 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Investments in debt instruments at amortised cost	\$ 582,392,745	\$ 573,587,814	\$ 571,901,742	\$ 569,208,926	\$ 530,356,559	\$ 528,948,988

2) Information on fair value hierarchy

Item	March 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 573,587,814	\$ 18,525,697	\$ 554,147,103	\$ 915,014

Item	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 569,208,926	\$ 19,658,772	\$ 548,899,861	\$ 650,293

Item	March 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 528,948,988	\$ 19,235,975	\$ 508,950,343	\$ 762,670

3) Valuation techniques

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

- a) Cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, other financial assets, due to the Central Bank and other banks, call loans from the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances whose maturity date is very near or the future payment price approximates the carrying amount take the amount in the book on the balance sheet date as the fair value.
- b) Discounts and loans, deposits, financial debentures and structured commodity principals are all interest-bearing financial assets/liabilities whose carrying amount is taken as the current fair value. The carrying amount of nonperforming loan is the estimated recoverable amount after deduction of allowance for impairment loss, hence its carrying amount is used as its fair value.
- c) If an investment in a debt instrument at amortised cost has a public quoted price in an active market, the market price is used as its fair value; if no market price is available for reference, a valuation method is used to estimate the fair value. The estimates and assumptions used by the Bank in the valuation method are consistent with the information and assumptions used by market participants in the estimation of the fair value of financial products.

50. FINANCIAL RISK MANAGEMENT

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

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

- a. To amend the risk management policies, risk appetite or risk tolerance and report the above issues to the 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 a counterparty fails to perform its contractual obligations. Sources of credit risk cover both on and off-balance sheet accounts.

The Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management 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 are the executive unit of credit risk control. The credit quality of the Company is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to the Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

The Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit. Certain customers are required to provide appropriate collateral for the related loans, and the Bank, Indovina Bank and CUBCN Bank retain the legal right to foreclose or liquidate the collateral, which effectively reduces the credit risk of the Bank, Indovina Bank and CUBCN Bank. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

CUBC Bank

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

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

Judgment of significant increase in credit risk after initial recognition

The Bank

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

1) Quantitative indicators

a) Changes in credit rating

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

b) Information on the overdue status of a contract

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

2) Qualitative indicators

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

a) Bounced checks are reported.

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

c) Auditors' opinion - adverse opinion.

d) Auditors' opinion - disclaimer of opinion.

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

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

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

CUBCN Bank

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

1) Quantitative indicators

a) Changes in credit rating

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

b) Information on the overdue status of a contract

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

2) Qualitative indicators

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

a) Any financial instruments are classified as special mention.

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

Indovina Bank

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

1) Quantitative indicators

a) Changes in credit rating

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

b) Low credit risk criteria

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

c) Information on the overdue status of a contract

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

d) Internal credit assessment indicators

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

2) Qualitative indicators

- a) Bounced checks are reported.
- b) Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- c) Other changes in the internal or external information on judging the credit quality changes.

CUBC Bank

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

1) Information on the overdue status of a contract

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

2) Loan classification from National Bank of Cambodia

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

3) Internal credit assessment indicators

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

Default and credit impairment of financial asset

The Bank

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

1) Quantitative indicator

a) Changes in credit rating

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

b) Information on the overdue status of a contract

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

2) Qualitative indicator

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

- a) Bailout, reorganization, individual agreement due to debtor's financial difficulties;
- b) Lawsuit action has been taken;
- c) Debt settlement, debt negotiation;
- d) Other internal or external information on judging the deterioration in credit quality.

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

CUBCN Bank

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

1) Quantitative indicator

- a) Changes in credit rating

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

- b) Information on the overdue status of a contract

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

2) Qualitative indicator

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

- a) Any financial instruments are classified as substandard, doubtful or loss.
- b) The lowest credit risk is classified as substandard, doubtful or loss.
- c) Other internal rating is determined to have fallen into default level.

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

Indovina Bank

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

1) Quantitative indicator

a) Changes in credit rating

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

b) Information on the overdue status of a contract

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

2) Qualitative indicator

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

b) Lawsuit action has been taken;

c) Debt settlement, debt negotiation;

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

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

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

CUBC Bank

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

1) Information on the overdue status of a contract

When the contract payment is overdue for more than 30 days for short-term loans or more than 90 days for long-term loans at the reporting date, it is determined as credit impairment.

2) Loan classification from National Bank of Cambodia

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

3) Internal credit assessment indicators

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

Measurement of expected credit loss

The Bank

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

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

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

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

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

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

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

- 1) The EAD is measured at the amortised cost of a financial asset plus its interest receivable.
- 2) The PD is based on the information regularly published by Moody’s, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information (e.g., gross domestic product and economic growth rate, etc.).
- 3) The LGD is selected according to the type of debt instrument based on the information regularly published by Moody’s.

CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank classifies the credit assets into the following groups based on product characteristics.

Credit Category	Definition
Loan activities, call loans to banks business, and off-balance sheet credit business	Grouped by product category and internal/external credit rating
Billing business	Grouped by product category and internal/external credit rating
Bond business	Grouped by product category and internal/external credit rating
Due from banks and reverse repurchase	Grouped by product category and internal/external credit rating

- 1) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:
 - a) For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.
 - b) For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.
 - c) For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.
- 2) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:
 - a) 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.
 - b) The LGD is based on LGD regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.
 - c) The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts exposure using credit conversion factor regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

Indovina Bank

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

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

1) Loan portfolio

The measurement of expected credit loss of Indovina Bank's loan portfolio is based on its internal product category, counterparty type and enterprise size, and is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probabilities of default and loss given default were built by Indovina 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 amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

2) Bond portfolio

The measurement of expected credit loss of Indovina Bank's bond portfolio is based on its product category, issuer's credit rating and payment ranks. The probabilities of default and loss given default were built by the delinquent information and calibrated by selected macroeconomic factors for forward-looking adjustment. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

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

The measurement of expected credit loss of Indovina Bank's cash equivalents, due from banks and call loans to banks is based on its counterparty type. The probabilities of default were built by Vietnam's sovereign credit ratings, and loss given default were built by the method based on Basel II and the estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

CUBC Bank

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

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

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

If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

Write-off policy

The Company write-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered.

The indicators for reasonably expected to be unrecoverable include:

- 1) The recourse procedure has ceased.
- 2) The debtor’s assets or income are evaluated to be insufficient to repay outstanding payments.

Financial asset which has been written-off can do the recovery of debt and institute legal proceedings continuously under related policies.

Consideration of forward-looking information

The Bank

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

The significant economic factors identified by the Bank in 2022 are as follows:

Credit Category	Probability of Default (PD)
Enterprise loan	Proportion of revenue less expenditures from government to GDP % Proportion of expenditures from government to GDP %
Consumer loan	Inflation index % Unemployment rate % Price Index
Credit Card	Price Index Proportion of revenue from government to GDP (%)

CUBCN Bank

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

The relevant economic factors identified by CUBCN Bank in 2022 include but are not limited to gross domestic product (GDP) published by the China Statistics Bureau, China Customs and other government authorities, consumer price index (CPI), import price index, and government expenditure data, etc.

Indovina Bank

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

The macroeconomic factors selected by Indovina Bank for the forward-looking adjustments in 2022 are as follows:

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

CUBC Bank

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

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2022 are as follows:

Segment	Selected Factors
Loan	Change of inflation (%) Change of volume of imports (%) Change of GDP (%) Proportion of general government revenue of GDP (%)
Credit Card	Change of inflation (%) Change in reserves Proportion of general government net lending/borrowing of GDP (%)

The valuation techniques or significant assumptions used by the Company for assessing the expected credit losses have no significant change as of March 31, 2022.

Credit risk management policy

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

1) Category of credit asset

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

2) Grade of credit quality

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

In order to measure the credit risk of the clients, the Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients' relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and 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, or 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 collateral. To ensure the creditor's rights, the Bank sets the scope of collateral and the procedures for appraising, managing, and disposing of the collateral. In addition, a credit contract stipulates the bases for credit claims, preservation of collateral, and offset provisions when a credit loss event occurs; the Bank may reduce the limit, cut down the payback period, or deem all debts as due. Also, the Bank may use the deposits that the borrowers saved in the Bank to offset the liabilities to lower the credit risk.

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

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

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

c) Net settlement agreement

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

4) Maximum exposures to credit risk

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

a) The Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2022	December 31, 2021	March 31, 2021
Irrevocable loan commitments	\$ 164,528,523	\$ 171,600,838	\$ 192,138,549
Credit card commitments	768,790,199	770,929,935	744,171,001
Unused commercial letters of credit	9,910,356	6,566,178	6,820,941
Guarantees on duties and contracts	18,547,175	18,242,569	17,043,919

b) Indovina Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2022	December 31, 2021	March 31, 2021
Financial guarantee contracts	\$ 1,267,547	\$ 1,292,761	\$ 1,249,362
Unused commercial letters of credit	973,438	994,336	563,318
Irrevocable loan commitments	-	-	690

c) CUBC Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2022	December 31, 2021	March 31, 2021
Financial guarantee contracts	\$ 21,219	\$ 20,528	\$ 18,276
Credit card commitments	290,719	269,953	281,162
Irrevocable loan commitments	283,088	338,751	218,552

d) CUBCN Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2022	December 31, 2021	March 31, 2021
Financial guarantee contracts	\$ 224,760	\$ 255,149	\$ 281,461
Unused commercial letters of credit	556,541	621,893	168,556
Irrevocable loan commitments	964,233	1,016,657	1,477,602

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

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

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

March 31, 2022

	Discounts and Loans				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 1,827,473,544	\$ 62,035,534	\$ 11,836,171	\$ -	\$ 1,901,345,249
Less: Allowance for impairment	(2,856,881)	(2,003,513)	(5,015,540)	-	(9,875,934)
Less: Differences of impairment loss under regulations	-	-	-	(20,845,094)	(20,845,094)
	<u>\$ 1,824,616,663</u>	<u>\$ 60,032,021</u>	<u>\$ 6,820,631</u>	<u>\$ (20,845,094)</u>	<u>\$ 1,870,624,221</u>

	Receivable				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 87,041,683	\$ 1,784,313	\$ 2,073,411	\$ -	\$ 90,899,407
Less: Allowance for impairment	(464,679)	(307,750)	(1,646,507)	-	(2,418,936)
Less: Differences of impairment loss under regulations	-	-	-	(17,963)	(17,963)
	<u>\$ 86,577,004</u>	<u>\$ 1,476,563</u>	<u>\$ 426,904</u>	<u>\$ (17,963)</u>	<u>\$ 88,462,508</u>

December 31, 2021

	Discounts and Loans				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 1,763,964,944	\$ 60,965,797	\$ 12,124,070	\$ -	\$ 1,837,054,811
Less: Allowance for impairment	(3,442,880)	(1,990,988)	(5,005,473)	-	(10,439,341)
Less: Differences of impairment loss under regulations	-	-	-	(19,538,811)	(19,538,811)
	<u>\$ 1,760,522,064</u>	<u>\$ 58,974,809</u>	<u>\$ 7,118,597</u>	<u>\$ (19,538,811)</u>	<u>\$ 1,807,076,659</u>

	Receivable				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 101,532,216	\$ 2,692,899	\$ 2,105,098	\$ -	\$ 106,330,213
Less: Allowance for impairment	(418,248)	(288,704)	(1,658,913)	-	(2,365,865)
Less: Differences of impairment loss under regulations	-	-	-	(69,669)	(69,669)
Total	<u>\$ 101,113,968</u>	<u>\$ 2,404,195</u>	<u>\$ 446,185</u>	<u>\$ (69,669)</u>	<u>\$ 103,894,679</u>

March 31, 2021

	Discounts and Loans				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 1,697,261,357	\$ 63,597,026	\$ 12,019,836	\$ -	\$ 1,772,878,219
Less: Allowance for impairment	(3,439,284)	(1,789,477)	(5,115,132)	-	(10,343,893)
Less: Differences of impairment loss under regulations	-	-	-	(18,933,578)	(18,933,578)
	<u>\$ 1,693,822,073</u>	<u>\$ 61,807,549</u>	<u>\$ 6,904,704</u>	<u>\$ (18,933,578)</u>	<u>\$ 1,743,600,748</u>

	Receivable				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 89,943,878	\$ 2,023,513	\$ 2,151,204	\$ -	\$ 94,118,595
Less: Allowance for impairment	(473,457)	(168,044)	(1,770,741)	-	(2,412,242)
Less: Differences of impairment loss under regulations	-	-	-	(63,717)	(63,717)
	<u>\$ 89,470,421</u>	<u>\$ 1,855,469</u>	<u>\$ 380,463</u>	<u>\$ (63,717)</u>	<u>\$ 91,642,636</u>

5) Credit concentration risk of the Company

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

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

Industry Type	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Manufacturing	\$ 162,149,863	8.43	\$ 157,020,976	8.45	\$ 146,502,132	8.17
Financial institutions and insurance	88,885,280	4.62	85,199,467	4.58	80,951,746	4.51
Leasing and real estate	188,340,564	9.79	177,239,865	9.53	164,289,805	9.16
Individuals	1,181,805,006	61.44	1,169,015,836	62.89	1,080,420,734	60.26
Others	<u>302,438,086</u>	<u>15.72</u>	<u>270,414,254</u>	<u>14.55</u>	<u>320,835,029</u>	<u>17.90</u>
Total	<u>\$ 1,923,618,799</u>	<u>100.00</u>	<u>\$ 1,858,890,398</u>	<u>100.00</u>	<u>\$ 1,792,999,446</u>	<u>100.00</u>

Geographic Region	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,655,172,736	86.04	\$ 1,603,854,334	86.28	\$ 1,517,384,808	84.63
Asia	208,622,929	10.85	197,945,764	10.65	207,672,146	11.58
America	42,652,593	2.22	41,734,650	2.25	47,531,301	2.65
Others	<u>17,170,541</u>	<u>0.89</u>	<u>15,355,650</u>	<u>0.82</u>	<u>20,411,191</u>	<u>1.14</u>
Total	<u>\$ 1,923,618,799</u>	<u>100.00</u>	<u>\$ 1,858,890,398</u>	<u>100.00</u>	<u>\$ 1,792,999,446</u>	<u>100.00</u>

b. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

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

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

a) Financial assets held to manage liquidity risk

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

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

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

	March 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 67,020,692	\$ 5,010,864	\$ 26,043,116	\$ 161,282	\$ 98,235,954
Due to the Central Bank and banks	-	1,076,000	-	-	1,076,000
Non-derivative financial liabilities at fair value through profit or loss	-	722,562	181,559	36,922,380	37,826,501
Securities sold under repurchase agreements	13,510,772	13,828,286	-	2,198,390	29,537,448
Payables	8,958,126	6,308,402	3,181,679	514,280	18,962,487
Deposits and remittances	379,491,616	1,210,401,281	1,143,146,351	165,473,474	2,898,512,722
Financial debentures payable	416,025	10,671,373	-	37,000,000	48,087,398
Lease liabilities	139,233	603,475	638,739	2,411,566	3,793,013
Other capital outflow at maturity	10,535,512	11,971,912	6,771,123	1,376,374	30,654,921
	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 19,739,865	\$ 19,426,898	\$ 23,321,812	\$ 201,876	\$ 62,690,451
Due to the Central Bank and banks	1,076,000	-	-	-	1,076,000
Non-derivative financial liabilities at fair value through profit or loss	-	-	550,293	35,720,100	36,270,393
Securities sold under repurchase agreements	24,984,153	6,338,247	-	-	31,322,400
Payables	12,719,115	9,366,422	151,144	460,730	22,697,411
Deposits and remittances	413,504,732	1,148,909,532	1,122,164,408	163,228,761	2,847,807,433
Financial debentures payable	-	4,685,464	5,637,213	37,000,000	47,322,677
Lease liabilities	102,243	465,602	569,180	2,029,181	3,166,206
Other capital outflow at maturity	7,080,447	13,149,630	6,565,722	1,904,957	28,700,756
	March 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 54,983,088	\$ 3,455,326	\$ 20,252,053	\$ 110,958	\$ 78,801,425
Due to the Central Bank and banks	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at fair value through profit or loss	-	626,898	274,349	36,804,990	37,706,237
Securities sold under repurchase agreements	9,041,396	1,409,246	-	112	10,450,754
Payables	9,153,874	6,108,957	2,778,242	381,041	18,422,114
Deposits and remittances	331,418,794	1,074,429,063	1,063,842,345	139,624,556	2,609,314,758
Financial debentures payable	416,026	5,855,042	-	46,800,000	53,071,068
Lease liabilities	132,533	586,038	579,562	2,278,066	3,576,199
Other capital outflow at maturity	10,158,440	15,436,932	5,776,850	1,153,428	32,525,650

Additional information about the maturity analysis of lease liabilities:

	March 31, 2022	December 31, 2021	March 31, 2021
Less than 1 year	\$ 1,381,447	\$ 1,137,025	\$ 1,298,133
1-5 years	2,117,982	1,714,563	2,043,390
5-10 years	<u>293,584</u>	<u>314,618</u>	<u>234,676</u>
	<u>\$ 3,793,013</u>	<u>\$ 3,166,206</u>	<u>\$ 3,576,199</u>

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

	March 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	\$ 365,986	\$ 16,751	\$ 10,823	\$ 9	\$ 393,569
Interest rate derivative instruments	<u>184,948</u>	<u>446,827</u>	<u>704,231</u>	<u>15,363,659</u>	<u>16,699,665</u>
Total	<u>\$ 550,934</u>	<u>\$ 463,578</u>	<u>\$ 715,054</u>	<u>\$ 15,363,668</u>	<u>\$ 17,093,234</u>
	December 31, 2021				
	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	\$ 24,880	\$ 37,114	\$ 4,574	\$ 242	\$ 66,810
Interest rate derivative instruments	<u>33,714</u>	<u>860,300</u>	<u>585,840</u>	<u>13,799,055</u>	<u>15,278,909</u>
Total	<u>\$ 58,594</u>	<u>\$ 897,414</u>	<u>\$ 590,414</u>	<u>\$ 13,799,297</u>	<u>\$ 15,345,719</u>
	March 31, 2021				
	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	\$ 228,328	\$ 68,019	\$ 8,175	\$ 4	\$ 304,526
Interest rate derivative instruments	<u>221,842</u>	<u>761,227</u>	<u>453,445</u>	<u>18,471,936</u>	<u>19,908,450</u>
Total	<u>\$ 450,170</u>	<u>\$ 829,246</u>	<u>\$ 461,620</u>	<u>\$ 18,471,940</u>	<u>\$ 20,212,976</u>

Gross settled derivative financial instruments engaged by the Bank include:

- i. Foreign exchange derivative instruments: Foreign exchange swaps;
- ii. Interest rate derivative instruments: Cross currency swaps;
- iii. Credit derivative instruments: All derivatives shown in gross pay a periodic fee in return for a payment by the protection seller on credit event if any occurs.

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

	March 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	\$ (4,905,140)	\$ (8,373,312)	\$ (2,578,013)	\$ (1,051,207)	\$ (16,907,672)
Cash inflow	4,056	13,826	1,240	109	19,231
Interest rate derivative instruments					
Cash outflow	(5,501)	(288,833)	(264,417)	(493,719)	(1,052,470)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	<u>(4,910,641)</u>	<u>(8,662,145)</u>	<u>(2,842,430)</u>	<u>(1,544,926)</u>	<u>(17,960,142)</u>
Cash inflow subtotal	<u>4,056</u>	<u>13,826</u>	<u>1,240</u>	<u>109</u>	<u>19,231</u>
Net cash flow	<u>\$ (4,906,585)</u>	<u>\$ (8,648,319)</u>	<u>\$ (2,841,190)</u>	<u>\$ (1,544,817)</u>	<u>\$ (17,940,911)</u>
December 31, 2021					
	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	\$ (1,251,076)	\$ (1,099,995)	\$ (583,172)	\$ (4,579,484)	\$ (7,513,727)
Cash inflow	4,813	7,496	2,222	-	14,531
Interest rate derivative instruments					
Cash outflow	(37,888)	(34,819)	(335,739)	(414,111)	(822,557)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	<u>(1,288,964)</u>	<u>(1,134,814)</u>	<u>(918,911)</u>	<u>(4,993,595)</u>	<u>(8,336,284)</u>
Cash inflow subtotal	<u>4,813</u>	<u>7,496</u>	<u>2,222</u>	<u>-</u>	<u>14,531</u>
Net cash flow	<u>\$ (1,284,151)</u>	<u>\$ (1,127,318)</u>	<u>\$ (916,689)</u>	<u>\$ (4,993,595)</u>	<u>\$ (8,321,753)</u>
March 31, 2021					
	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	\$ (4,081,799)	\$ (7,306,304)	\$ (1,343,330)	\$ (427,584)	\$ (13,159,017)
Cash inflow	1,774	2,300	2,269	-	6,343
Interest rate derivative instruments					
Cash outflow	(515)	(174,870)	(21,872)	(469,133)	(666,390)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	<u>(4,082,314)</u>	<u>(7,481,174)</u>	<u>(1,365,202)</u>	<u>(896,717)</u>	<u>(13,825,407)</u>
Cash inflow subtotal	<u>1,774</u>	<u>2,300</u>	<u>2,269</u>	<u>-</u>	<u>6,343</u>
Net cash flow	<u>\$ (4,080,540)</u>	<u>\$ (7,478,874)</u>	<u>\$ (1,362,933)</u>	<u>\$ (896,717)</u>	<u>\$ (13,819,064)</u>

d) Maturity analysis of off-balance sheet items

- i. Irrevocable commitments: Include the Bank's irrevocable loan commitments and credit card commitments.
- ii. Financial guarantee contracts: The Bank acts as a guarantor or an issuer of standby letter of credit.

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

	March 31, 2022			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 140,745,954	\$ 20,834,312	\$ 2,948,257	\$ 164,528,523
Credit card commitments	11,446,398	204,199,653	553,144,148	768,790,199
Financial guarantee contracts	22,285,681	6,140,963	30,887	28,457,531

	December 31, 2021			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 143,514,844	\$ 24,884,198	\$ 3,201,796	\$ 171,600,838
Credit card commitments	48,902,335	205,372,171	516,655,429	770,929,935
Financial guarantee contracts	16,348,326	7,756,651	703,770	24,808,747

	March 31, 2021			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 161,880,404	\$ 25,227,089	\$ 5,031,056	\$ 192,138,549
Credit card commitments	12,081,785	206,472,250	525,616,966	744,171,001
Financial guarantee contracts	15,438,829	8,378,707	47,324	23,864,860

c. Market risk

1) Source and definition of market risk

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

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

2) Market risk management strategy and process

Market risk management process

a) Identification and measurement

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

b) Monitoring and reporting

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

3) Risk management policy of the trading book

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

a) Strategy

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

b) Policy and procedure

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

c) Valuation policy

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

d) Method of measurement

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

4) Interest risk management of trading book

a) Definition of interest risk

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

b) Interest risk management procedure of trading book

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

c) Method of measurement

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

5) Interest risk management of banking book

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

a) Strategy

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

b) Management procedure

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

c) Method of measurement

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

6) Foreign exchange risk management

a) Definition of foreign exchange risk

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

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

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

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

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

Unit: In Thousands of Foreign Currency

	March 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 16,145,346	28.6220	\$ 462,112,093
AUD	2,364,590	21.4107	50,627,527
CNY	7,265,500	4.5066	32,742,702
Non-monetary items			
USD	642,474	28.6220	18,388,891
HKD	2,010,700	3.6557	7,350,516
THB	3,473,375	0.8594	2,985,018
<u>Financial liabilities</u>			
Monetary items			
USD	19,885,759	28.6220	569,170,194
CNY	8,166,675	4.5066	36,803,938
AUD	1,286,190	21.4107	27,538,228
Non-monetary items			
USD	547,676	28.6220	15,675,582
HKD	2,000,738	3.6557	7,314,098
CNY	2,109	4.5066	9,504
	December 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 15,191,501	27.6900	\$ 420,652,663
CNY	13,001,010	4.3470	56,515,390
AUD	1,598,374	20.1043	32,134,190
Non-monetary items			
USD	609,134	27.6900	16,866,920
HKD	1,596,026	3.5508	5,667,169
THB	3,473,375	0.8303	2,883,943
<u>Financial liabilities</u>			
Monetary items			
USD	19,160,978	27.6900	530,567,481
CNY	8,882,289	4.3470	38,611,310
AUD	1,299,452	20.1043	26,124,573
Non-monetary items			
USD	504,601	27.6900	13,972,402
HKD	1,686,854	3.5508	5,989,681
CNY	2,499	4.3470	10,863

	March 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,965,221	28.5310	\$ 369,910,720
CNY	10,997,574	4.3439	47,772,362
AUD	1,518,408	21.7121	32,967,826
Non-monetary items			
USD	767,319	28.5310	21,892,378
HKD	2,521,795	3.6703	9,255,744
THB	3,473,375	0.9099	3,160,424
<u>Financial liabilities</u>			
Monetary items			
USD	16,790,891	28.5310	479,060,911
CNY	9,577,829	4.3439	41,605,131
AUD	1,387,639	21.7121	30,128,557
Non-monetary items			
USD	688,047	28.5310	19,630,669
HKD	2,715,261	3.6703	9,965,822
CNY	2,982	4.3439	12,954

As the Company has a large variety of foreign currencies, it is not practicable to disclose foreign currency exchange gain or loss based on each foreign currency's exposure to major impact. The foreign currency exchange gains were \$339,736 thousand and \$233,222 thousand for the three months ended March 31, 2022 and 2021, respectively.

7) Risk management of equity securities price

a) Definition of risk of equity securities price

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

b) Purpose of risk management of equity securities price

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

c) Procedure of risk management of equity securities price

The Bank sets investment limits on 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 price in trading book is mainly controlled by VaR.

8) Value-at-risk of the trading books

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

March 31, 2022				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 174,659	\$ 250,536	\$ 80,516	\$ 250,536
Foreign exchange	89,538	177,752	65,675	175,369
Equity securities price	268,128	629,009	91,597	132,583

December 31, 2021				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 135,734	\$ 215,547	\$ 43,133	\$ 215,547
Foreign exchange	85,389	162,748	65,675	84,654
Equity securities price	344,290	629,009	91,597	365,415

March 31, 2021				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 92,778	\$ 194,699	\$ 43,133	\$ 80,516
Foreign exchange	214,424	371,160	86,439	86,439
Equity securities price	395,540	629,009	103,986	629,009

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' hedging and trading 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 transacts derivative contracts with its clients to meet their hedging demands and also takes proprietary positions for its own accounts within the allowed market risk.

9) Market risk stress testing

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

Stress Testing				
Market/Product	Scenarios	March 31, 2022	December 31, 2021	March 31, 2021
Stock market	Major domestic stock exchanges + 15%	\$ 778,289	\$ 2,542,569	\$ 3,609,067
	Major domestic stock exchanges - 15%	(1,225,084)	(2,542,569)	(3,609,067)
	Major foreign stock exchanges + 20%	90,983	296,279	111,876
	Major foreign stock exchanges - 20%	(90,983)	(296,279)	(111,876)
Interest rate/bond market	Major interest rate + 150bp	(3,599,074)	(627,223)	(1,779,082)
	Major interest rate - 150bp	2,361,485	1,472,050	395,001
Foreign exchange market	Major currencies +5%	341,397	498,076	602,652
	Major currencies - 5%	(341,397)	(498,076)	(590,670)

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

10) Market risk sensitivity analysis

a) Interest rate risk

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

b) Foreign exchange risk

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

c) Equity securities price risk

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

		<u>March 31, 2022</u>	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency+ 1%	\$ 68,279	\$ -
	Exchange rate of each currency - 1%	(68,279)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(23,994)	-
	Yield curves parallel shift - 1bp	15,743	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	(42,179)	99,849
	Equity securities price - 1%	30,706	(99,849)

		<u>December 31, 2021</u>	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency+ 1%	\$ 99,615	\$ -
	Exchange rate of each currency - 1%	(99,615)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(4,181)	-
	Yield curves parallel shift - 1bp	9,814	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	35,274	149,044
	Equity securities price - 1%	(35,274)	(149,044)

		<u>March 31, 2021</u>	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency+ 1%	\$ 58,649	\$ -
	Exchange rate of each currency - 1%	(58,649)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(11,861)	-
	Yield curves parallel shift - 1bp	2,633	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	42,953	203,245
	Equity securities price - 1%	(42,953)	(203,245)

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

11) Effect of interest rate benchmark reform

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

The Bank established a USD LIBOR transition project plan to handle risk management policies changes, internal processes adjustments, IT systems updates and valuation models adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. As of March 31, 2022, changes required to IT systems and internal processes have been identified and have been partially implemented.

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

The Bank

The following table contains details of non-derivative financial instruments held by the Bank as of March 31, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets at FVTOCI	
Financial assets linked to USD LIBOR	\$ <u>3,128,259</u>
Investments in debt instruments at amortised cost	
Financial assets linked to USD LIBOR	\$ <u>2,928,199</u>
Discounts and loans	
Financial assets linked to USD LIBOR	\$ 85,215,337
Financial assets linked to EUR LIBOR	659,123
Financial assets linked to HKD HIBOR	25,221,430
Financial assets linked to SGD SIBOR	21,151
Financial assets linked to SGD SOR	11,238,752
Financial assets linked to VND VNIBOR	<u>204,126</u>
	<u>\$ 122,559,919</u>

The following table contains details of derivative financial instruments held by the Bank as of March 31, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Nominal Amount	Carrying Amount	
		Financial Assets	Financial liabilities
<u>Derivative financial assets which are subject to the reform</u>			
Cross-currency swaps			
Financial assets linked to USD LIBOR	\$ 572,440	\$ -	\$ 22,605
Options			
Financial assets linked to USD LIBOR	\$ 2,296,340	\$ -	\$ 350
Interest rate swaps			
Financial assets linked to USD LIBOR	\$ 34,162,476	\$ 3,463,685	\$ 430,229
Financial assets linked to ZAR LIBOR	83,916	572	5
	<u>\$ 34,246,392</u>	<u>\$ 3,464,257</u>	<u>\$ 430,234</u>

CUBCN Bank

The following table contains details of derivative financial instruments held by CUBCN Bank as of March 31, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
<u>Non-derivative financial assets which are subject to the reform</u>	
Discounts and loans	
Financial assets linked to USD LIBOR	\$ 24,863

d. Transfers of financial assets

Financial assets transferred that have not been fully removed

During Cathay United Bank and its subsidiaries' daily operations, transferred financial assets that do not meet the criteria for full derecognition are mostly made up of debt securities used as counterparty collateral for repurchase agreements or equity securities lent as part of securities lending agreement. The nature of these transactions 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, 2022					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through profit or loss Repurchase agreements	\$ 2,289,581	\$ 2,198,390	\$ 2,289,581	\$ 2,198,390	\$ 91,191
Financial assets at fair value through other comprehensive income Repurchase agreements	18,929,623	18,575,292	18,929,623	18,575,292	354,331
Investments in debt instruments measured at amortised cost Repurchase agreements	15,669,206	14,471,159	14,882,041	14,471,159	410,882

December 31, 2021					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through profit or loss Repurchase agreements	\$ 2,215,810	\$ 2,148,959	\$ 2,215,810	\$ 2,148,959	\$ 66,851
Financial assets at fair value through other comprehensive income Repurchase agreements	28,782,456	27,600,460	28,782,456	27,600,460	1,181,996
Investments in debt instruments measured at amortised cost Repurchase agreements	7,276,510	7,412,233	7,226,614	7,412,233	(185,619)

March 31, 2021					
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	\$ 14,310,829	\$ 13,639,111	\$ 14,310,829	\$ 13,639,111	\$ 671,718
Investments in debt instruments measured at amortised cost Repurchase agreements	1,103,388	1,348,223	1,145,629	1,348,223	(202,594)

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, if not, the financial instruments could be settled at gross amount. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

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

March 31, 2022

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance 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	\$ 53,636,428	\$ -	\$ 53,636,428	\$ 48,399,075	\$ 3,235,010	\$ 2,002,343

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance 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	\$ 48,399,075	\$ -	\$ 48,399,075	\$ 48,399,075	\$ -	\$ -
Repurchase agreement	35,244,841	-	35,244,841	33,355,621	1,889,220	-

December 31, 2021

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance 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	\$ 38,512,412	\$ -	\$ 38,512,412	\$ 35,297,809	\$ 3,214,603	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance 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	\$ 35,297,809	\$ -	\$ 35,297,809	\$ 35,297,809	\$ -	\$ -
Repurchase agreement	37,161,652	-	37,161,652	36,593,423	568,229	-

March 31, 2021

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance 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	\$ 56,663,336	\$ -	\$ 56,663,336	\$ 52,252,929	\$ 4,250,368	\$ 160,039

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance 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	\$ 52,252,929	\$ -	\$ 52,252,929	\$ 52,252,929	\$ -	\$ -
Repurchase agreement	14,987,334	-	14,987,334	14,243,835	743,499	-

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

51. CAPITAL MANAGEMENT

a. Capital adequacy maintain strategy

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

b. Capital assessment procedure

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

52. UNCONSOLIDATED STRUCTURED ENTITIES

The Company does not provide financial support or other support to the unconsolidated structured entities for the three months ended March 31, 2022 and 2021. 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 amounts of assets recognized by the Company as of March 31, 2022, December 31, 2021 and March 31, 2021 relating to its interests in unconsolidated structured entities are disclosed as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets at FVTOCI	\$ 8,770,563	\$ 10,163,330	\$ 7,073,191
Investments in debt instruments measured at amortised cost	<u>47,059,977</u>	<u>40,400,178</u>	<u>47,633,069</u>
	<u>\$ 55,830,540</u>	<u>\$ 50,563,508</u>	<u>\$ 54,706,260</u>

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 3.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

March 31, 2022			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	\$ 28,954,800	11.75
2	Group B - packaging and testing of semi-conductors	13,755,856	5.58
3	Group C - other financial intermediation not elsewhere classified	11,648,878	4.73
4	Group D - real estate activities for sale and rental with own or leased property	6,310,000	2.56
5	Group E - real estate development activities	6,306,300	2.56
6	Group F - wired telecommunications activities	6,285,290	2.55
7	Group G - other financial intermediation not elsewhere classified	5,030,268	2.04
8	Group H - smelting and refining of iron and steel	4,920,592	2.00
9	Group I - real estate development activities	4,631,257	1.88
10	Group J - activities of head offices; management consultancy activities	4,616,805	1.87

March 31, 2021			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	\$ 31,096,376	12.52
2	Group B - packaging and testing of semi-conductors	8,101,221	3.26
3	Group C - other financial intermediation not elsewhere classified	7,287,904	2.93
4	Group D - ocean transportation	6,971,509	2.81
5	Group E - wired telecommunications activities	6,658,811	2.68
6	Group F - real estate activities for sale and rental with own or leased property	6,200,000	2.50
7	Group G - real estate development activities	5,708,000	2.30
8	Group H - smelting and refining of iron and steel	5,616,188	2.26
9	Group I - manufacture of computers	4,864,536	1.96
10	Group J - other	4,275,876	1.72

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars, %)

March 31, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,158,244,449	\$ 97,920,622	\$ 132,454,444	\$ 148,942,274	\$ 2,537,561,789
Interest rate-sensitive liabilities	177,658,610	1,794,607,784	252,962,605	74,925,322	2,300,154,321
Interest rate-sensitive gap	1,980,585,839	(1,696,687,162)	(120,508,161)	74,016,952	237,407,468
Net worth					246,364,933
Ratio of interest rate-sensitive assets to liabilities					110.32%
Ratio of interest rate sensitivity gap to net worth					96.36%

March 31, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,021,245,359	\$ 85,564,982	\$ 71,695,747	\$ 136,279,581	\$ 2,314,785,669
Interest rate-sensitive liabilities	165,239,002	1,597,858,368	248,600,409	82,815,351	2,094,513,130
Interest rate-sensitive gap	1,856,006,357	(1,512,293,386)	(176,904,662)	53,464,230	220,272,539
Net worth					248,453,145
Ratio of interest rate-sensitive assets to liabilities					110.52%
Ratio of interest rate sensitivity gap to net worth					88.66%

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, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 9,773,097	\$ 2,335,035	\$ 945,708	\$ 7,537,419	\$ 20,591,259
Interest rate-sensitive liabilities	12,890,768	4,538,912	4,586,849	4,910,776	26,927,305
Interest rate-sensitive gap	(3,117,671)	(2,203,877)	(3,641,141)	2,626,643	(6,336,046)
Net worth					8,607,537
Ratio of interest rate-sensitive assets to liabilities					76.47%
Ratio of interest rate sensitivity gap to net worth					(73.61%)

March 31, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 9,469,138	\$ 1,178,816	\$ 835,570	\$ 6,681,580	\$ 18,165,104
Interest rate-sensitive liabilities	11,683,369	3,530,614	4,067,424	4,645,484	23,926,891
Interest rate-sensitive gap	(2,214,231)	(2,351,798)	(3,231,854)	2,036,096	(5,761,787)
Net worth					8,708,182
Ratio of interest rate-sensitive assets to liabilities					75.92%
Ratio of interest rate sensitivity gap to net worth					(66.17%)

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, 2022	For the Three Months Ended March 31, 2021
Return on total assets	Before income tax	0.23	0.22
	After income tax	0.19	0.20
Return on equity	Before income tax	3.31	2.93
	After income tax	2.74	2.57
Net income ratio		40.83	39.27

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, 2022 and 2021.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)

(In Thousands of New Taiwan Dollar)

March 31, 2022

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,261,526,076	\$ 461,028,508	\$ 394,241,105	\$ 274,887,964	\$ 346,468,848	\$ 453,943,099	\$ 1,330,956,552
Main capital outflow on maturity	3,892,374,411	192,526,983	251,949,214	460,577,497	594,476,398	778,354,913	1,614,489,406
Gap	(630,848,335)	268,501,525	142,291,891	(185,689,533)	(248,007,550)	(324,411,814)	(283,532,854)

March 31, 2021

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,002,883,138	\$ 448,022,470	\$ 395,964,408	\$ 295,235,700	\$ 294,647,186	\$ 337,395,881	\$ 1,231,617,493
Main capital outflow on maturity	3,601,858,702	156,682,800	234,366,579	474,769,747	609,198,970	705,138,602	1,421,702,004
Gap	(598,975,564)	291,339,670	161,597,829	(179,534,047)	(314,551,784)	(367,742,721)	(190,084,511)

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, 2022

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 76,297,513	\$ 24,480,044	\$ 15,956,583	\$ 11,842,962	\$ 13,073,090	\$ 10,944,834
Main capital outflow on maturity	80,211,971	23,360,232	16,927,639	13,195,110	17,988,425	8,740,565
Gap	(3,914,458)	1,119,812	(971,056)	(1,352,148)	(4,915,335)	2,204,269

March 31, 2021

	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	\$ 70,525,762	\$ 25,267,998	\$ 15,569,243	\$ 10,554,154	\$ 8,795,908	\$ 10,338,459
Main capital outflow on maturity	75,248,948	24,543,627	18,395,741	11,235,936	12,517,951	8,555,693
Gap	(4,723,186)	724,371	(2,826,498)	(681,782)	(3,722,043)	1,782,766

Note: The above amounts included only U.S. dollar amounts held by the Bank.

54. OPERATING SEGMENTS

For management purposes, the Company divides operating units based on different products and services. The four reportable segments are as follows:

- Corporate banking unit: Syndicated loan, large scale, group and general credit business;
- 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;
- International banking unit: Offshore banking units, overseas branches and representative office; and
- Other units: These parts contain the Bank's assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

The analysis of the Company's operating revenue and results by reportable segment was as follows:

	For the Three Months Ended March 31, 2022				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (externally)	\$ <u>1,955,585</u>	\$ <u>4,997,811</u>	\$ <u>1,644,264</u>	\$ <u>1,562,085</u>	\$ <u>10,159,745</u>
Segment revenue (expense)	\$ <u>(266,884)</u>	\$ <u>1,849,282</u>	\$ <u>53,380</u>	\$ <u>(1,635,778)</u>	\$ <u>-</u>
Segment net income	\$ <u>1,690,551</u>	\$ <u>7,273,487</u>	\$ <u>1,189,456</u>	\$ <u>(1,848,888)</u>	\$ <u>8,304,606</u>
Income tax expense					<u>(1,432,402)</u>
Income after income tax					\$ <u>6,872,204</u>

	For the Three Months Ended March 31, 2021				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (externally)	<u>\$ 1,770,643</u>	<u>\$ 4,404,603</u>	<u>\$ 1,451,745</u>	<u>\$ 1,585,266</u>	<u>\$ 9,212,257</u>
Segment revenue (expense)	<u>\$ (306,811)</u>	<u>\$ 1,429,391</u>	<u>\$ (48,035)</u>	<u>\$ (1,074,545)</u>	<u>\$ -</u>
Segment net income	<u>\$ 1,244,758</u>	<u>\$ 4,888,366</u>	<u>\$ 713,531</u>	<u>\$ 456,862</u>	<u>\$ 7,303,517</u>
Income tax expense					<u>(899,995)</u>
Income after income tax					<u>\$ 6,403,522</u>

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

Note 2: Operating segments' profit are measured on a pre-tax income basis, the income taxes are not allocated to reporting segments for the purpose of making decisions about resource allocation and performance assessment.

Note 3: As the Company provided the average amount of deposits and loans to measure assets and liabilities, the measured amount of assets and liabilities is not disclosed.

55. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the three months ended March 31, 2022

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Fair Value Adjustments	Others	
Due to the Central Bank and banks	\$ 1,076,000	\$ -	\$ -	\$ -	\$ -	\$ 1,076,000
Financial debentures payable	46,800,000	545,684	-	-	15,307	47,360,991
Financial liabilities designated as at fair value through profit or loss - financial debentures	40,587,123	-	-	(1,956,646)	1,202,280	39,832,757
Guarantee deposits received	4,468,668	(86,346)	-	-	-	4,382,322
Lease liabilities	3,679,114	(367,234)	1,039,229	-	20,934	4,372,043

For the three months ended March 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Fair Value Adjustments	Others	
Due to the Central Bank and banks	\$ 1,076,000	\$ -	\$ -	\$ -	\$ -	\$ 1,076,000
Financial debentures payable	53,800,000	(1,500,000)	-	-	-	52,300,000
Financial liabilities designated as at fair value through profit or loss - financial debentures	44,204,582	-	-	(1,511,750)	29,669	42,722,501
Guarantee deposits received	7,357,957	(2,170,866)	-	-	-	5,187,091
Lease liabilities	4,293,299	(367,069)	179,149	-	10,807	4,116,186

56. OTHER

The Company had evaluated the economic impact caused by the COVID-19 pandemic, and as of the date of approval of the consolidated financial report, there is no significant impact on the Company. The Company will continue to observe the relevant epidemic situation and evaluate its impact.

57. 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) Investees' 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: Table 2 (attached)
- 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 3 (attached)
- 12) Related information and proportionate share in investees: Quarterly report is exempt from disclosure.
- 13) Derivative transactions: Note 8

c. Investments in mainland China: Table 4 (attached)

d. Intercompany relationships and significant intercompany transactions

For the detailed information of intercompany relationships and significant intercompany transactions, refer to Table 5 (attached).

e. Information on major shareholders

A bank whose stock is listed on the TWSE or listed on the TPEX shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 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
AS OF MARCH 31, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Cathay United Bank Co., Ltd.	Cathay Life Insurance Co., Ltd. (Note)	Other related party	\$ 671,918	-	\$ -	-	\$ -	\$ -

Note: Receivable commission on collecting insurance.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

**SALE OF NONPERFORMING LOANS
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars)**

1. Summary statement:

Trade Date	Counterparty	Loans Composition	Carrying Amount (Note)	Selling Price	Gain (or Loss) on Disposal	Terms	Relationship
<u>The Bank</u> January 19, 2022	SC Lowy Financial (HK) Limited	Corporate loans	\$ 173,286	\$ 259,813	\$ 86,527	None	None

Note: The carrying amount is the amount of debt less the allowance for doubtful accounts.

2. Sale of nonperforming loans single batch amount over \$1 billion (excluding sales to related parties): None.

CATHAY UNITED BANK CO., LTD.

ASSET QUALITY - NONPERFORMING LOANS
AS OF MARCH 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, %)

Period		March 31, 2022					March 31, 2021				
Items		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 117,680	\$ 320,833,879	0.04%	\$ 1,693,362	1438.95%	\$ 850,761	\$ 282,938,888	0.30%	\$ 2,712,731	318.86%
	Unsecured	254,034	318,278,506	0.08%	8,534,663	3359.66%	1,098,862	323,951,049	0.34%	7,640,041	695.27%
Consumer banking	Housing mortgage (Note 4)	219,417	482,123,635	0.05%	7,480,745	3409.37%	270,557	466,443,835	0.06%	7,323,172	2706.71%
	Cash cards	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	231,867	123,396,617	0.19%	4,138,808	1784.99%	243,367	103,653,337	0.23%	3,998,063	1642.81%
	Other (Note 6)	Secured	609,733	552,593,210	0.11%	6,558,343	1075.61%	748,238	500,322,955	0.15%	5,590,870
Unsecured		44,826	21,930,464	0.20%	315,058	702.85%	20,952	23,223,646	0.09%	318,243	1518.93%
Loan		\$ 1,477,557	\$ 1,819,156,311	0.08%	\$ 28,720,979	1943.82%	\$ 3,232,737	\$ 1,700,533,710	0.19%	\$ 27,583,120	853.24%
		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		\$ 71,018	\$ 74,772,279	0.09%	\$ 2,067,750	2911.58%	\$ 114,916	\$ 75,555,882	0.15%	\$ 1,965,483	1710.37%
Accounts receivable factored without recourse (Note 7)		-	4,811,921	-	74,905	-	-	4,530,549	-	109,607	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for credit losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for credit losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, and small-scale credit loans, excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

(Continued)

Not reported as nonperforming loans or nonperforming receivables

Types	Items	March 31, 2022		March 31, 2021	
		Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
	Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 885	\$ 32,077	\$ 1,299	\$ 46,047
	Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	107,695	1,152,839	74,416	1,193,857
	Total	\$ 108,580	\$ 1,184,916	\$ 75,715	\$ 1,239,904

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, 2022
(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, 2022 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2022	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of March 31, 2022	Accumulated Inward Remittance of Earnings as of March 31, 2022	Note
					Outflow	Inflow							
Cathay United Bank (China) Limited	Local government approved banking	\$ 14,377,562 (CNY 3,000,000 thousand)	Direct	\$ 14,377,562 (CNY 3,000,000 thousand)	\$ -	\$ -	\$ 14,377,562 (CNY 3,000,000 thousand)	\$ 73,821	100	\$ 73,821	\$ 17,005,544	\$ -	

Accumulated Investment in Mainland China as of March 31, 2022	Investment Amount Approved by the Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 1)
\$14,377,562 (CNY3,000,000 thousand)	\$14,377,562 (CNY3,000,000 thousand)	\$150,500,743

Note 1: Based on the Investment Commission's "Regulation on Examination of Investment or Technical Cooperation in Mainland China" investments are limited to the larger of 60% of the Bank's net asset value or 60% of the Company's consolidated net asset value.

Note 2: The Investment Commission of the Ministry of Economic Affairs ("MOEAIC") authorized the Bank to remit US\$60,067,239 (CNY400,000,000). Based on the capital verification report issued by local accountants in mainland China, the Shanghai branch of the Bank was authorized to remit the total amount of working capital of US\$59,768,397.46, and the remaining amount of US\$298,841.54 was repatriated on November 5, 2010. The Bank reported to MOEAIC to revise the amount of the investment on January 18, 2011, and it was authorized by MOEAIC on January 24, 2011. Also, MOEAIC authorized the Bank to remit US\$95,024,128 (CNY600,000,000). Based on the capital verification report issued by local accountants in mainland China, Shanghai branch of the Bank was authorized to remit the total amount of working capital of US\$94,929,198.64, and the remaining amount of US\$94,929.36 was repatriated on February 1, 2012. The Bank reported to MOEAIC to revise the amount of the investment on March 20, 2012, and it was authorized by MOEAIC on March 26, 2012. MOEAIC agreed to the Bank to increase the working capital of Shanghai branch by US\$164,000,000 (CNY1,000,000,000) on February 27, 2014, and was authorized by MOEAIC on July 10, 2014. MOEAIC agreed to the Bank to increase the working capital of the Qingdao branch by US\$98,199,673 (CNY600,000,000) on January 21, 2014, and was authorized by MOEAIC on October 30, 2014. The Bank obtained approval from MOEAIC to increase the working capital of Shenzhen branch by US\$60,708,160.7 (CNY400,000,000) on January 5, 2015, and was authorized by MOEAIC on December 22, 2016.

Note 3: The registered capital of Cathay United Bank (China) Limited was CNY3,000,000,000, which was transferred to the working capital of Cathay United Bank (China) Limited after the merger of Cathay United Bank Shanghai branch, Qingdao branch and Shenzhen branch was approved by the authorities.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2022

(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	\$ 2	Note 4	0.00
		Indovina Bank	a	Due to banks	88,606	Note 4	0.00
		Indovina Bank	a	Due from banks	32,661	Note 4	0.00
1	Indovina Bank	Cathay United Bank	b	Due to banks - interest expense	2	Note 4	0.00
		Cathay United Bank	b	Due from banks	88,606	Note 4	0.00
		Cathay United Bank	b	Due to banks	32,661	Note 4	0.00
0	Cathay United Bank	CUBC Bank	a	Call loan to banks - interest revenue	79	Note 4	0.00
		CUBC Bank	a	Due from banks - interest revenue	3,594	Note 4	0.02
		CUBC Bank	a	Due to banks	10,909	Note 4	0.00
		CUBC Bank	a	Call loan to banks	372,086	Note 4	0.01
		CUBC Bank	a	Due from banks	1,202,981	Note 4	0.03
		CUBC Bank	a	Interest receivable	1,694	Note 4	0.00
		CUBC Bank	a	Dividend receivable	168,718	Note 4	0.00
2	CUBC Bank	Cathay United Bank	b	Call loan from banks - interest expense	79	Note 4	0.00
		Cathay United Bank	b	Due to banks - interest expense	3,594	Note 4	0.02
		Cathay United Bank	b	Due from banks	10,909	Note 4	0.00
		Cathay United Bank	b	Call loans from banks	372,086	Note 4	0.01
		Cathay United Bank	b	Due to banks	1,202,981	Note 4	0.03
		Cathay United Bank	b	Interest payable	1,694	Note 4	0.00
		Cathay United Bank	b	Dividend payable	168,718	Note 4	0.00
0	Cathay United Bank	CUBCN Bank	a	Call loan to banks - interest revenue	45,259	Note 4	0.27
		CUBCN Bank	a	Due from banks - interest revenue	28,143	Note 4	0.17
		CUBCN Bank	a	Due to banks	59,946	Note 4	0.00
		CUBCN Bank	a	Due from banks	4,766	Note 4	0.00
		CUBCN Bank	a	Other financial assets	4,506,550	Note 4	0.13
		CUBCN Bank	a	Call loan to banks	7,661,135	Note 4	0.21
		CUBCN Bank	a	Interest receivable	105,701	Note 4	0.00
		CUBCN Bank	a	Other receivables	42,574	Note 4	0.00

(Continued)

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)
3	CUBCN Bank	Cathay United Bank	b	Call loan from banks - interest expense	\$ 45,259	Note 4	0.27
		Cathay United Bank	b	Due to banks - interest expense	28,143	Note 4	0.17
		Cathay United Bank	b	Due from banks	59,946	Note 4	0.00
		Cathay United Bank	b	Due to banks	4,511,316	Note 4	0.13
		Cathay United Bank	b	Call loan from banks	7,661,135	Note 4	0.21
		Cathay United Bank	b	Interest payable	105,701	Note 4	0.00
		Cathay United Bank	b	Other payables	42,574	Note 4	0.00

Note 1: The transacting company is identified in the No. column as follows:

- a. 0 for parent company.
- b. Sequentially from 1 for subsidiaries.

Note 2: The flow of transactions is as follows:

- a. From parent company to subsidiary.
- b. From subsidiary to parent company.
- c. Between subsidiaries.

Note 3: The percentage is calculated as follows:

- a. Assets and liabilities: Ending balance divided by total consolidated assets.
- b. Income and expenses: The 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)