Cathay United Bank Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2020 and 2019 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Cathay United Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheets as of June 30, 2020, December 31, 2019 and June 30, 2019, the consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2020, December 31, 2019 and June 30, 2019, its consolidated financial performance for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, and its consolidated cash flows for the six months ended June 30, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's consolidated financial statements for the six months ended June 30, 2020 are stated as follows:

<u>Impairment Assessment of Loans</u>

The domestic loans of the Bank amounted to $1,452,115,673 thousand; the amount is considered material to the financial statements as a whole. As the assessment of impairment of loans involves accounting estimates and management's significant judgment, and as the impairment assessment of loans under the relevant regulations issued by the authorities results in amount substantially larger than that under IFRS 9, we determined the impairment assessment of loans under the relevant regulations prescribed by the authorities as a key audit matter.

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

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

1. We understood and tested the internal controls on impairment assessment of loans.

2. We tested compliance with the relevant regulations with respect to the classification of the credit assets into one of five categories specified by the authorities.

3. We selected samples of loans and tested the appropriateness of impairment by the length of the overdue period and the value of the collateral of each respective loan.

4. We calculated the provision for impairment loss of loans by category and assessed compliance with the relevant regulations issued by the authorities.

Other Matter

We have also audited the separate financial statements of the Bank as of and for the six months ended June 30, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Li-Chi Chen and Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 20, 2020

<u>Notice to Readers</u>

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

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2020 Amount	%	December 31, 2019 Amount	%	June 30, 2019 Amount	%
CASH AND CASH EQUIVALENTS (Notes 6 and 44)	$ 57,434,065	2	$ 52,997,997	2	$ 69,753,200	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7 and 45)	137,765,455	4	110,945,093	4	148,924,269	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 44 and 49)	292,774,269	10	298,874,753	10	240,172,513	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 11, 45 and 49)	334,224,595	11	324,130,110	11	249,090,929	9
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 10, 11, 45 and 49)	416,787,794	14	444,934,985	15	405,479,902	14
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	45,452,854	1	14,295,350	1	55,937,436	2
RECEIVABLES, NET (Notes 13, 15 and 44)	86,101,687	3	100,888,023	3	99,523,143	4
DISCOUNTS AND LOANS, NET (Notes 14 and 44)	1,615,551,915	53	1,553,150,906	52	1,562,185,798	54
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Note 17)	1,834,486	-	1,776,839	-	1,785,364	-
OTHER FINANCIAL ASSETS, NET	147	-	909	-	524	-
PROPERTY AND EQUIPMENT, NET (Note 18)	25,655,397	1	25,774,420	1	25,558,941	1
RIGHT-OF-USE ASSETS, NET (Notes 19 and 44)	4,445,216	-	4,226,097	-	4,223,058	-
INVESTMENT PROPERTIES, NET (Note 20)	839,769	-	857,504	-	1,657,086	-
INTANGIBLE ASSETS, NET (Note 21)	8,204,374	-	8,153,189	-	8,158,662	-
DEFERRED TAX ASSETS	4,312,056	-	3,864,923	-	3,409,655	-
OTHER ASSETS, NET (Notes 22 and 44)	26,667,930	1	28,625,256	1	28,617,767	1
TOTAL	$ 3,058,052,009	100	$ 2,973,496,354	100	$ 2,904,478,247	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	$ 73,500,085	2	$ 84,108,128	3	$ 100,140,913	4
DUE TO THE CENTRAL BANK AND BANKS	410,000	-	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 44 and 49)	118,137,968	4	106,770,939	4	107,636,091	4
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Note 24)	18,522,291	1	48,180,452	2	33,016,388	1
PAYABLES (Notes 25 and 44)	39,503,888	1	26,864,803	1	39,339,615	1
CURRENT TAX LIABILITIES	443,696	-	395,561	-	598,070	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	2,443,394,133	80	2,335,331,108	78	2,264,001,395	78
FINANCIAL DEBENTURES PAYABLE (Note 27)	53,800,000	2	53,900,000	2	55,400,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	51,015,621	2	65,604,222	2	70,378,849	3
PROVISIONS (Note 29)	3,638,869	-	3,698,353	-	3,371,271	-
LEASE LIABILITIES (Notes 19 and 44)	4,489,793	-	4,246,381	-	4,247,936	-
DEFERRED INCOME TAX LIABILITIES	3,422,500	-	3,250,712	-	3,023,812	-
OTHER LIABILITIES (Notes 31 and 44)	13,083,088	-	9,250,515	-	7,833,031	-
Total liabilities	2,823,361,932	92	2,741,601,174	92	2,688,987,371	93
EQUITY ATTRIBUTABLE TO OWNERS OF BANK (Note 32)						
Capital stock						
Common stock	101,658,353	4	101,658,353	4	91,197,623	3
Reserve for capitalization	5,327,477	-	-	-	5,460,730	-
Total capital stock	106,985,830	4	101,658,353	4	96,658,353	3
Capital surplus	38,687,276	1	38,687,276	1	33,610,983	1
Retained earnings						
Legal reserve	64,526,043	2	57,935,811	2	57,935,811	2
Special reserve	2,084,653	-	2,183,978	-	2,183,978	-
Unappropriated earnings	13,681,394	1	21,675,159	1	12,520,469	1
Total retained earnings	80,292,090	3	81,794,948	3	72,640,258	3
Other equity	4,423,917	-	5,345,027	-	8,533,104	-
Total equity attributable to owners of parent	230,389,113	8	227,485,604	8	211,442,698	7
NON-CONTROLLING INTERESTS (Note 32)	4,300,964	-	4,409,576	-	4,048,178	-
Total equity	234,690,077	8	231,895,180	8	215,490,876	7
TOTAL	$ 3,058,052,009	100	$ 2,973,496,354	100	$ 2,904,478,247	100

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INTEREST REVENUE (Notes 33 and 44)								
Interest income	$ 12,780,127	83	$ 14,592,081	93	$ 26,752,442	81	$ 28,941,796	89
Interest expense	(3,951,640)	(26)	(5,530,107)	(35)	(8,807,756)	(27)	(11,036,035)	(34)
Total net interest revenue	8,828,487	57	9,061,974	58	17,944,686	54	17,905,761	55
NET REVENUE OTHER THAN INTEREST								
Net service fee revenue (Notes 34 and 44)	3,519,189	23	3,811,892	24	7,961,645	24	8,482,894	26
Gain on financial assets or liabilities at fair value through profit or loss (Notes 35 and 44)	1,817,656	12	1,323,042	8	2,809,844	9	3,828,954	12
Realized gain on financial assets at fair value through other comprehensive income (Notes 9 and 36)	902,533	6	803,434	5	3,370,929	10	1,289,047	4
Gain arising from derecognition of financial assets measured at amortised cost (Note 10)	20,050	-	100,897	1	19,880	-	100,897	-
Foreign exchange gain	213,688	1	440,600	3	585,999	2	643,772	2
Impairment loss on assets (Note 37)	(59,289)	-	(48,081)	-	(56,093)	-	(63,212)	-
Share of profit of associates and joint ventures accounted for using equity method	28,736	-	21,336	-	63,914	-	42,978	-
Net other revenue other than interest income (Note 44)	180,692	1	227,762	1	460,599	1	319,930	1
Total net revenue other than interest	6,623,255	43	6,680,882	42	15,216,717	46	14,645,260	45
NET REVENUE	15,451,742	100	15,742,856	100	33,161,403	100	32,551,021	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 13, 14, 15 and 38)	(682,669)	(5)	(167,731)	(1)	(1,271,955)	(4)	(917,487)	(3)
TOTAL OPERATING EXPENSES								
Employee benefits expenses (Notes 39 and 44)	(4,040,641)	(26)	(4,183,875)	(26)	(8,457,086)	(25)	(8,581,930)	(26)
Depreciation and amortization expense (Notes 18, 19, 21 and 40)	(870,304)	(6)	(728,086)	(5)	(1,693,154)	(5)	(1,435,960)	(4)
Other general and administrative expense (Notes 41 and 44)	(2,684,547)	(17)	(3,206,897)	(20)	(5,650,656)	(17)	(6,715,904)	(21)
Total operating expenses	(7,595,492)	(49)	(8,118,858)	(51)	(15,800,896)	(47)	(16,733,794)	(51)

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CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	$ 7,173,581	46	$ 7,456,267	48	$ 16,088,552	49	$ 14,899,740	46
INCOME TAX EXPENSE (Note 42)	(924,184)	(6)	(1,066,048)	(7)	(2,239,622)	(7)	(2,136,059)	(7)
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	6,249,397	40	6,390,219	41	13,848,930	42	12,763,681	39
OTHER COMPREHENSIVE INCOME, NET OF TAX (Note 32)								
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax								
Remeasurement of defined benefit plans	-	-	-	-	1,126	-	-	-
Property revaluation surplus	-	-	217,619	1	-	-	217,619	1
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	2,123,377	14	1,652,038	11	(2,572,115)	(8)	3,607,082	11
Change in fair value of financial liability attributable to change in credit risk of liability	(587,117)	(4)	(562,863)	(4)	1,117,321	4	(1,778,640)	(5)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	-	1,397	-	(5,052)	-	1,397	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 42)	(70,465)	-	(47,741)	-	45,617	-	37,539	-
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	(535,176)	(4)	(16,178)	-	(633,166)	(2)	398,272	1
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	-	(24,388)	-	(1,214)	-	(24,388)	-

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CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	$ 2,016,225	13	$ 2,342,765	15	$ 1,342,029	4	$ 5,157,655	16
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 42)	(26,438)	-	(92,715)	(1)	123,723	-	(302,954)	(1)
Other comprehensive income (loss), net of tax	2,920,406	19	3,469,934	22	(581,731)	(2)	7,313,582	23
TOTAL COMPREHENSIVE INCOME, NET OF TAX	$ 9,169,803	59	$ 9,860,153	63	$ 13,267,199	40	$ 20,077,263	62
PROFIT ATTRIBUTABLE TO:								
Owners of Bank	$ 6,092,938	39	$ 6,281,473	40	$ 13,582,759	41	$ 12,430,406	38
Non-controlling interests	156,459	1	108,746	1	266,171	1	333,275	1
	$ 6,249,397	40	$ 6,390,219	41	$ 13,848,930	42	$ 12,763,681	39
COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of Bank	$ 9,305,770	60	$ 9,711,977	62	$ 12,903,509	39	$ 19,677,152	61
Non-controlling interests	(135,967)	(1)	148,176	1	363,690	1	400,111	1
	$ 9,169,803	59	$ 9,860,153	63	$ 13,267,199	40	$ 20,077,263	62
EARNINGS PER SHARE (Note 43)								
Basic	$ 0.57		$ 0.62		$ 1.27		$ 1.22	

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank													
	Capital Stock			Retained Earnings			Other Equity							
	Common Stock	Stock Dividends Distributable	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Changes in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Gains (Losses) on Remeasurements of Defined Benefit	Property Revaluation Surplus	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	$ 91,197,623	$ -	$ 33,610,983	$ 51,631,140	$ 2,933,808	$ 21,015,571	$ (1,008,735)	$ 2,730,681	$ 774,084	$ (1,369,428)	$ 249,819	$ 1,376,421	$ 4,041,481	$ 205,807,027
Appropriation of 2018 earnings														
Legal reserve	-	-	-	6,304,671	-	(6,304,671)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(749,830)	749,830	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(10,000,000)	-	-	-	-	-	-	-	(10,000,000)
Stock dividends	-	5,460,730	-	-	-	(5,460,730)	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2019	-	-	-	-	-	12,430,406	-	-	-	-	-	-	333,275	12,763,681
Other comprehensive income (loss) for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	286,830	8,175,302	(1,422,911)	(624)	208,149	7,246,746	66,836	7,313,582
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	12,430,406	286,830	8,175,302	(1,422,911)	(624)	208,149	7,246,746	400,111	20,077,263
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(393,414)	(393,414)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	90,063	-	(90,063)	-	-	-	(90,063)	-	-
BALANCE AT JUNE 30, 2019	$ 91,197,623	$ 5,460,730	$ 33,610,983	$ 57,935,811	$ 2,183,978	$ 12,520,469	$ (721,905)	$ 10,815,920	$ (648,827)	$ (1,370,052)	$ 457,968	$ 8,533,104	$ 4,048,178	$ 215,490,876
BALANCE AT JANUARY 1, 2020	$ 101,658,353	$ -	$ 38,687,276	$ 57,935,811	$ 2,183,978	$ 21,675,159	$ (1,670,723)	$ 10,124,219	$ (1,850,508)	$ (1,715,929)	$ 457,968	$ 5,345,027	$ 4,409,576	$ 231,895,180
Appropriation of 2019 earnings														
Legal reserve	-	-	-	6,590,232	-	(6,590,232)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(10,000,000)	-	-	-	-	-	-	-	(10,000,000)
Stock dividends	-	5,327,477	-	-	-	(5,327,477)	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2020	-	-	-	-	-	13,582,759	-	-	-	-	-	-	266,171	13,848,930
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	(484,421)	(1,087,083)	893,857	(1,603)	-	(679,250)	97,519	(581,731)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	13,582,759	(484,421)	(1,087,083)	893,857	(1,603)	-	(679,250)	363,690	13,267,199
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(472,302)	(472,302)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	98,635	-	(98,635)	-	-	-	(98,635)	-	-
Others	-	-	-	-	(99,325)	242,550	-	-	-	-	(143,225)	(143,225)	-	-
BALANCE AT JUNE 30, 2020	$ 101,658,353	$ 5,327,477	$ 38,687,276	$ 64,526,043	$ 2,084,653	$ 13,681,394	$ (2,155,144)	$ 8,938,501	$ (956,651)	$ (1,717,532)	$ 314,743	$ 4,423,917	$ 4,300,964	$ 234,690,077

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 16,088,552	$ 14,899,740
Adjustments:		
Depreciation expense	1,449,042	1,210,806
Amortization expense	244,112	225,154
Expected credit loss/bad debt expense	1,271,955	917,487
Net gains on financial assets and liabilities at fair value through profit or loss	(2,809,844)	(3,828,954)
Interest expense	8,807,756	11,036,035
Net gains arising from derecognition of financial assets measured at amortised cost	(19,880)	(100,897)
Interest income	(26,752,442)	(28,941,796)
Dividend income	(152,423)	(336,474)
Share of profit of associates and joint ventures accounted for using equity method	(63,914)	(42,978)
Loss on disposal of property and equipment	(597)	10,086
Gains on disposal of investment properties	-	(560)
Gains on disposal of investments	(3,218,506)	(952,573)
Impairment loss on financial assets	56,093	63,212
Loss on fair value adjustment of investment property	17,735	70,900
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(2,349,811)	(1,477,603)
Financial assets at fair value through profit or loss	50,365,640	36,930,796
Financial assets at fair value through other comprehensive income	(8,140,900)	(38,857,537)
Investments in debt instruments at amortised cost	28,145,813	15,637,109
Receivables	14,775,101	(12,327,849)
Discounts and loans	(63,551,361)	32,304,498
Other financial assets	770	747
Other assets	2,852,875	102,172
Deposits from the Central Bank and banks	(10,608,043)	18,708,680
Financial liabilities at fair value through profit or loss	(17,955,742)	(19,749,398)
Notes and bonds issued under repurchase agreement	(29,658,161)	(22,958,121)
Payables	4,878,208	3,609,566
Deposits and remittances	108,063,025	36,339,705
Other financial liabilities	(14,588,601)	(6,130,485)
Provisions	(55,376)	(67,090)
Other liabilities	1,238,281	647,043
Cash generated from operations	58,329,357	36,941,421
Interest received	27,646,381	28,607,040
Dividends received	110,755	155,951
Interest paid	(10,415,620)	(12,289,601)
Income tax paid	(3,604,774)	(1,230,913)
Net cash generated from operating activities	72,066,099	52,183,898

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (570,854)	$ (429,876)
Proceeds from disposal of property and equipment	2,342	2,576
Acquisition of intangible assets	(292,948)	(362,784)
Proceeds from disposal of investment properties	-	75,260
Other assets	(913,720)	5,841,105
Dividends received	-	3,497
Net cash generated from (used in) investing activities	(1,775,180)	5,129,778
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	410,000	-
Repayments of financial debentures payable	(100,000)	(200,000)
Decrease in financial liabilities designated as at fair value through profit or loss	(11,289,165)	-
Payments of lease liabilities	(786,431)	(567,655)
Other liabilities	2,596,009	(124,931)
Cash dividends paid	(472,302)	(393,414)
Net cash used in financing activities	(9,641,889)	(1,286,000)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(598,196)	413,769
NET INCREASE IN CASH AND CASH EQUIVALENTS	60,050,834	56,441,445
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	113,515,093	157,478,989
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 173,565,927	$ 213,920,434

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	June 30	
	2020	**2019**
RECONCILIATIONS OF CASH AND CASH EQUIVALENTS REPORTED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THOSE REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2020 AND 2019		
Cash and cash equivalents reported in the statement of financial position	$ 57,434,065	$ 69,753,200
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	70,679,008	88,229,798
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	45,452,854	55,937,436
Cash and cash equivalents at the end of the period	$ 173,565,927	$ 213,920,434

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

1. INFORMATION ON THE BUSINESS

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

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

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

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

The Bank's consolidated financial statements are presented in 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 and authorized for issue on August 20, 2020.

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

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
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 IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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 to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on 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, Regulations Governing the Preparation of Financial Reports by Securities Firms and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in the consolidated financial statements is less than that required in a complete set of annual financial statements.

Basis of Preparation

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

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

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

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

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

The accounting policies of the consolidated entities are same.

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

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

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

Entities included in consolidated financial statements

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

Foreign Currencies

In preparing the financial statements of each entity in the group, transactions in currencies other than the 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 dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the transacting exchange rate or the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Bank and non-controlling interests as appropriate).

Current and Non-current Assets and Liabilities

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

Cash and Cash Equivalents

In the consolidated balance sheet, cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the consolidated statements of cash flows, cash and cash equivalents comprise cash and cash equivalents, due from the Central Bank, call loans to other banks, and securities purchased under resale 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 category

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

      a) Financial asset at FVTPL

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

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

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

b) Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

ii. Breach of contract, such as a default;

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost, 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 ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

For receivables that do not contain a significant financing component, the allowance for losses is recognized at the lifetime expected credit losses.

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

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

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

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

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

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

b. Equity instruments

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

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

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

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

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

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

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

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

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

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

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

b) Financial guarantee contracts

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

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

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

2) Derecognition of financial liabilities

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

d. Derivatives

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

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

Investments in Associates

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

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

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

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

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

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

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

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

Nonperforming Loans

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

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

Repurchase and Resale Transactions

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

Property and Equipment

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

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

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

Investment Properties

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

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

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

The Company decides to transfer 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

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

Intangible Assets (Excluding Goodwill)

Intangible assets acquired separately

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

Derecognition

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

Impairment of Tangible and Intangible Assets (Excluding Goodwill)

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the resulting impairment loss is recognized in profit or loss. When an impairment loss is subsequently reversed, the reversal of an impairment loss is recognized in profit or loss. But only to the extent of the carrying amount (net of depreciation or amortization) that would have been determined had no impairment loss been recognized on the asset.

Leasing

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

a. The Company as lessor

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

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

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

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

b. The Company as lessee

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

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

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

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

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

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

Provisions

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

Provisions are the best estimate of the consideration required to settle a present obligation at the consolidated balance sheet date, taking into account the risks and uncertainties on the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. (If the time value of currency affects materially.)

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

c. Termination benefits

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

d. Employee preferential interest rate deposits

The Bank offers preferential interest rate for deposits of current employees, retired employees and current employees after retirement in certain amounts. 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 benefit 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

According to the Income Tax Law, 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-enterprise in accordance with the relevant provisions of the Income Tax Law. 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 and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current and deferred taxes

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

Recognition of Interest Revenue and Expense

Except for the financial assets and liabilities at fair value through profit or loss, the interest revenue and interest expense arising from all interest-bearing financial instruments are calculated using the effective interest method in accordance with the relevant 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 about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Assessment of Impairment of Loans

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	$ 18,642,649	$ 23,746,182	$ 16,950,458
Checks for clearance	2,954,129	2,930,797	6,074,975
Due from banks	35,846,513	26,325,206	46,745,792
	57,443,291	53,002,185	69,771,225
Less: Allowance for impairment loss	(9,226)	(4,188)	(18,025)
	$ 57,434,065	$ 52,997,997	$ 69,753,200

Reconciliations of cash and cash equivalents reported in the consolidated statements of cash flows with those reported in the consolidated balance sheets as of June 30, 2020 and 2019 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2019 are shown below:

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Deposit reserves - general account	$ 59,433,226	$ 57,897,754	$ 55,571,572
Deposit reserves - foreign currency account	7,703,637	6,890,818	5,192,343
Deposits in the Central Bank - general account	37,526,998	14,455,036	34,783,424
Call loans and overdrafts	33,152,010	31,766,710	53,446,374
	137,815,871	111,010,318	148,993,713
Less: Allowance for impairment loss	(50,416)	(65,225)	(69,444)
	$ 137,765,455	$ 110,945,093	$ 148,924,269

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 June 30, 2020, December 31, 2019 and June 30, 2019, the balances of foreign-currency deposit reserves were $2,545,215 thousand, $2,099,097 thousand and $936,502 thousand, respectively.

Refer to Note 45 for information relating to 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 $1,259,128 thousand, $1,212,635 thousand and $713,120 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

CUBC Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the National Bank of Cambodia were $898,511 thousand, $1,259,294 thousand and $1,655,209 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

CUBCN Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the People's Bank of China were $3,000,783 thousand, $2,319,792 thousand and $1,887,512 thousand as of June 30, 2020 and December 31, 2019 and June 30, 2019, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at fair value through profit or loss			
Treasury bills	$ 9,936,757	$ 9,912,981	$ -
Commercial paper	133,764,903	141,390,530	98,555,525
Government bonds	34,787,829	41,562,839	39,467,355
Corporate bonds	7,267,151	6,617,762	4,620,695
Financial debentures	6,234,610	8,724,915	10,371,293
Negotiable certificates of deposits	21,886,139	38,680,277	29,372,410
Stock investments	92,852	308,796	311,058
Fund beneficiary certificates	487,865	288,747	109,110
	214,458,106	247,486,847	182,807,446
Derivative financial instruments			
Foreign exchange forward contracts	11,441,140	18,280,727	19,457,924
Interest rate swap	60,697,077	30,557,553	35,438,778
Options	5,813,507	1,947,083	1,734,379
Others	364,439	602,543	733,986
	78,316,163	51,387,906	57,365,067
	$ 292,774,269	$ 298,874,753	$ 240,172,513
Financial liabilities designated as at fair value through profit or loss			
Bonds	$ 46,232,246	$ 57,604,294	$ 58,349,871
Financial liabilities held for trading			
Derivative financial instruments			
Foreign exchange forward contracts	13,008,575	19,006,155	14,079,856
Interest rate swaps	50,843,645	25,867,768	30,395,915
Options	7,563,528	3,753,962	3,897,123
Others	489,974	538,760	913,326
	71,905,722	49,166,645	49,286,220
	$ 118,137,968	$ 106,770,939	$ 107,636,091

The Company engages in derivative transactions mainly to accommodate customers’ needs, and 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 its exposure positions as of June 30, 2020, December 31, 2019 and June 30, 2019 were as follows:

(Unit: Thousands of U.S. Dollars)

	June 30, 2020	December 31, 2019	June 30, 2019
Foreign exchange forward contracts	$ 91,947,780	$ 85,742,506	$ 86,972,106
Interest rate swaps	61,002,887	68,168,029	83,082,518
Options	7,322,834	6,704,612	6,504,822
Futures	1,255,424	1,398,149	1,287,733
Cross currency swaps	1,955,064	1,396,786	1,527,645
Commodity exchange contracts	5,845	584	10,170

As of June 30, 2020 and December 31, 2019, none of the financial assets at fair value through profit or loss was sold under repurchase agreements.

As of June 30, 2019, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of $1,180,736 thousand. Such repurchase agreements amounting to $1,142,058 thousand were recognized under the "Securities sold under repurchase agreements" and were repurchased by $1,144,121 thousand prior to the end of July 2019, respectively.

Financial Liabilities Designated as at Fair Value through Profit or Loss

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

In December 2014, the Bank was authorized to issue unsubordinated financial debentures amounting to US$180 million (thirty-years), which were subsequently issued on March 30, 2015. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity, the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.20%. The bonds have been fully redeemed on March 30, 2020.

In March 2017, the Bank was authorized to issue unsubordinated financial debentures amounting to US$195 million (thirty-years), which were subsequently issued on April 11, 2017. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity, the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.30%. The bonds have been fully redeemed on April 13, 2020.

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 six month ended June 30, 2020 and 2019, such interest rate swaps were valued with a net gain $3,811,110 thousand and $4,544,039 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in equity instruments at FVTOCI			
Domestic listed shares	$ 9,465,450	$ 12,547,311	$ 11,339,491
Overseas stock investments	6,656,587	9,413,887	7,088,751
Domestic unlisted shares	3,552,742	4,043,607	4,078,737
	19,674,779	26,004,805	22,506,979
Investments in debt instruments at FVTOCI			
Corporate bonds	67,993,887	45,974,087	53,398,840
Financial debentures	75,155,983	80,267,723	75,607,970
Asset-based securities	26,832,487	27,942,654	19,484,368
Negotiable certificates of deposit	88,448,217	70,253,313	-
Government bonds	56,119,242	73,687,528	78,092,772
	314,549,816	298,125,305	226,583,950
	$ 334,224,595	$ 324,130,110	$ 249,090,929

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

For investment strategy, the Company sold the investments in equity instruments at FVTOCI with the fair value of $16,996,730 thousand and $7,571,717 thousand during the six months ended June 30, 2020 and 2019, respectively, and the related unrealized gain of $98,635 thousand and $90,063 thousand were transferred from other equity to retained earnings, accordingly.

As of June 30, 2020, December 31, 2019 and June 30, 2019, certain financial assets at FVTOCI were sold under repurchase agreements with notional amounts of $18,225,352 thousand, $35,649,054 thousand and $31,176,219 thousand, respectively. The proceeds amounting to $17,471,502 thousand, $35,456,986 thousand and $30,230,138 thousand, respectively, were recorded as the "notes and bonds sold under repurchase agreements", and were repurchased for $17,487,356 thousand, $35,556,515 thousand and $30,443,127 thousand prior before the end of December 2020, June 2020 and December 2019, respectively.

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

10. INVESTMENTS IN DEBT INSTRUMENT AT AMORTISED COST

	June 30, 2020	December 31, 2019	June 30, 2019
Short-term bills	$ 339,053,167	$ 380,904,061	$ 330,723,614
Government bonds	5,255,991	2,816,923	2,873,888
Corporate bonds	12,590,020	813,740	2,797,136
Financial debentures	19,846,845	18,140,531	16,885,823
Structured notes	-	3,436,962	3,107,200
Asset-based bonds	40,090,219	38,850,385	49,130,077
	416,836,242	444,962,602	405,517,738
Less: Allowance for impairment loss	(48,448)	(27,617)	(37,836)
	$ 416,787,794	$ 444,934,985	$ 405,479,902

For the six months ended June 30, 2020 and 2019, the Bank disposed of certain asset-based bonds in advance due to the expected increase in credit risk, and recognized the gain arising from the disposal and derecognition of financial assets measured at amortized cost amounting to $19,880 thousand and $100,897 thousand, respectively.

As of June 30, 2020, December 31, 2019 and June 30, 2019, certain financial assets measured at amortized cost were sold under repurchase agreements with notional amounts of $1,101,647 thousand, $16,010,521 thousand and $2,105,554 thousand, respectively. The proceeds amounting to $1,050,789 thousand, $12,723,466 thousand and $1,644,192 thousand, respectively, record as notes and bonds sold under repurchase agreements and were repurchased for $1,051,004 thousand, $12,731,800 thousand and $1,660,804 thousand prior before the end of July 2020, March 2020 and August 2019, respectively.

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

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

June 30, 2020

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 308,442,592	$ 416,836,242	$ 725,278,834
Less: Allowance for impairment loss	(132,265)	(48,448)	(180,713)
Adjustment to fair value	6,239,489	-	6,239,489
	$ 314,549,816	$ 416,787,794	$ 731,337,610

December 31, 2019

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

June 30, 2019

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 221,582,442	$ 405,517,738	$ 627,100,180
Less: Allowance for impairment loss	(363,699)	(37,836)	(401,535)
Adjustment to fair value	5,365,207	-	5,365,207
	$ 226,583,950	$ 405,479,902	$ 632,063,852

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

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

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

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at June 30, 2020
Low credit risk	Low credit risk at reporting date	12-month ECLs	$ 725,278,834
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	-
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	-

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

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at June 30, 2019
Low credit risk	Low credit risk at reporting date	12-month ECLs	$ 626,832,779
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)	267,401

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 six months ended June 30, 2020

	Credit Rating		
	Low Credit Risk (12-month ECLs)	**Doubtful (Lifetime ECLs - Not Credit-impaired)**	**In default (Lifetime ECLs - Credit-impaired)**
Balance at the beginning of the period	$ 126,283	$ -	$ -
New debt instruments purchased	64,034	-	-
Derecognition	(24,641)	-	-
Effect of exchange rates and others	15,037	-	-
Balance at the end of the period	$ 180,713	$ -	$ -

For the six months ended June 30, 2019

	Credit Rating		
	Low Credit Risk (12-month ECLs)	**Doubtful (Lifetime ECLs - Not Credit-impaired)**	**In default (Lifetime ECLs - Credit-impaired)**
Balance at the beginning of the period	$ 345,820	$ -	$ -
New debt instruments purchased	45,793	-	-
From performing to in default	(267,401)	-	267,401
Derecognition	(15,658)	-	-
Effect of exchange rates and others	25,580	-	-
Balance at the end of the period	$ 134,134	$ -	$ 267,401

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Foreign bonds	$ 295,320	$ 2,397,041	$ 267,841
Corporate bonds	28,400,451	3,679,849	18,604,160
Government bonds	11,386,475	6,610,566	30,622,690
Financial debentures	5,378,552	1,609,102	6,449,684
	45,460,798	14,296,558	55,944,375
Less: Allowance for impairment loss	(7,944)	(1,208)	(6,939)
	$ 45,452,854	$ 14,295,350	$ 55,937,436

As of June 30, 2020, December 31, 2019 and June 30, 2019, none of the securities purchased under resell agreements were sold under repurchase agreements.

13. RECEIVABLES, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Notes and accounts receivables	$ 71,599,972	$ 89,486,906	$ 80,528,214
Interest receivable	5,756,016	5,673,196	10,583,840
Acceptance	737,175	896,898	981,209
Factoring receivable	4,785,241	3,137,119	2,634,690
Others	5,638,382	4,071,172	6,832,594
	88,516,786	103,265,291	101,560,547
Less: Allowance for impairment loss	(2,415,099)	(2,377,268)	(2,037,404)
	$ 86,101,687	$ 100,888,023	$ 99,523,143

Refer to Note 50 the for impairment loss analysis of receivables.

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

For the six months ended June 30, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 99,439,051	$ 1,560,450	$ 2,265,790	$ 103,265,291
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(688,094)	695,439	(7,345)	-
Transferred to credit-impaired financial assets	(88,560)	(64,280)	152,840	-
Transferred to 12-month ECLs	546,720	(541,548)	(5,172)	-
Derecognition of financial assets in the period	(53,497,216)	(831,056)	(179,048)	(54,507,320)
New financial assets purchased or originated	39,012,701	926,877	294,251	40,233,829
Written-off as bad debt expense	-	-	(289,603)	(289,603)
Effects of exchange rate changes and others	(198,619)	34,465	(21,257)	(185,411)
Balance at the end of the period	$ 84,525,983	$ 1,780,347	$ 2,210,456	$ 88,516,786

For the six months ended June 30, 2019

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 83,956,813	$ 1,660,989	$ 2,422,873	$ 88,040,675
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(715,975)	723,526	(7,551)	-
Transferred to credit-impaired financial assets	(107,451)	(28,938)	136,389	-
Transferred to 12-month ECLs	474,800	(470,863)	(3,937)	-
Derecognition of financial assets in the period	(43,970,828)	(1,032,403)	(237,969)	(45,241,200)
New financial assets purchased or originated	58,071,366	580,946	273,289	58,925,601
Written-off as bad debt expense	-	-	(225,819)	(225,819)
Effects of exchange rate changes and others	57,631	3,273	386	61,290
Balance at the end of the period	$ 97,766,356	$ 1,436,530	$ 2,357,661	$ 101,560,547

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

For the six months ended June 30, 2020

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 509,882	$ 154,306	$ 1,660,104	$ 2,324,292	$ 52,976	$ 2,377,268
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(3,886)	95,045	(5,089)	86,070	-	86,070
Transferred to credit-impaired financial assets	(641)	(3,237)	110,006	106,128	-	106,128
Transferred to 12-month ECLs	3,191	(60,109)	(3,703)	(60,621)	-	(60,621)
Derecognition of financial assets in the period	(94,928)	(58,519)	(18,510)	(171,957)	-	(171,957)
New financial assets purchased or originated	109,371	38,683	159,097	307,151	-	307,151
Differences of impairment loss under the regulations	-	-	-	-	(114)	(114)
Written-off as bad debt expense	-	-	(289,603)	(289,603)	-	(289,603)
Effects of exchange rate changes and others	13,910	(26,174)	72,866	60,602	175	60,777
Balance at the end of the period	$ 536,899	$ 139,995	$ 1,685,168	$ 2,362,062	$ 53,037	$ 2,415,099

For the six months ended June 30, 2019

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 126,022	$ 116,965	$ 1,768,492	$ 2,011,479	$ 50,470	$ 2,061,949
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(3,098)	100,580	(5,006)	92,476	-	92,476
Transferred to credit-impaired financial assets	(574)	(2,741)	92,420	89,105	-	89,105
Transferred to 12-month ECLs	2,600	(42,897)	(2,313)	(42,610)	-	(42,610)
Derecognition of financial assets in the period	(80,356)	(43,757)	(80,927)	(205,040)	-	(205,040)
New financial assets purchased or originated	81,918	41,641	149,283	272,842	-	272,842
Differences of impairment loss under the regulations	-	-	-	-	(9,014)	(9,014)
Written-off as bad debt expense	-	-	(225,819)	(225,819)	-	(225,819)
Effects of exchange rate changes and others	13,522	(22,247)	12,295	3,570	(55)	3,515
Balance at the end of the period	$ 140,034	$ 147,544	$ 1,708,425	$ 1,996,003	$ 41,401	$ 2,037,404

14. DISCOUNTS AND LOANS, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Discounts and overdrafts	$ 1,567,252	$ 1,695,073	$ 1,840,238
Short-term loans	448,798,882	392,424,750	413,820,446
Medium-term loans	425,516,537	416,600,240	396,593,288
Long-term loans	763,126,208	765,622,224	772,126,520
Export negotiations	1,091,080	1,349,222	1,814,650
Overdue loans	3,569,276	2,870,685	3,164,953
	1,643,669,235	1,580,562,194	1,589,360,095
Less: Allowance for doubtful accounts	(28,117,320)	(27,411,288)	(27,174,297)
	$ 1,615,551,915	$ 1,553,150,906	$ 1,562,185,798

As of June 30, 2020, the amount of the domestic loans of the Bank, and allowance for impairment loss were $1,452,115,673 thousand and $25,568,578 thousand, respectively.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the loan and credit balances of nonaccrual loans were $3,569,276 thousand, $2,870,685 thousand and $3,164,953 thousand, respectively. The Company wrote off certain credits after completing the required legal procedures.

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

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

For the six months ended June 30, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 1,500,192,488	$ 68,503,519	$ 11,866,187	$ 1,580,562,194
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(23,441,442)	23,559,331	(117,889)	-
Transferred to credit-impaired financial assets	(1,201,746)	(1,051,588)	2,253,334	-
Transferred to 12-month ECLs	27,444,715	(27,191,050)	(253,665)	-
Derecognition of financial assets in the period	(295,408,478)	(12,397,546)	(1,602,233)	(309,408,257)
New financial assets purchased or originated	374,570,551	3,054,842	736,646	378,362,039
Written-off as bad debt expense	-	-	(744,330)	(744,330)
Effects of exchange rate changes and others	(4,568,705)	(462,127)	(71,579)	(5,102,411)
Balance at the end of the period	$ 1,577,587,383	$ 54,015,381	$ 12,066,471	$ 1,643,669,235

For the six months ended June 30, 2019

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 1,549,705,049	$ 59,275,734	$ 11,769,709	$ 1,620,750,492
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(26,305,209)	26,670,340	(365,131)	-
Transferred to credit-impaired financial assets	(1,840,740)	(898,702)	2,739,442	-
Transferred to 12-month ECLs	21,947,744	(21,642,572)	(305,172)	-
Derecognition of financial assets in the period	(331,722,096)	(18,377,297)	(1,088,789)	(351,188,182)
New financial assets purchased or originated	309,497,739	8,405,149	611,558	318,514,446
Written-off as bad debt expense	-	-	(342,738)	(342,738)
Effects of exchange rate changes and others	1,408,463	209,937	7,677	1,626,077
Balance at the end of the period	$ 1,522,690,950	$ 53,642,589	$ 13,026,556	$ 1,589,360,095

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

For the six months ended June 30, 2020

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 2,753,556	$ 1,746,741	$ 5,386,493	$ 9,886,790	$ 17,524,498	$ 27,411,288
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(65,204)	1,093,626	(25,969)	1,002,453	-	1,002,453
Transferred to credit-impaired financial assets	(5,965)	(30,334)	835,675	799,376	-	799,376
Transferred to 12-month ECLs	209,366	(728,617)	(30,440)	(549,691)	-	(549,691)
Derecognition of financial assets in the period	(642,341)	(257,895)	(146,994)	(1,047,230)	-	(1,047,230)
New financial assets purchased or originated	1,315,356	153,511	405,443	1,874,310	-	1,874,310
Differences of impairment loss under the regulations	(1,670)	(4)	(1,146)	(2,820)	(1,646,827)	(1,649,647)
Written-off as bad debt expense	-	-	(744,330)	(744,330)	-	(744,330)
Effects of exchange rate changes and others	606,742	308,531	113,429	1,028,702	(7,911)	1,020,791
Balance at the end of the period	$ 4,169,840	$ 2,285,559	$ 5,792,161	$ 12,247,560	$ 15,869,760	$ 28,117,320

For the six months ended June 30, 2019

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 3,914,449	$ 1,667,321	$ 4,912,617	$ 10,494,387	$ 14,932,854	$ 25,427,241
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(62,740)	843,184	(34,472)	745,972	-	745,972
Transferred to credit-impaired financial assets	(26,643)	(21,141)	764,556	716,772	-	716,772
Transferred to 12-month ECLs	68,731	(531,783)	(33,964)	(497,016)	-	(497,016)
Derecognition of financial assets in the period	(786,147)	(310,686)	(117,349)	(1,214,182)	-	(1,214,182)
New financial assets purchased or originated	799,102	88,337	381,385	1,268,824	-	1,268,824
Differences of impairment loss under the regulations	-	-	-	-	2,403,741	2,403,741
Written-off as bad debt expense	-	-	(342,738)	(342,738)	-	(342,738)
Effects of exchange rate changes and others	(1,266,644)	(434,587)	359,966	(1,341,265)	6,948	(1,334,317)
Balance at the end of the period	$ 2,640,108	$ 1,300,645	$ 5,890,001	$ 9,830,754	$ 17,343,543	$ 27,174,297

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 six months ended June 30, 2020

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 192,861	$ 95,644	$ 5,501	$ 294,006	$ 131,058	$ 425,064
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(384)	21,248	(288)	20,576	-	20,576
Transferred to credit-impaired financial assets	(13)	(46)	3,069	3,010	-	3,010
Transferred to 12-month ECLs	8,377	(49,406)	(375)	(41,404)	-	(41,404)
Derecognition of financial assets in the period	(73,013)	(33,519)	(1,598)	(108,130)	-	(108,130)
New financial assets purchased or originated	67,823	12,996	1,112	81,931	-	81,931
Differences of impairment loss under the regulations	-	-	-	-	(2,314)	(2,314)
Effects of exchange rate changes and others	30,777	1,671	(2,684)	29,764	-	29,764
Balance at the end of the period	$ 226,428	$ 48,588	$ 4,737	$ 279,753	$ 128,744	$ 408,497

For the six months ended June 30, 2019

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 251,972	$ 73,536	$ 5,118	$ 330,626	$ 71,327	$ 401,953
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(4,829)	56,476	(27)	51,620	-	51,620
Transferred to credit-impaired financial assets	(13)	(28)	2,933	2,892	-	2,892
Transferred to 12-month ECLs	2,986	(40,145)	(493)	(37,652)	-	(37,652)
Derecognition of financial assets in the period	(75,894)	(10,019)	(1,171)	(87,084)	-	(87,084)
New financial assets purchased or originated	74,412	16,240	4,291	94,943	173	95,116
Differences of impairment loss under the regulations	-	-	-	-	58,545	58,545
Effects of exchange rate changes and others	(51,305)	(22,915)	(2,318)	(76,538)	-	(76,538)
Balance at the end of the period	$ 197,329	$ 73,145	$ 8,333	$ 278,807	$ 130,045	$ 408,852

16. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statement

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

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%) June 30, 2020	Proportion of Ownership (%) December 31, 2019	Proportion of Ownership (%) June 30, 2019	Description
The Bank	Indovina Bank Limited (Indovina Bank) (Note 1)	Bank business	50%	50%	50%	Incorporated in Vietnam on November 21, 1990
	Cathay United Bank (Cambodia) Corporation Limited (CUBC Bank) (Note 2)	Bank business	100%	100%	100%	SBC Bank was incorporated in Cambodia on July 5, 1993, and renamed as CUBC as of January 14, 2014
	Cathay United Bank (China) Co., Ltd. (CUBCN Bank) (Note 3)	Bank business	100%	100%	100%	Incorporated in China on September 3, 2018

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

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

Note 3: As a major subsidiary, its financial statements have been audited.

17. INVESTMENTS MEASURED BY EQUITY METHOD, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Associates that are not individually material			
Taiwan Real-estate Management Corp.	$ 99,551	$ 100,958	$ 100,376
Taiwan Finance Corp.	1,734,935	1,675,881	1,684,988
	$ 1,834,486	$ 1,776,839	$ 1,785,364

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
The Bank's share of				
Current net profit	$ 28,736	$ 21,336	$ 63,914	$ 42,978
Current other comprehensive income	-	(22,991)	(6,266)	(22,991)
Current comprehensive income	$ 28,736	$ (1,655)	$ 57,648	$ 19,987

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

18. PROPERTY AND EQUIPMENT, NET

For the six months ended June 30, 2020

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
Cost								
Balance at the beginning of the period	$ 15,699,923	$ 10,229,180	$ 4,989,377	$ 116,199	$ 7,875,242	$ 261,194	$ 414,969	$ 39,586,084
Additions	-	-	265,126	3,910	106,578	-	195,240	570,854
Disposals	-	-	(88,369)	(3,705)	(66,563)	-	-	(158,637)
Reclassification	-	-	99,033	2,672	54,696	504	(152,892)	4,013
Others (Note)	(1,200)	-	-	-	-	-	-	(1,200)
Exchange differences	(8,439)	(4,899)	(12,551)	(1,743)	(2,813)	(6,580)	(2,582)	(39,607)
Balance at the end of the period	15,690,284	10,224,281	5,252,616	117,333	7,967,140	255,118	454,735	39,961,507
Accumulated depreciation and impairment								
Balance at the beginning of the period	-	4,517,098	3,128,964	76,940	5,955,250	133,412	-	13,811,664
Depreciation	-	106,832	309,274	5,399	244,130	4,654	-	670,289
Disposals	-	-	(88,017)	(3,705)	(66,370)	-	-	(158,092)
Exchange differences	-	(1,752)	(17,531)	(1,151)	(2,186)	4,869	-	(17,751)
Balance at the end of the period	-	4,622,178	3,332,690	77,483	6,130,824	142,935	-	14,306,110
Net								
Balance at the end of the period	$ 15,690,284	$ 5,602,103	$ 1,919,926	$ 39,850	$ 1,836,316	$ 112,183	$ 454,735	$ 25,655,397

For the six months ended June 30, 2019

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
Cost								
Balance at the beginning of the period	$ 15,379,376	$ 10,311,364	$ 4,875,823	$ 109,873	$ 7,712,030	$ 63,049	$ 489,005	$ 38,940,520
Additions	-	-	136,827	2,789	76,707	-	213,553	429,876
Disposals	-	(189)	(411,942)	(4,779)	(94,727)	(1,443)	(30,407)	(543,487)
Reclassification	338,001	(73,548)	70,159	-	64,065	113,700	(207,024)	305,353
Others (Note)	(1,200)	-	-	-	-	-	-	(1,200)
Exchange differences	3,224	3,742	7,481	1,191	(13,775)	(25)	1,389	3,227
Balance at the end of the period	15,719,401	10,241,369	4,678,348	109,074	7,744,300	175,281	466,516	39,134,289
Accumulated depreciation and impairment								
Balance at the beginning of the period	-	4,355,181	3,103,465	81,073	5,934,810	25,427	-	13,499,956
Depreciation	-	114,039	265,449	1,597	251,138	4,624	-	636,847
Disposals	-	(2,397)	(411,126)	(2,572)	(113,373)	(1,357)	-	(530,825)
Reclassification	-	(41,113)	(232)	-	(88,316)	88,549	-	(41,112)
Exchange differences	-	1,235	(3,332)	882	2,902	8,795	-	10,482
Balance at the end of the period	-	4,426,945	2,954,224	80,980	5,987,161	126,038	-	13,575,348
Net								
Balance at the end of the period	$ 15,719,401	$ 5,814,424	$ 1,724,124	$ 28,094	$ 1,757,139	$ 49,243	$ 466,516	$ 25,558,941

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
Miscellaneous equipment	3 to 15 years
Leasehold improvements	5 years

As of June 30, 2020, December 31, 2019 and June 30, 2019, no property and equipment was pledged.

19. RENTAL AGREEMENTS

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amount of right-of-use assets			
Land and buildings	$ 4,412,575	$ 4,182,603	$ 4,194,471
Equipment	2,312	3,082	3,373
Transportation equipment	30,329	40,412	25,214
	$ 4,445,216	$ 4,226,097	$ 4,223,058

	For the Six Months Ended June 30	
	2020	2019
Additions of right-of-use assets	$ 1,013,057	$ 414,649

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Depreciation expense of right-of-use assets				
Land and buildings	$ 396,471	$ 292,769	$ 761,152	$ 566,647
Equipment	372	292	747	501
Transportation equipment	9,736	3,846	16,854	6,811
	$ 406,579	$ 296,907	$ 778,753	$ 573,959

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the 6 months ended June 30, 2020 and 2019.

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amount of lease liabilities	$ 4,489,793	$ 4,246,381	$ 4,247,936

The discount rate intervals of lease liabilities are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Land and buildings	0.33%-5.03%	0.35%-5.22%	0.35%-5.22%
Equipment	0.70%-4.15%	0.70%-4.15%	0.70%-2.99%
Transportation equipment	0.67%-5.38%	0.70%-5.38%	0.70%-5.38%

c. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term rental expense	$ 166,270	$ 190,418	$ 309,506	$ 418,791
Low value assets rental expense	$ 120,996	$ 98,120	$ 238,533	$ 213,762
Variable lease payment expense not included in measurable lease liabilities	$ 125	$ 99	$ 143	$ 199
Gross cash outflow for leases	$ 742,293	$ 630,665	$ 1,334,613	$ 1,200,407

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

20. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
January 1, 2020	$ 721,204	$ 136,300	$ 857,504
Loss on fair value adjustment	(14,205)	(3,530)	(17,735)
June 30, 2020	$ 706,999	$ 132,770	$ 839,769
January 1, 2019	$ 1,311,785	$ 127,901	$ 1,439,686
Transfer from property and equipment	283,729	79,271	363,000
Disposal	(60,511)	(14,189)	(74,700)
Loss on fair value adjustment	(66,538)	(4,362)	(70,900)
June 30, 2019	$ 1,468,465	$ 188,621	$ 1,657,086

a. As of June 30, 2020, December 31, 2019 and June 30, 2019, no investment property was pledged.

b. Part of the purpose of holding certain real estate of the Bank is to earn rent or capital surplus, the other part is for self-use. When the part held for self-use is less than 5% of the individual real estate, the real estate is classified as investment properties.

c. The Bank’s investment properties were appraised by qualified real estate appraisers in Taiwan, according to the “Technical Rules for Real Estate Valuation.” The valuation dates were June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

Appraiser Offices	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**
REPro KnightFrank Real Estate Appraiser Firm	Hong-Xu, Wu; You-Xiang Cai; Xiang-Yi, Hsu; Wei-Ru, Lee	Hong-Xu, Wu; You-Xiang Cai	Hong-Xu, Wu; 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 comparison approach and 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 amortized over 20 years as assumed useful life.

   The main inputs used are as follows:

	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Direct capitalization rates	1.95%-5.77%	1.98%-5.76%	1.96%-5.74%
Overall capital interest rate	0.67%-2.51%	0.76%-2.89%	0.76%-2.89%

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

	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Rate of return	-	-	15.00%
Overall capital interest rate	-	-	2.10%

Operating expenses directly related to investment properties

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Generating rental income	$ -	$ -	$ -	$ -
Not generating rental income	1,106	1,395	1,422	1,846
	$ 1,106	$ 1,395	$ 1,422	$ 1,846

21. INTANGIBLE ASSETS, NET

For the six months ended June 30, 2020

	Computer Software	Goodwill	Other	Total
Cost				
Balance at the beginning of the period	$ 2,816,530	$ 6,991,316	$ -	$ 9,807,846
Additions	292,948	-	-	292,948
Disposal	(217,983)	-	-	(217,983)
Reclassification	12,000	-	-	12,000
Exchange differences	(11,234)	(4,714)	-	(15,948)
Balance at the end of the period	2,892,261	6,986,602	-	9,878,863
Accumulated amortization and impairment				
Balance at the beginning of the period	1,654,657	-	-	1,654,657
Amortization	244,112	-	-	244,112
Disposal	(217,983)	-	-	(217,983)
Exchange differences	(6,297)	-	-	(6,297)
Balance at the end of the period	1,674,489	-	-	1,674,489
Net				
Balance at the end of the period	$ 1,217,772	$ 6,986,602	$ -	$ 8,204,374

For the six months ended June 30, 2019

Cost	Computer Software	Goodwill	Other	Total
Balance at the beginning of the period	$ 2,434,377	$ 6,997,944	$ 22,170	$ 9,454,491
Additions	358,897	-	3,887	362,784
Disposal	(120,060)	-	-	(120,060)
Reclassification	13,697	-	(26,215)	(12,518)
Exchange differences	(66,491)	3,583	158	(62,750)
Balance at the end of the period	2,620,420	7,001,527	-	9,621,947
Accumulated amortization and impairment				
Balance at the beginning of the period	1,433,552	-	-	1,433,552
Amortization	225,154	-	-	225,154
Disposal	(120,060)	-	-	(120,060)
Exchange differences	(75,361)	-	-	(75,361)
Balance at the end of the period	1,463,285	-	-	1,463,285
Net				
Balance at the end of the period	$ 1,157,135	$ 7,001,527	$ -	$ 8,158,662

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

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

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

22. OTHER ASSETS, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Prepayments	$ 1,179,533	$ 871,053	$ 1,035,880
Temporary payments and suspense accounts	173,231	259,245	862,452
Interbank clearing funds	5,454,780	8,499,483	5,440,664
Refundable deposits, net	19,269,438	18,283,158	20,594,885
Operating deposits, net	519,894	592,456	592,490
Others	71,054	119,861	91,396
	$ 26,667,930	$ 28,625,256	$ 28,617,767

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2020	December 31, 2019	June 30, 2019
Call loans from banks	$ 38,571,520	$ 42,890,945	$ 52,439,458
Due to Chunghwa Post Co., Ltd.	17,709,405	17,709,405	17,709,405
Banks overdrafts	205,085	461,623	3,374,494
Deposits from the Central Bank and banks	17,014,075	23,046,155	26,617,556
	$ 73,500,085	$ 84,108,128	$ 100,140,913

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Asset-based securities	$ 1,361,554	$ 6,317,892	$ 67,201
Corporate bonds	2,649,866	4,825,574	6,753,823
Government bonds	4,189,819	12,102,396	14,833,857
Financial debentures	10,321,052	24,934,590	11,361,507
	$ 18,522,291	$ 48,180,452	$ 33,016,388

25. PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Dividend payable	$ 10,000,000	$ -	$ 10,000,000
Accounts payable	3,533,880	3,494,933	6,458,441
Accrued expenses	6,404,925	8,731,588	7,171,236
Interest payable	3,830,682	4,705,505	4,553,470
Payable on bonds trade settle	4,001,783	1,347,019	4,225,473
Receipts under custody	5,654,249	823,815	346,931
Banker’s acceptances	738,192	902,894	983,779
Others	5,340,177	6,859,049	5,600,285
	$ 39,503,888	$ 26,864,803	$ 39,339,615

26. DEPOSITS AND REMITTANCES

	June 30, 2020	December 31, 2019	June 30, 2019
Checking deposits	$ 12,735,711	$ 15,020,465	$ 13,943,676
Demand deposits	613,070,534	532,155,747	512,328,875
Demand savings deposits	994,148,797	931,589,893	895,873,601
Time deposits	443,419,109	469,560,296	457,691,090
Time savings deposits	369,213,571	382,673,168	378,581,621
Negotiable certificates of deposits	7,013,221	2,931,000	3,255,200
Outward remittances and remittances payable	3,793,190	1,400,539	2,327,332
	$ 2,443,394,133	$ 2,335,331,108	$ 2,264,001,395

27. FINANCIAL DEBENTURES PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
2nd issue of subordinated financial debentures in 2009; fixed rate at 2.6%; maturity: July 2019	$ -	$ -	$ 1,500,000
1st issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	1,500,000	1,500,000	1,500,000
2nd issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	2,500,000	2,500,000	2,500,000
1st issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000	4,200,000
2nd issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	5,600,000	5,600,000	5,600,000
1st issue of subordinated financial debentures in 2013; fixed rate at 1.55%; maturity: April 2020	-	100,000	100,000
1st issue of subordinated financial debentures in 2013; fixed rate at 1.7%; maturity: April 2023	9,900,000	9,900,000	9,900,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.7%; maturity: May 2021	3,000,000	3,000,000	3,000,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000	12,000,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000	12,700,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.5%; maturity: April 2024	2,400,000	2,400,000	2,400,000
	$ 53,800,000	$ 53,900,000	$ 55,400,000

28. OTHER FINANCIAL LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Principal of structured products	$ 51,015,621	$ 65,604,222	$ 70,378,849

29. PROVISIONS

	June 30, 2020	December 31, 2019	June 30, 2019
Reserve for employee benefits			
Defined benefit plan	$ 2,567,394	$ 2,619,553	$ 2,351,079
Retired employees' preferential interest rate deposits	615,474	620,011	588,660
Reserve for losses on guarantees	167,146	163,312	155,465
Reserve for finance commitments	234,885	255,433	251,937
Other operating reserve	47,504	33,725	22,680
Other reserve - letter of credit	6,466	6,319	1,450
	$ 3,638,869	$ 3,698,353	$ 3,371,271

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 six months ended June 30, 2020 and 2019, the Company recognized expenses of $206,639 thousand and $200,291 thousand in the consolidated statements of comprehensive income in accordance with the defined contribution plan, respectively.

b. Defined benefit plan

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

For the six months ended June 30, 2020 and 2019, pension expenses under the defined benefit plan recognized in the consolidated statements of comprehensive income amounted to $99,198 thousand and $98,435 thousand, respectively.

c. Employee preferential interest rate deposit plan

For the six months ended June 30, 2020 and 2019, employee preferential interest rate deposit plan expenses amounted to $176,156 thousand and $176,336 thousand, respectively.

31. OTHER LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Advance receipts	$ 382,942	$ 554,785	$ 586,561
Temporary receipts and suspense accounts	3,035,637	2,065,820	2,119,019
Guarantee deposits received	7,814,692	5,218,681	3,293,327
Contract liabilities	1,849,740	1,411,216	1,834,122
Others	77	13	2
	$ 13,083,088	$ 9,250,515	$ 7,833,031

32. EQUITY

a. Capital Stock

Common stock

	June 30, 2020	December 31, 2019	June 30, 2019
Number of authorized shares (in thousands)	10,698,583	10,165,835	9,665,835
Amount of authorized shares	$ 106,985,830	$ 101,658,353	$ 96,658,353
Number of shares issued and fully paid (in thousands)	10,165,835	10,165,835	9,119,762
Amount of shares issued	$ 101,658,353	$ 101,658,353	$ 91,197,623

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

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

On April 29, 2020, the Bank's board of directors resolved on behalf of the shareholder to transfer the retained earnings of $5,327,477 thousand in the form of shareholder's dividends to increase capital and issued 532,748 thousand new shares for total authorized capital of $106,985,830 thousand. The capital increase was approved by the FSC on June 29, 2020 and the recapitalization record date was July 13, 2020.

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
Capital surplus from the merger	$ 10,949,303	$ 10,949,303	$ 10,949,303
Additional paid-in capital	27,648,873	27,648,873	22,648,873
Others	89,100	89,100	12,807
	$ 38,687,276	$ 38,687,276	$ 33,610,983

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

c. Legal reserve

Retained earnings are 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 have set aside legal reserve in compliance with the Banking Act, the restrictions stipulated above shall not apply.

d. Special reserve

According to Rule No. 1030006415 issued by the FSC, on the first-time adoption of the fair value model for investment properties, the Bank transfer from retained earnings to special reserve the amount of the net fair value increment 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 special reserve. For any subsequent reversal of accumulated incremental fair value of investment properties upon disposal of investment properties, the reversed amount can be distributed accordingly.

According to Rule No. 1010012865, Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Bank should appropriate to or reverse from its special reserve certain specified amounts. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses, and thereafter distributed.

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

According to Rule No. 10510001510 issued by the FSC, the Bank should appropriate between 0.5% and 1% of net income after tax to special reserve when it appropriates earnings of 2016 through 2018. Since 2017, the Company is allowed to reverse special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology.

The changes in the special reserve of the Bank for the six months ended June 30, 2020 and 2019 were as follows:

	Investment Properties	Others	Total
Balance at January 1, 2020	$ 1,625,296	$ 558,682	$ 2,183,978
Decrease	(99,325)	-	(99,325)
Balance at June 30, 2020	$ 1,525,971	$ 558,682	$ 2,084,653
Balance at January 1, 2019	$ 1,625,296	$ 1,308,512	$ 2,933,808
Decrease	-	(749,830)	(749,830)
Balance at June 30, 2019	$ 1,625,296	$ 558,682	$ 2,183,978

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 distribution of dividends and bonuses to shareholder, which should be resolved by the shareholder.

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

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

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

f. Other equity items

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

	For the Six Months Ended June 30	
	2020	2019
Balance at the beginning of the period	$ (1,670,723)	$ (1,008,735)
Exchange differences generated from translating the net assets of foreign operations	(605,526)	358,538
Tax effects	121,105	(71,708)
Other comprehensive income	(484,421)	286,830
Balance at the end of the period	$ (2,155,144)	$ (721,905)

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

	For the Six Months Ended June 30	
	2020	2019
Balance at the beginning of the period	$ 10,124,219	$ 2,730,681
Recognized for the period		
Unrealized gains (losses)		
Debt instruments	4,400,077	6,051,384
Equity instruments	(2,572,115)	3,607,082
Net remeasurement of loss allowance	35,299	31,742
Share from subsidiaries and associates accounted for using equity method	(3,762)	(22,367)
Reclassification adjustments		
Disposal of investment in debt instruments	(3,218,506)	(952,573)
Tax effect	271,924	(539,966)
Other comprehensive income	(1,087,083)	8,175,302
Accumulated unrealized gain on equity instruments transferred to retained earnings due to disposal	(98,635)	(90,063)
Balance at the end of the period	$ 8,938,501	$ 10,815,920

3) Remeasurement of the defined benefit plans

	For the Six Months Ended June 30	
	2020	2019
Balance at the beginning of the period	$ (1,715,929)	$ (1,369,428)
Recognized for the period	1,126	-
Share from associates accounted for using equity method	(2,504)	(624)
Tax effect	(225)	-
Other comprehensive income	(1,603)	(624)
Balance at the end of the period	$ (1,717,532)	$ (1,370,052)

4) Property revaluation surplus

	For the Six Months Ended June 30	
	2020	2019
Balance at the beginning of the period	$ 457,968	$ 249,819
Gains on property revaluation	-	217,619
Tax effect	-	(9,470)
Other comprehensive income	-	208,149
Transferred to retained earnings	(143,225)	-
Balance at the end of the period	$ 314,743	$ 457,968

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 Six Months Ended June 30	
	2020	2019
Balance at the beginning of the period	$ (1,850,508)	$ 774,084
Change in fair value attributed to changes in credit risk	1,117,321	(1,778,640)
Tax effect	(223,464)	355,729
Other comprehensive income	893,857	(1,422,911)
Balance at the end of the period	$ (956,651)	$ (648,827)

6) Non-controlling interests

	For the Six Months Ended June 30	
	2020	2019
Balance at the beginning of the period	$ 4,409,576	$ 4,041,481
Net income attributable to non-controlling interests	266,171	333,275
Exchange differences on translating the financial statements of foreign entities	(27,640)	39,734
Change in non-controlling interests	(472,302)	(393,414)
Gains from investments in debt instruments measured at fair value through other comprehensive income	125,159	27,102
Balance at the end of the period	$ 4,300,964	$ 4,048,178

33. NET INTEREST REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest income				
Discounts and loans	$ 9,104,047	$ 10,263,003	$ 19,184,712	$ 20,404,053
Investment securities	2,532,136	2,845,823	5,058,608	5,571,863
Revolving credit	584,867	573,677	1,198,707	1,150,881
Due from banks and call loans to banks	489,190	687,970	1,123,692	1,346,738
Others	69,887	221,608	186,723	468,261
	12,780,127	14,592,081	26,752,442	28,941,796
Interest expense				
Deposits	2,824,197	3,791,780	6,366,558	7,506,565
Financial debentures	230,502	245,329	469,689	488,516
Structured products	275,762	623,795	707,317	1,284,301
Due to the Central Bank and other banks	312,771	570,615	743,451	1,089,430
Notes and bonds issued under repurchase agreements	66,877	260,842	237,060	562,985
Others	241,531	37,746	283,681	104,238
	3,951,640	5,530,107	8,807,756	11,036,035
	$ 8,828,487	$ 9,061,974	$ 17,944,686	$ 17,905,761

34. NET SERVICE FEE REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Service fee income				
Credit card business	$ 1,296,686	$ 1,761,869	$ 2,666,921	$ 3,368,583
Trust business	897,755	806,108	2,068,639	1,521,562
Loan business	171,879	375,295	455,007	730,182
Cross-selling marketing	1,449,081	1,407,393	3,444,703	3,933,296
Others	679,540	696,680	1,411,734	1,352,077
	4,494,941	5,047,345	10,047,004	10,905,700
Service fee expenses				
Credit card business	627,277	933,371	1,422,741	1,817,389
Others	348,475	302,082	662,618	605,417
	975,752	1,235,453	2,085,359	2,422,806
	$ 3,519,189	$ 3,811,892	$ 7,961,645	$ 8,482,894

The Bank also engaged in the business for online pay services. For the six months ended June 30, 2020 and 2019, service fee revenue was $186 thousand and $256 thousand, respectively, and the revenue and other income resulting from the fund collected were both zero.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Stock	$ (2,984)	$ 37,391	$ (64,075)	$ 71,138
Short-term bills	203,696	251,732	543,898	558,092
Fund beneficiary certificates	(16,554)	15,625	(32,926)	26,580
Investment in debt instrument	(95,243)	(1,864,197)	(2,675,474)	(3,583,918)
Derivative financial instruments	1,728,741	2,882,491	5,038,421	6,757,062
	$ 1,817,656	$ 1,323,042	$ 2,809,844	$ 3,828,954
Realized gain (loss)				
Gain (loss) on disposal	$ 478,585	$ 853,224	$ 193,218	1,741,832
Interest income	414,728	372,477	978,476	768,501
Dividend income	1	3,496	1	3,496
Interest expense	(349,626)	(365,543)	(704,532)	(726,365)
Unrealized gain (loss)				
Valuation gain	1,273,968	459,388	2,342,681	2,041,490
	$ 1,817,656	$ 1,323,042	$ 2,809,844	$ 3,828,954

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Net gain on disposal - debt instruments	$ 754,301	$ 470,562	$ 3,218,506	$ 952,573
Dividend income	148,232	332,872	152,423	336,474
	$ 902,533	$ 803,434	$ 3,370,929	$ 1,289,047

37. IMPAIRMENT LOSS ON ASSETS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Debt instruments at FVTOCI	$ 38,283	$ 38,088	$ 34,835	$ 56,820
Debt instruments at amortised cost	21,006	9,993	21,258	6,392
	$ 59,289	$ 48,081	$ 56,093	$ 63,212

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Discounts and loans	$ 672,180	$ 65,185	$ 1,150,352	$ 832,955
Receivables	58,747	19,200	121,252	43,906
Guarantee liability provisions	(14,358)	(1,126)	4,268	(7,992)
Financial commitment provisions	(48,320)	54,091	(19,036)	16,934
Others	14,420	30,381	15,119	31,684
	$ 682,669	$ 167,731	$ 1,271,955	$ 917,487

39. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Salaries	$ 3,543,310	$ 3,687,401	$ 7,421,993	$ 7,553,200
Insurance	252,010	260,275	522,115	521,429
Post-employment benefits	175,571	169,590	352,545	343,401
Remuneration of directors	1,079	1,144	2,042	2,149
Others	68,671	65,465	158,391	161,751
	$ 4,040,641	$ 4,183,875	$ 8,457,086	$ 8,581,930

For the six months ended June 30, 2020 and 2019, the average number of the Company’s employees was 12,088 and 12,079, including 19 and 16 non-executive directors, respectively.

As of June 30, 2020 and 2019, the number of employees in the Company were 12,106 and 11,985, respectively.

Under the Articles of Incorporation of the Bank, the Bank accrued employees’ compensation and remuneration of directors at the rates of 0.05% and no higher than 0.1%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors (after offsetting accumulated deficits). For the six months ended June 30, 2020 and 2019, employees’ compensation and the remuneration of directors were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Employees’ compensation	$ 3,484	$ 3,800	$ 7,804	$ 7,400
Remuneration of directors	$ 1,259	$ 1,330	$ 2,222	$ 2,335

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

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

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

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

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

40. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Depreciation expense				
Property and equipment	$ 336,026	$ 323,095	$ 670,289	$ 636,847
Right-of-use assets	406,579	296,907	778,753	573,959
Amortization expense				
Intangible assets	127,699	108,084	244,112	225,154
	$ 870,304	$ 728,086	$ 1,693,154	$ 1,435,960

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Rental expenses	$ 287,391	$ 288,637	$ 548,182	$ 632,752
Tax expenses	529,646	558,967	1,135,480	1,143,772
Product promotion expenses	506,566	803,167	1,340,871	1,808,623
Insurance expenses	190,117	179,085	382,339	363,559
Others	1,170,827	1,377,041	2,243,784	2,767,198
	$ 2,684,547	$ 3,206,897	$ 5,650,656	$ 6,715,904

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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
In respect of the period	$ 713,566	$ 1,167,426	$ 1,967,982	$ 2,060,919
Adjustment for prior year	101,309	79,548	101,309	79,548
Deferred tax				
In respect of the period	74,125	(325,974)	(44,291)	(249,467)
Income tax of overseas subsidiaries	35,184	145,048	214,622	245,059
Income tax expense recognized in profit or loss	$ 924,184	$ 1,066,048	$ 2,239,622	$ 2,136,059

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 Holdings Co., Ltd. and its subsidiaries. Additional tax payable or receivable due to the joint declaration of income tax is recognized under the receivables (payables) for allocation of integrated income tax systems account.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Deferred tax				
Recognized in OCI				
Remeasurement of defined benefit plans	$ -	$ -	$ 225	$ -
Gains on property revaluation	-	9,470	-	9,470
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	(117,424)	(112,573)	223,464	(355,729)

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Translation of foreign operations	$ (92,443)	$ (8,809)	$ (121,105)	$ 71,708
Fair value changes of financial assets at FVTOCI	306,770	252,368	(271,924)	539,966
Total income tax recognized in other comprehensive income	$ 96,903	$ 140,456	$ (169,340)	$ 265,415

(Concluded)

c. Income tax assessment

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

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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Basic earnings per share	$ 0.57	$ 0.62	$ 1.27	$ 1.22

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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Net income for calculating basic earnings per share	$ 6,092,938	$ 6,281,473	$ 13,582,759	$ 12,430,406

Number of shares

Unit: In Thousands

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares used for calculating basic earnings per share	10,698,583	10,172,380	10,698,583	10,172,380

44. RELATED-PARTY TRANSACTIONS

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

a. Related parties and relationships

Related Party	Relationship with the Company
Cathay Financial Holding Co., Ltd.	Parent company
Taiwan Real-estate Management Corp.	Associate
Taiwan Finance Corp.	Associate
Cathay Life Insurance Co., Ltd.	Other related party
Cathay Century Insurance Co., Ltd.	Other related party
Cathay Securities Co., Ltd.	Other related party
Cathay Venture Inc.	Other related party
Cathay Securities Investment Trust Co., Ltd.	Other related party
Cathay Securities Investment Consulting Co., Ltd.	Other related party
Cathay Investment Inc.	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Conning Asia Pacific Ltd.	Other related party
Cathay Life Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Dragon Fund etc.	Other related party
Cathay Futures Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Cathay United Bank Foundation	Other related party
Cathay Securities Investment Trust Employees’ Welfare Committee	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
Cathay Private Equity Co., Ltd.	Other related party
Vietinbank	Other related party
Lin Yuan Property Management and Maintenance Co., Ltd.	Other related party
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
PSS Co., Ltd	Other related party

(Continued)

Related Party	Relationship with the Company
Kao-Yi International Investment Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Neo Cathay Power Corp.	Other related party
TaiYang Solar Power Co., Ltd.	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

June 30, 2020

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad Debt Expense 01.01-06.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	30	$ 143,268	$ 19,231	V	$ -	None	None	$ 119	$ 320
Self-used housing mortgage loans	262	1,981,127	1,828,244	V	-	Real estate and securities	None	(87)	22,648
Others	Cathay Real Estate Development Co., Ltd.	250,000	-	V	-	Real estate	None	(2,500)	-
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	-	330
Others	Cathay Securities Co., Ltd.	707,913	-	V	-	Securities	None	-	-
Others	Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	10,000	V	-	Real estate	None	-	100
Others	TaiYang Solar Power Co., Ltd.	70,549	67,897	V	-	Personal property	None	345	1,051

December 31, 2019

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	27	$ 66,064	$ 9,862	V	$ -	None	None	$ 27	$ 175
Self-used housing mortgage loans	252	1,959,428	1,765,551	V	-	Real estate and securities	None	3,062	22,640
Others	Cathay Real Estate Development Co., Ltd.	2,040,000	250,000	V	-	Real estate	None	(1,500)	2,500
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	(69)	330
Others	Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	10,000	V	-	Real estate	None	100	100

June 30, 2019

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-06.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	21	$ 54,562	$ 6,981	V	$ -	None	None	$ 11	$ 158
Self-used housing mortgage loans	236	1,798,138	1,649,576	V	-	Real estate	None	846	20,801
Others	Cathay Real Estate Development Co., Ltd.	870,000	-	V	-	Real estate	None	(4,000)	-
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	(69)	330
Others	Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	10,000	V	-	Real estate	None	100	100

	Interest Revenue			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Associates				
Taiwan Real-estate Management Corp.	$ 125	$ 147	$ 272	$ 290
Other related parties				
Cathay Real Estate Development Co., Ltd.	-	-	60	470
Cathay Securities Co., Ltd.	-	-	59	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	37	20	81	20
TaiYang Solar Power Co., Ltd.	352	-	754	-
Others	6,490	6,811	13,781	13,567
	6,879	6,831	14,735	14,057
	$ 7,004	$ 6,978	$ 15,007	$ 14,347

Deposits

	June 30, 2020	December 31, 2019	June 30, 2019
Parent company			
Cathay Financial Holding Co., Ltd.	$ 365,779	$ 79,099	$ 286,787
Other related parties			
Cathay Life Insurance Co., Ltd.	30,588,494	23,917,315	17,828,099
Cathay Century Insurance Co., Ltd.	2,274,712	2,474,304	2,030,218
Cathay Securities Co., Ltd.	2,266,536	2,034,207	3,012,799
Cathay Futures Co., Ltd.	1,313,755	1,429,607	1,117,526
Cathay Venture Inc.	41,709	25,405	181,157
Cathay Securities Investment Trust Co., Ltd.	107,829	143,714	182,371
Cathay Securities Investment Consulting Co., Ltd.	387,099	204,526	132,226
Cathay Investment Inc.	46,735	34,946	-
Cathay Real Estate Development Co., Ltd.	202,634	257,587	241,710
Cathay Hospitality Management Co., Ltd.	10,815	6,203	19,579
Cathay Life Insurance (Vietnam) Co., Ltd.	747,834	497,313	1,028,446
Cathay Insurance (Vietnam) Co., Ltd.	196,501	168,057	225,736
Cathay Dragon Fund etc.	226,508	84,784	179,780
Symphox Information Co., Ltd.	292,983	154,446	148,141
Conning Asia Pacific Ltd.	77,556	78,469	80,288
Cathay Private Equity Co., Ltd.	62,089	15,989	27,752
Cathay United Bank Foundation	519,586	532,486	533,582

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Cathay Securities Investment Trust Employees' Welfare Committee	$ 3,225	$ 3,277	$ 4,258
Cathay United Bank Employees' Welfare Committee	801,536	757,991	795,069
Cathay Life Insurance Employees' Welfare Committee	2,280,214	2,142,876	2,129,597
Cathay Real Estate Development Employees' Welfare Committee	391,939	397,367	377,381
Neo Cathay Power Corp.	11	11	42,638
Lin Yuan (Shanghai) Real Estate Co., Ltd.	1,071,938	990,004	751,718
Others	9,031,504	7,614,526	8,712,055
	52,943,742	43,965,410	39,782,126
	$ 53,309,521	$ 44,044,509	$ 40,068,913

(Concluded)

	Interest Expense			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Parent company				
Cathay Financial Holding Co., Ltd.	$ 22	$ 384	$ 39	$ 474
Other related parties				
Cathay Life Insurance Co., Ltd.	5,372	10,615	12,266	24,263
Cathay Century Insurance Co., Ltd.	1,195	2,132	2,988	4,284
Cathay Securities Co., Ltd.	759	1,273	1,907	2,247
Cathay Futures Co., Ltd.	1,167	2,060	3,252	3,873
Cathay Venture Inc.	1	1	2	2
Cathay Securities Investment Trust Co., Ltd.	19	40	51	80
Cathay Securities Investment Consulting Co., Ltd.	121	165	283	328
Cathay Investment Inc.	-	-	1	-
Cathay Real Estate Development Co., Ltd.	3	20	7	33
Cathay Hospitality Management Co., Ltd.	-	1	1	2
Cathay Life Insurance (Vietnam) Co., Ltd.	2,170	5,128	6,537	10,222
Cathay Insurance (Vietnam) Co., Ltd.	1,915	1,761	2,536	4,009

(Continued)

	Interest Expense			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Symphox Information Co., Ltd.	$ 134	$ 197	$ 318	$ 374
Conning Asia Pacific Ltd.	19	406	251	735
Cathay Private Equity Co., Ltd.	1	3	2	7
Cathay United Bank Foundation	1,109	1,402	2,413	2,796
Cathay Securities Investment Trust Employees' Welfare Committee	1	1	2	2
Cathay United Bank Employees' Welfare Committee	7,801	7,961	15,339	13,880
Cathay Life Insurance Employees' Welfare Committee	4,232	5,552	9,325	11,041
Cathay Real Estate Development Employees' Welfare Committee	836	1,028	1,826	2,056
Neo Cathay Corp.	-	10	-	24
Lin Yuan (Shanghai) Real Estate Co., Ltd.	8,329	5,505	15,878	10,369
Others	15,460	20,856	33,857	40,973
	50,644	66,117	109,042	131,600
	$ 50,666	$ 66,501	$ 109,081	$ 132,074

(Concluded)

	Account Balance		
Accounts/Related Parties	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**
Due from commercial banks			
Other related parties			
Vietinbank	$ 5,135,457	$ 5,216,825	$ 5,380,934
Due to commercial banks			
Other related parties			
Vietinbank	5,337,418	5,265,818	5,373,474

Accounts/Related Parties	Interest Income (Expense)			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Due from commercial Banks				
Other related parties				
Vietinbank	$ 920	$ 1,383	$ 2,225	$ 2,713
Due to commercial banks				
Other related parties				
Vietinbank	(1,310)	(1,339)	(2,595)	(2,651)

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

2) Guarantees

June 30, 2020

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collaterals
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	$ 68,190	$ 55,190	$ 15	0.65%-0.8%	Securities

December 31, 2019

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

June 30, 2019

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collaterals
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	$ 42,277	$ 41,815	$ 5	0.65%-0.8%	Securities

3) Derivatives

June 30, 2020

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2019.11.04-2021.03.16	$ 87,941,900	$ 370,829	Valuation adjustment for FVTPL financial assets	$ 4,943
					Valuation adjustment for FVTPL financial liabilities	(729,705)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2019.10.07-2021.05.12	2,823,632	7,323	Valuation adjustment for FVTPL financial assets	112
					Valuation adjustment for FVTPL financial liabilities	(26,197)
	SWAP - exchange between customers (EUR)	2020.02.20-2021.02.24	24,964	286	Valuation adjustment for FVTPL financial assets	388
					Valuation adjustment for FVTPL financial liabilities	-

December 31, 2019

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

June 30, 2019

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2018.07.18-2020.05.12	$ 111,703,840	$ 3,533,344	Valuation adjustment for FVTPL financial assets	$ 2,389,065
					Valuation adjustment for FVTPL financial liabilities	(219,363)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2019.01.24-2020.05.11	2,631,798	75,866	Valuation adjustment for FVTPL financial assets	40,599
					Valuation adjustment for FVTPL financial liabilities	(1,590)
	SWAP - exchange between customers (EUR)	2019.02.20-2019.08.22	26,536	219	Valuation adjustment for FVTPL financial assets	262
					Valuation adjustment for FVTPL financial liabilities	-

4) Lease agreement - the Company as lessee

Accounts/Related Parties	For the Six Months Ended June 30 2020	2019
Acquisition of right-of-use assets		
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 544,263	$ -
Cathay Real Estate Development Co., Ltd.	-	25,777

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 June 30, 2020	December 31, 2019	June 30, 2019
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 2,175,785	$ 1,956,803	$ 2,051,854
Cathay Real Estate Development Co., Ltd.	11,199	20,954	30,667

Accounts/ Related Parties	For the Three Months Ended June 30 2020	2019	For the Six Months Ended June 30 2020	2019	Payment Term
Rental expense					
Other related parties					
Cathay Life Insurance Co., Ltd.	$ 2,345	$ 46,269	$ 13,708	$ 103,491	Monthly
Cathay Real Estate Development Co., Ltd.	-	-	-	2,502	Monthly

Related Parties	Refundable Deposits June 30, 2020	December 31, 2019	June 30, 2019
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 189,914	$ 188,158	$ 175,220
Cathay Real Estate Development Co., Ltd.	4,625	4,625	4,625

5) Lease agreement - the Company as lessor

Accounts/ Related Parties	For the Three Months Ended June 30		For the Six Months Ended June 30		Payment Term
	2020	**2019**	**2020**	**2019**	
Rental income					
Other related parties					
Cathay Life Insurance Co., Ltd.	$ 12,195	$ 11,964	$ 24,332	$ 24,111	Monthly
Cathay Century Insurance Co., Ltd.	1,795	2,223	4,010	4,505	Monthly
Cathay Securities Co., Ltd.	2,421	2,418	4,841	4,836	Monthly

Related Parties	Guarantee Deposits Received		
	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 12,019	$ 12,019	$ 12,019
Cathay Century Insurance Co., Ltd.	1,775	2,196	2,247
Cathay Securities Co., Ltd.	2,610	2,610	2,610

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.

6) Others

Accounts/Related Parties	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Commissions and handling fees income				
Other related parties				
Cathay Life Insurance Co., Ltd.	$ 1,728,238	$ 1,721,291	$ 3,501,076	$ 4,117,101
Cathay Century Insurance Co., Ltd.	35,250	37,812	69,882	74,028
Cathay Securities Co., Ltd.	39,978	18,393	67,812	34,231
Cathay Securities Investment Trust Co., Ltd.	9,739	8,089	17,560	16,714
Cathay Securities Investment Consulting Co., Ltd.	4,401	3,098	8,018	7,642
Cathay Real Estate Development Co., Ltd.	1,525	977	3,105	2,261
Miscellaneous income				
Parent company				
Cathay Financial Holding Co., Ltd.	12,231	9,362	12,231	9,362
Other related parties				
Cathay Life Insurance Co., Ltd.	9,328	1,816	24,271	1,816
Commissions and handling fees expense				
Other related parties				
Cathay Securities Co., Ltd.	3,720	303	5,951	711

(Continued)

Accounts/Related Parties	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Other operating expenses				
Other related parties				
Cathay Life Insurance Co., Ltd.	$ 56,184	$ 47,217	$ 84,722	$ 83,574
Cathay Securities Co., Ltd.	2,214	550	4,711	1,125
Cathay Securities Investment Trust Co., Ltd.	1,800	1,800	3,600	3,600
Symphox Information Co., Ltd.	128,894	133,465	236,273	275,525
Lin Yuan Property Management Co., Ltd.	2,272	2,415	5,282	4,912
Cathay Healthcare Management Co., Ltd.	4,680	2,775	5,636	10,005
Seaward Card Co., Ltd.	55,138	55,199	114,888	115,013
Insurance expenses paid				
Other related parties				
Cathay Life Insurance Co., Ltd.	16,615	21,671	21,680	25,574
Cathay Century Insurance Co., Ltd.	33,154	40,049	76,736	83,970

(Concluded)

Related Parties	June 30, 2020	December 31, 2019	June 30, 2019
Receivables			
Other related parties			
Cathay Securities Investment Trust Co., Ltd.	$ 2,406	4,342	2,456
Related party receivables for commission of collecting insurances			
Other related parties			
Cathay Life Insurance Co., Ltd.	649,267	43,208	427,597
Refundable deposit			
Other related parties			
Cathay Futures Co., Ltd.	201,911	508,694	85,837

(Continued)

Related Parties	June 30, 2020	December 31, 2019	June 30, 2019
Accrued expenses			
Other related parties			
Seaward Card Co., Ltd.	$ 31,273	$ 37,704	$ 29,300
Accounts payable			
Other related parties			
Cathay Century Insurance Co., Ltd.	24,933	49,719	17,549
Symphox Information Co., Ltd.	72,820	123,346	117,997
Related party payables for allocation of integrated income tax systems account			
Parent company			
Cathay Financial Holding Co., Ltd.	362,650	1,703,104	368,256
Dividends payable			
Parent company			
Cathay Financial Holding Co., Ltd.	10,000,000	-	10,000,000

(Concluded)

The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of $0 thousand and $7,138 thousand during the six months ended June 30, 2020 and 2019, respectively.

The Bank purchased bonus points from Symphox Information Co., Ltd. The bonus points can be earned by the Bank's customers and exchanged for merchandise. As of June 30, 2020, December 31, 2019 and June 30, 2019, the unconverted bonus points amounted to $25,818 thousand, $25,797 thousand and $15,463 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 six months ended June 30, 2020 and 2019 was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employment benefits	$ 96,386	$ 81,768	$ 185,036	$ 158,880
Post-employment benefits	1,066	2,980	2,765	4,296
Others	55	-	55	34
	$ 97,507	$ 84,748	$ 187,856	$ 163,210

The key management personnel of the Company includes 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Due from the Central Bank (deposit reserves - general accounts)	$ 6,000,000	$ -	$ -
Financial assets at fair value through profit or loss	26,006,532	10,006,563	14,287
Investments in debt instruments at amortised cost	31,525,539	47,521,950	64,490,067

46. CONTINGENCIES AND COMMITMENTS

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

a. The Bank

1) Entrusted items and guarantees:

Account/Name of Related Party	June 30, 2020	December 31, 2019	June 30, 2019
Trust and security held for safekeeping	$ 749,305,429	$ 720,298,578	$ 757,626,207
Travelers checks for sale	214,579	257,286	274,421
Collection and payment on behalf of customers	32,338,791	36,708,754	35,815,320
Book-entry for government bonds and depository for short-term marketable securities under management	421,110,227	429,136,051	415,226,571
Entrusted financial management business	8,394,251	8,205,335	21,129,171
Guarantees on duties and contracts	13,273,076	12,957,304	14,228,978
Unused commercial letters of credit	4,751,037	4,496,860	5,556,329
Irrevocable loan commitments	129,980,562	189,579,513	188,404,566
Unused credit card line commitments	645,540,098	623,899,000	610,420,987
Underwritten securities	-	1,350,000	1,596,934

2) As of June 30, 2020, the Bank’s significant lawsuits and proceedings arising due to normal business relationships are as follows:

Lee & Li, Attorneys-at-Law and SanDisk Corporation of USA alleged that the embezzlement case of Liu Wei-Chieh (an employee of Lee & Li), which occurred in October 2003 was caused by the negligence of the Bank in its operation, and the plaintiffs claimed damages from the Bank in the amount of approximately $991,002 thousand. The case has been pending in the court since July 2007, and the Bank won favorable decisions in both the first and second instances. The proceedings are currently pending in the Supreme Court. Both the Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of the Bank.

b. Indovina Bank

Entrusted item and guarantees

	June 30, 2020	December 31, 2019	June 30, 2019
Financial guarantee contracts	$ 1,225,345	$ 1,380,304	$ 1,738,228
Unused commercial letters of credit	680,992	662,214	1,009,781
Irrevocable loan commitments	-	-	667

c. CUBC Bank

Entrusted item and guarantees

	June 30, 2020	December 31, 2019	June 30, 2019
Financial guarantee contracts	$ 20,633	$ 23,652	$ 66,582
Credit card line commitments	293,663	280,881	318,994
Irrevocable loan commitments	381,103	488,140	-

d. CUBCN Bank

Entrusted item and guarantees

	June 30, 2020	December 31, 2019	June 30, 2019
Financial guarantee contracts	$ 346,652	$ 427,986	$ 456,369
Unused commercial letters of credit	262,962	95,593	151,044
Irrevocable loan commitments	1,075,794	1,050,539	822,119

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

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

Balance Sheet of Trust Accounts

	June 30	
	2020	**2019**
Trust assets		
Bank deposits	$ 16,141,671	$ 13,021,186
Bonds	62,227,597	59,783,685
Stocks	39,715,065	39,357,117
Mutual funds	213,349,131	214,629,857
Insurances	2,685,982	2,766,486
Receivables	5,031	5,518
Real estate		
Land	46,898,682	47,672,864
Buildings, net	157,787	36,325
Construction in progress	2,455,917	819,993
Custody securities	112,003,782	107,972,815
Total trust assets	$ 495,640,645	$ 486,065,846
Trust liabilities		
Payables	$ 532	$ 53
Tax payable	34	109
Custody securities payable	112,003,782	107,972,815
Other liabilities	406	406
Trust capital	383,822,469	378,341,576
Provisions and accumulated losses		
Net income	135,099	135,413
Accumulated losses	(321,677)	(384,526)
Total trust liabilities	$ 495,640,645	$ 486,065,846

Income Statement of Trust Accounts

	For the Six Months Ended June 30	
	2020	2019
Trust revenue		
Interest income	$ 15,053	$ 14,966
Rent revenue	829	213
Cash dividends income	141,254	190,317
Realized capital income - stocks	397	287
Realized capital income - mutual funds	4,104	1,221
Unrealized capital income - stocks	9,909	11,837
Unrealized capital income - mutual funds	1,242	2,095
Total trust revenue	172,788	220,936
Trust expense		
Management fee	10,786	11,524
Supervisor fee	647	848
Taxes	456	416
Service fee	821	422
Realized capital loss - bonds	101	-
Realized capital loss - stocks	615	-
Realized capital loss - mutual funds	10,555	13,681
Unrealized capital loss - stocks	1,364	628
Unrealized capital loss - mutual funds	970	703
Others	11,374	57,301
Total trust expense	37,689	85,523
Income equalization		
Net income (loss) before tax	135,099	135,413
Income tax expense	-	-
Net income (loss)	$ 135,099	$ 135,413

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

Trust Property and Equipment Accounts

	June 30	
Investment Portfolio	2020	2019
Bank deposits	$ 16,141,671	$ 13,021,186
Bonds	62,227,597	59,783,685
Stocks	39,715,065	39,357,117
Mutual funds	213,349,131	214,629,857
Insurances	2,685,982	2,766,486
Receivables	5,031	5,518
Real estate		
Land	46,898,682	47,672,864
Buildings, net	157,787	36,325
Construction in progress	2,455,917	819,993
Custody securities	112,003,782	107,972,815
	$ 495,640,645	$ 486,065,846

b. The Bank conducts trust business by Trust Enterprise Act Article 3. The related trust business information as of June 30, 2020 and 2019 were as follows:

Trust Business

Item	June 30 2020	June 30 2019
Special trust of money that invest in foreign securities	$ 225,794,804	$ 216,493,361
Special trust of money that invest in domestic securities	48,754,777	56,840,903
Trust of money - custody securities	112,003,782	107,972,815
Trust of real estate	49,954,655	49,235,068
Trust of real estate price	6,420,305	4,499,936
Trust of insurance claims	202,263	197,186
Personal and corporate trust	47,386,088	46,129,506
Trust of business employee's savings	1,964,065	1,947,410
Trust of securities	3,159,906	2,749,661
	$ 495,640,645	$ 486,065,846

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

The Bank has entered into cross-selling marketing contracts with Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd. and Cathay Securities Co., Ltd. The contracts cover joint use of operation sites and facilities as well as cross-selling marketing personnel. Remuneration apportionment and expenses allocation for cross-selling marketing personnel follow the "Cathay Financial Company Scope of Cross-selling Marketing and Rules for Reward".

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

49. FINANCIAL INSTRUMENTS

a. Information on fair value hierarchy

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

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

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

1) Level 1

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

   a) All financial instruments in the market are homogeneous.

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

   c) The public can access the price information easily.

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

2) Level 2

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

   a) Quoted prices of similar products in an active market. This means the fair value can be derived from the current trading prices of similar products, and whether they are similar products should be judged on the characteristics and trading rules. The fair price valuation in this circumstance may be adjusted due to time differences, trading rule differences, interested parties' prices, and the correlation of price between the product 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 this model should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be obtained from the market and can reflect the expectation of market participants;

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

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

3) Level 3

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

   The products in this level are part of emerging stocks, unlisted shares, investment properties, 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:

Items	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 92,852	$ 75,458	$ -	$ 17,394
Bonds	48,289,590	1,873,753	46,415,837	-
Others	166,075,664	487,865	165,587,799	-
Financial assets at fair value through other comprehensive income				
Stocks	19,674,779	16,091,188	-	3,583,591
Bonds	226,101,599	74,103,918	151,997,681	-
Others	88,448,217	-	88,448,217	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	46,232,246	-	46,232,246	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	78,316,163	7,889	69,431,885	8,876,389
Liabilities				
Financial liabilities at fair value through profit or loss	71,905,722	52,201	62,977,132	8,876,389

Items	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 308,796	$ 292,533	$ -	$ 16,263
Bonds	56,905,516	4,293,184	52,612,332	-
Others	190,272,535	182,220	190,090,315	-
Financial assets at fair value through other comprehensive income				
Stocks	26,004,805	21,918,515	-	4,086,290
Bonds	227,871,992	63,235,736	164,182,408	453,848
Others	70,253,313	-	70,253,313	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	57,604,294	-	57,604,294	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	51,387,906	123,118	40,583,609	10,681,179
Liabilities				
Financial liabilities at fair value through profit or loss	49,166,645	36,488	38,448,978	10,681,179

Items	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 311,058	$ 295,691	$ -	$ 15,367
Bonds	54,459,343	7,356,550	47,102,793	-
Others	128,037,045	-	128,037,045	-
Financial assets at fair value through other comprehensive income				
Stocks	22,506,979	18,233,690	-	4,273,289
Bonds	226,583,950	76,872,182	149,711,768	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	58,349,871	-	58,349,871	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	57,365,067	54,697	47,127,617	10,182,753
Liabilities				
Financial liabilities at fair value through profit or loss	49,286,220	96,513	39,006,954	10,182,753

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

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

iv. Evaluation of unlisted securities that lack tradable closing prices should use quoted prices from independent brokers 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 contacts and the discounted cash flow method to calculate the fair values of each contract. For foreign exchange option transactions, the Company uses the option pricing models which are generally used by other market participants (e.g., the Black-Scholes model) to calculate the fair value of the contracts.

3) Fair value adjustments

<u>Credit risk evaluation adjustments</u>

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

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

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

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

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

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

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

There were no significant transfers between Level 1 and Level 2 for the six months ended June 30, 2020 and 2019.

5) Reconciliation of Level 3 fair value measurements

a) Reconciliation of Level 3 fair value measurements

<u>For the six months ended June 30, 2020</u>

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transferred to Level 3	Sale or Change in Fair Value	Transferred from Level 3		
Financial assets at fair value through profit or loss									
Stocks	$ 16,263	$ 1,131	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,394
Derivative financial instruments	10,681,179	(1,062,180)	-	70,688	-	813,298	-	-	8,876,389
Financial assets at fair value through other comprehensive income									
Stocks	4,086,290	-	(473,800)	2,732	-	31,619	-	(12)	3,583,591
Bonds	453,848	-	-	-	-	-	453,848	-	-

<u>For the six months ended June 30, 2019</u>

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transferred to Level 3	Sale or Change in Fair Value	Transferred from Level 3		
Financial assets at fair value through profit or loss									
Stock	$ 3,657	$ 11,710	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,367
Derivative financial assets	12,084,217	(1,256,599)	-	23,000	-	667,865	-	-	10,182,753
Financial assets at fair value through other comprehensive income									
Stocks	3,558,050	-	718,595	-	-	3,364	-	8	4,273,289

Total gains or losses shown on the tables above that contain unrealized gains and losses related to assets on hand as of June 30, 2020 and 2019 amounted to losses of $1,061,049 thousand and $1,244,889 thousand, respectively.

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

<u>For the six months ended June 30, 2020</u>

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial instruments	$ 10,681,179	$ (1,062,180)	$ -	$ 70,688	$ -	$ 813,298	$ -	$ 8,876,389

<u>For the six months ended June 30, 2019</u>

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial instruments	$ 12,084,217	$ (1,256,599)	$ -	$ 23,000	$ -	$ 667,865	$ -	$ 10,182,753

Total gains or losses shown on the tables above that contain unrealized gains and losses related to liabilities on hand as of June 30, 2020 and 2019 amounted to gains of $1,062,180 thousand and $1,256,599 thousand, respectively.

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

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

June 30, 2020

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
Financial assets						
Financial assets at fair value through profit or loss	Stock	$ 17,394	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	2,607,296	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
		46,576	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		929,719	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

December 31, 2019

Items	Product	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
Financial assets						
Financial assets at fair value through profit or loss	Stock	$ 16,263	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	3,019,173	Market approach	Discount for lack of marketability	15%-30%	The higher the discount for lack of marketability, the lower the fair value of the stock
		45,437	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		1,021,680	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

June 30, 2019

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
Financial assets						
Financial assets at fair value through profit or loss	Stock	$ 15,367	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	3,236,400	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
		41,633	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		995,256	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

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

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

d. Financial instruments that were not measured at fair value

1) Information on fair value

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

	June 30, 2020		December 31, 2019		June 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Investments in debt instruments at amortised cost	$ 416,787,794	$ 418,009,079	$ 444,934,985	$ 444,630,239	$ 405,479,902	$ 407,256,404

2) Information on fair value hierarchy

Item	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 418,009,079	$ 9,957,839	$ 407,292,839	$ 758,401

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

Item	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 407,256,404	$ 916,220	$ 401,439,320	$ 4,900,864

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

b) Discounts and loans, deposits, financial debentures and structured commodity principals are all interest-bearing financial assets/liabilities whose book value is taken as the current fair value. The book value is the estimated recoverable amount after deduction of allowance for bad debts, so the book value is the fair value.

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

e. The maximum exposures of financial instruments to credit risks without consideration of guarantees or other credit enforcement instruments approximate the financial instruments' carrying amounts.

50. FINANCIAL RISK MANAGEMENT

The Bank's risk control and hedging strategy follow the requirements of customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, the Bank 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 setup its risk management committee, whose responsibilities are as follows:

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

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

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

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

e. Other issues.

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

a. Credit risk

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

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

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures; and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts implement credit risk controls. Cathay United Bank and Indovina Bank perform periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

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

CUBC Bank

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

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

Judgement of significant increase in credit risk after initial recognition

The Bank and CUBCN Bank

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

1) Quantitative indicators

    a) Changes in credit rating

        When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition and the credit rating has not met the investment grade, the credit risk has increased significantly since the initial recognition.

    b) Information on the overdue status of a contract

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

2) Qualitative indicators

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

    a) Bounced checks are reported.

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

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

Indovina Bank

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

1) Notch downgrade

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

2) Low credit risk criteria

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

3) Past due information

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

4) Internal credit assessment indicators

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

CUBC Bank

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

1) Past due information

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

2) Loan classification from National Bank of Cambodia

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

3) Internal credit assessment indicators

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

Default and credit impairment of financial asset

The Bank and CUBCN Bank

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

1) Quantitative indicator

    a) Changes in credit rating

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

    b) Information on the overdue status of a contract

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

2) Qualitative indicator

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

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

    b) Lawsuit action has been taken;

    c) Debt settlement, debt negotiation;

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

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

<u>Indovina Bank</u>

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk subjected to default:

1) Notch downgrade

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

2) Past due information

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

3) Internal credit assessment indicators

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

CUBC Bank

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

1) Past due information

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

2) Loan classification from National Bank of Cambodia

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

3) Internal credit assessment indicators

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

Measurement of expected credit loss

The Bank and CUBCN Bank

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

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

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

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

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

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

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

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

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

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

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

<u>Indovina Bank</u>

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

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

1) Loan portfolio

The measurement of expected credit loss of Indovina Bank's loan portfolio is based on its credit category, risk characteristics and product category, and is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built by the Bank's historical delinquent information and recovery data and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not hit, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

2) Bond portfolio

The measurement of expected credit loss of Indovina Bank's bond portfolio is based on its issuer's category, issuer's credit rating, and risk characteristics. The probability 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 allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

CUBC Bank

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

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

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

Write-off policy

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

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

1) The recovery activity has stopped.

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

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

Consideration of forward-looking information

The Bank and CUBCN Bank

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

The significant economic factors identified by the Bank and CUBCN Bank at June 30, 2020 are as follows:

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

Indovina Bank

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

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

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

CUBC Bank

CUBC Bank establishes ECLmodel 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 2020 were as follows:

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

Credit risk management policy

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

1) Category of credit risk

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

2) Grade of credit quality

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

   In 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, and bad.

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

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

3) Hedge of credit risk and easing policy

   a) Collateral

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

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

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

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

c) Net settlement agreement

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

4) Maximum exposures to credit risk

Without taking into account the collateral or other credit enhancement instrument, the maximum credit risk exposure of on-balance-sheet financial assets equals their carrying values. The maximum credit risk exposure of off-balance-sheet items (without considering the collaterals or other credit enhancement is irrevocable) are as follows:

a) The Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Irrevocable loan commitments	$ 129,980,562	$ 189,579,513	$ 188,404,566
Credit card commitments	723,895,676	710,712,032	688,834,673
Unused commercial letters of credit	4,751,037	4,496,860	5,556,329
Guarantees on duties and contracts	13,273,076	12,957,304	14,228,978

b) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Financial guarantee contracts	$ 1,225,345	$ 1,380,304	$ 1,738,228
Unused commercial letters of credit	680,992	662,214	1,009,781
Irrevocable loan commitments	-	-	667

c) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Financial guarantee contracts	$ 20,633	$ 23,652	$ 66,582
Credit card commitments	293,663	280,881	318,994
Irrevocable loan commitments	381,103	488,140	-

d) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2020	December 31, 2019	June 30, 2019
Financial guarantee contracts	$ 346,652	$ 427,986	$ 456,369
Unused commercial letters of credit	262,962	95,593	151,044
Irrevocable loan commitments	1,075,794	1,050,539	822,119

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

June 30, 2020

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference of Impairment Loss under Regulations Assessment of Assets”	Total
Total carrying amount	$ 1,577,587,383	$ 54,015,381	$ 12,066,471	$ -	$ 1,643,669,235
Less: Allowance impairment	(4,169,840)	(2,285,559)	(5,792,161)	-	(12,247,560)
Less: Differences of Impairment Loss under regulations	-	-	-	(15,869,760)	(15,869,760)
	$ 1,573,142,617	$ 51,729,822	$ 6,549,236	$ (15,869,760)	$ 1,615,551,915

	Receivable				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference of Impairment Loss under Regulations Assessment of Assets”	Total
Total carrying amount	$ 84,525,983	$ 1,780,347	$ 2,210,456	$ -	$ 88,516,786
Less: Allowance impairment	(536,899)	(139,995)	(1,685,168)	-	(2,362,062)
Less: Differences of Impairment Loss under regulations	-	-	-	(53,037)	(53,037)
	$ 83,989,084	$ 1,640,352	$ 525,288	$ (53,037)	$ 86,101,687

December 31, 2019

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

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

June 30, 2019

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference of Impairment Loss under Regulations Assessment of Assets"	Total
Total carrying amount	$ 1,522,690,950	$ 53,642,589	$ 13,026,556	$ -	$ 1,589,360,095
Less: Allowance impairment	(2,640,108)	(1,300,645)	(5,890,001)	-	(9,830,754)
Less: Differences of Impairment Loss under regulations	-	-	-	(17,343,543)	(17,343,543)
	$ 1,520,050,842	$ 52,341,944	$ 7,136,555	$ (17,343,543)	$ 1,562,185,798

	Receivable				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference of Impairment Loss under Regulations Assessment of Assets"	Total
Total carrying amount	$ 97,766,356	$ 1,436,530	$ 2,357,661	$ -	$ 101,560,547
Less: Allowance impairment	(140,034)	(147,544)	(1,708,425)	-	(1,996,003)
Less: Differences of Impairment Loss under regulations	-	-	-	(41,401)	(41,401)
	$ 97,626,322	$ 1,288,986	$ 649,236	$ (41,401)	$ 99,523,143

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 or cross-line portfolio of risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. The Company does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty relative to the Company's total bills discounts and loans, including overdue loans, guarantees, bills purchased, and acceptances receivable is not significant. Credit concentration risk of the Company according to industry and country are listed below:

Industry Type	June 30, 2020 Amount	%	December 31, 2019 Amount	%	June 30, 2019 Amount	%
Manufacturing	$ 126,365,511	7.61	$ 116,211,750	7.28	$ 105,599,076	6.58
Financial institutions and insurance	79,714,670	4.80	79,217,724	4.96	68,218,050	4.25
Leasing and real estate	143,391,863	8.64	144,353,511	9.04	131,822,481	8.21
Individuals	919,038,313	55.38	904,288,042	56.65	888,965,223	55.39
Others	390,971,143	23.57	352,249,142	22.07	410,330,345	25.57
	$ 1,659,481,500	100.00	$ 1,596,320,169	100.00	$ 1,604,935,175	100.00

Geographic Region	June 30, 2020 Amount	%	December 31, 2019 Amount	%	June 30, 2019 Amount	%
Domestic	$ 1,360,651,802	81.99	$ 1,308,219,217	81.95	$ 1,321,328,812	82.33
Asia	224,404,033	13.52	211,659,637	13.26	202,801,679	12.63
America	51,106,498	3.08	53,564,188	3.36	45,682,393	2.85
Others	23,319,167	1.41	22,877,127	1.43	35,122,291	2.19
	$ 1,659,481,500	100.00	$ 1,596,320,169	100.00	$ 1,604,935,175	100.00

b. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

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

3) Analysis of financial assets held to manage liquidity risk and non-derivative financial liabilities by remaining contractual maturities

a) Financial assets held to manage liquidity risk

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

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

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

	June 30, 2020				
	0-30 Days	**31-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Due to the Central Bank and call loans from banks	$ 23,361,680	$ 20,724,462	$ 15,047,003	$ 19,105	$ 59,152,250
Due to the Central Bank and banks	-	-	-	410,000	410,000
Non-derivative financial liabilities at fair value through profit or loss	995,583	288,794	-	38,261,400	39,545,777
Securities sold under agreements to repurchase	12,835,997	1,323,836	-	3,940,178	18,100,011
Payables	26,749,985	1,770,080	4,231,709	326,965	33,078,739
Deposits and remittances	358,358,031	1,000,159,846	886,285,419	132,604,192	2,377,407,488
Financial debentures payable	-	84,190	7,123,195	46,800,000	54,007,385
Lease liabilities	121,094	581,063	615,506	2,736,423	4,054,086
Other capital outflow at maturity	13,025,383	24,839,326	8,017,969	1,011,934	46,894,612

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

	June 30, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	$ 43,144,005	$ 21,115,272	$ 20,388,489	$ 200,259	$ 84,848,025
Non-derivative financial liabilities at fair value through profit or loss	1,045,883	299,638	-	53,000,351	54,345,872
Securities sold under agreements to repurchase	16,722,207	3,329,915	-	13,195,368	33,247,490
Payables	25,964,574	2,245,495	4,508,438	387,641	33,106,148
Deposits and remittances	319,837,043	888,605,103	878,880,028	123,255,589	2,210,577,763
Financial debentures payable	1,500,000	-	231,897	53,889,589	55,621,486
Lease liabilities	98,519	498,113	535,316	2,959,540	4,091,488
Other capital outflow at maturity	23,246,636	37,996,265	7,439,586	1,015,628	69,698,115

Additional information about the maturity analysis of lease liabilities:

	June 30, 2020	December 31, 2019	June 30, 2019
Less than 1 year	$ 1,317,663	$ 1,116,536	$ 1,131,948
1-5 years	2,515,040	2,470,871	2,799,757
5-10 years	221,383	204,253	159,783
Over 10 years	-	634	-
	$ 4,054,086	$ 3,792,294	$ 4,091,488

c) Maturity analysis of derivative financial liabilities

Net settled derivatives financial instruments engaged by the Bank include:

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

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

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

	June 30, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	$ 3,389	$ 599,450	$ 13,423	$ 842	$ 617,104
Interest rate derivative instruments	466,488	473,143	1,291,179	37,769,550	40,000,360
	$ 469,877	$ 1,072,593	$ 1,304,602	$ 37,770,392	$ 40,617,464

	December 31, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	$ 131,322	$ 95,306	$ 7,545	$ 92	$ 234,265
Interest rate derivative instruments	53,997	195,095	501,056	20,153,630	20,903,778
	$ 185,319	$ 290,401	$ 508,601	$ 20,153,722	$ 21,138,043

	June 30, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	$ 65,606	$ 342,073	$ 7,124	$ 235	$ 415,038
Interest rate derivative instruments	149,267	408,225	343,931	21,539,628	22,441,051
	$ 214,873	$ 750,298	$ 351,055	$ 21,539,863	$ 22,856,089

Gross settled derivatives financial instruments engaged by the Bank include:

i. Foreign exchange derivative instruments: Currency swaps;

ii. Interest rate derivative instruments: Cross currency swaps;

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

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

	June 30, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	$ (2,245,896)	$ (4,638,089)	$ (1,366,440)	$ (250,035)	$ (8,500,460)
Cash inflow	1,156	9,425	-	-	10,581
Interest rate derivative instruments					
Cash outflow	-	(43,987)	(115,250)	(130,095)	(289,332)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(2,245,896)	(4,682,076)	(1,481,690)	(380,130)	(8,789,792)
Cash inflow subtotal	1,156	9,425	-	-	10,581
Net cash flow	$ (2,244,740)	$ (4,672,651)	$ (1,481,690)	$ (380,130)	$ (8,779,211)

	December 31, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	$ (3,014,684)	$ (7,300,980)	$ (1,041,437)	$ (110,918)	$ (11,468,019)
Cash inflow	15,580	6,979	638	-	23,197
Interest rate derivative instruments					
Cash outflow	(40,869)	(156)	(6,949)	(337,556)	(385,530)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(3,055,553)	(7,301,136)	(1,048,386)	(448,474)	(11,853,549)
Cash inflow subtotal	15,580	6,979	638	-	23,197
Net cash flow	$ (3,039,973)	$ (7,294,157)	$ (1,047,748)	$ (448,474)	$ (11,830,352)

	June 30, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	$ (1,893,030)	$ (4,033,363)	$ (862,517)	$ (99,692)	$ (6,888,602)
Cash inflow	40,764	34,355	4,998	-	80,117
Interest rate derivative instruments					
Cash outflow	(55,667)	(153,647)	(17,470)	(596,550)	(823,334)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,948,697)	(4,187,010)	(879,987)	(696,242)	(7,711,936)
Cash inflow subtotal	40,764	34,355	4,998	-	80,117
Net cash flow	$ (1,907,933)	$ (4,152,655)	$ (874,989)	$ (696,242)	$ (7,631,819)

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 are shown as follows:

June 30, 2020

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 93,606,499	$ 30,621,737	$ 5,752,326	$ 129,980,562
Credit card commitments	23,639,720	233,315,860	466,940,096	723,895,676
Financial guarantee contracts	13,499,073	4,494,904	30,136	18,024,113

December 31, 2019

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

June 30, 2019

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 136,173,125	$ 40,595,596	$ 11,635,845	$ 188,404,566
Credit card commitments	25,421,014	238,879,325	424,534,334	688,834,673
Financial guarantee contracts	14,475,381	4,967,346	342,580	19,785,307

c. Market risk

1) Source and definition of market risk

Market risk is the potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and 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 identified the market risk factors of risk exposure position, and measured the market risk further. Market risk factors are the components that could have an impact on value of financial instrument, such as interest rates, foreign exchange rates, equity securities etc., including position, gain and loss, the loss of stress test, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR) etc., to measure the extent of investment portfolio that is influenced by interest risk, foreign exchange risk and equity securities.

b) Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress test, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. The Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, stop-loss process will be implemented immediately. If the stop-loss process is not implemented, the transaction department should document the reason for not implementing stop-loss process and response plan. Furthermore, the department shall report to the executive management for approval and reports to the board of directors regularly.

3) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investment for the purpose of trading or the hedge on the trading book. Portfolio is held for trading for the purpose of earning profit from the bid-ask spread. Any positions aside from the 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. The portfolio of trading book has the risk limit for each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

b) Policy and procedure

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

c) Valuation policy

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

d) Method of measurement

i. The assumption and calculation of VaR: See VaR section.

ii. The Bank executes the stress test monthly with the following scenarios: The fluctuation of interest rate at 100bp, equity securities at 15% and foreign exchange rate at 3%, and reports to the risk management committee regularly.

4) Interest risk management of trading book

a) Definition of interest risk

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

b) Interest risk management procedure of trading book

The Bank prudently choose its investment target by studying the credibility and financial position of the securities issuers, 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 assumption and calculation of VaR: See VaR section.
ii. The Bank measures the investment portfolio's interest risk exposure with DV01 monthly.

5) Interest risk management of banking book

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

a) Strategy

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

b) Management procedure

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

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

c) Method of measurement

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

6) Foreign exchange risk management

a) Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange at different times. The Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option, etc. The Bank's foreign exchange transactions are implemented daily to offset clients' position. Thus, the Bank suffers little foreign exchange risk.

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

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

For foreign exchange risk, the Bank sets the scenario at 3% fluctuation of foreign exchange rate of major currencies to execute the stress test quarterly, and reports to the risk management committee.

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

	June 30, 2020		
	Foreign Currency	**Exchange Rate**	**NTD**
Financial assets			
Monetary items			
USD	$ 13,180,692	29.6600	$ 390,939,325
EUR	795,253	33.2859	26,470,712
HKD	6,303,636	3.8269	24,123,385
Non-monetary items			
USD	1,271,621	29.6600	37,716,279
THB	3,473,375	0.9605	3,336,177
HKD	1,975,960	3.8269	7,561,801
Financial liabilities			
Monetary items			
USD	13,598,740	29.6600	403,338,628
CNY	8,433,160	4.1956	35,382,166
AUD	1,559,580	20.3379	31,718,582
Non-monetary items			
USD	1,271,820	29.6600	37,722,181
CNY	3,403	4.1956	14,278
HKD	1,889,175	3.8269	7,229,684

	December 31, 2019		
	Foreign Currency	**Exchange Rate**	**NTD**
Financial assets			
Monetary items			
USD	$ 14,857,670	30.1060	$ 447,305,013
CNY	4,607,544	4.3231	19,918,873
HKD	7,909,268	3.8660	30,577,230
Non-monetary items			
USD	597,591	30.1060	17,991,075
HKD	2,086,409	3.8660	8,066,057
THB	3,473,375	1.0091	3,504,983

(Continued)

	December 31, 2019		
	Foreign Currency	**Exchange Rate**	**NTD**
Financial liabilities			
Monetary items			
USD	$ 13,585,965	30.1060	$ 409,019,062
CNY	8,649,936	4.3231	37,394,538
AUD	1,582,582	21.0998	33,392,164
Non-monetary items			
USD	624,432	30.1060	18,799,150
CNY	3,771	4.3231	16,302
HKD	1,788,241	3.8660	6,913,340

(Concluded)

	June 30, 2019		
	Foreign Currency	**Exchange Rate**	**NTD**
Financial assets			
Monetary items			
USD	$ 14,299,320	31.0720	$ 444,308,471
CNY	4,804,530	4.5231	21,731,370
HKD	5,542,193	3.9794	22,054,603
Non-monetary items			
USD	447,658	31.0720	13,909,629
THB	3,473,375	1.0120	3,515,056
HKD	2,551,989	3.9794	10,155,385
Financial liabilities			
Monetary items			
USD	12,153,320	31.0720	377,627,959
CNY	8,090,276	4.5231	36,593,127
AUD	1,659,452	21.7986	36,173,730
Non-monetary items			
USD			
CNY	494,207	31.072	15,356,000
HKD	5,647	4.5231	25,542
	2,633,845	3.9794	10,481,123

As the Company has a large variety of foreign currencies, it is not possible to disclose foreign currency exchange gain or loss based on each foreign currency's exposure to major impact. The foreign currency exchange gains were $585,999 thousand and $643,772 thousand for the six months ended June 30, 2020 and 2019, respectively.

7) Risk management of equity securities price

a) Definition of risk of equity securities price

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

b) Purpose of risk management of equity securities prices

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

c) Procedure of risk management of equity securities prices

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

d) Measurement method

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

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

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

June 30, 2020				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 113,765	$ 194,699	$ 67,718	$ 114,060
Foreign exchange	168,445	371,160	35,686	371,160
Equity securities price	301,361	791,984	103,986	435,087

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

June 30, 2019				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 100,245	$ 254,960	$ 40,550	$ 75,396
Foreign exchange	145,203	202,948	97,511	97,511
Equity securities price	300,224	413,402	219,244	332,335

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

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

8) Stress testing

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

Stress Test				
Market/Product	**Scenarios**	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**
Stock market	Major stock exchanges +15%	$ 1,472,693	$ 2,275,627	$ 2,305,991
	Major stock exchanges -15%	(1,472,693)	(2,275,627)	(2,305,991)
Interest rate/bond market	Major interest rate + 100bp	(639,880)	(2,123,313)	(1,167,973)
	Major interest rate - 100bp	72,440	1,761,718	1,777,109
Foreign exchange market	Major currencies +3%	361,687	232,248	123,303
	Major currencies -3%	(342,281)	(219,225)	(113,652)
Composite	Major Stock Exchanges -15% Major Interest Rate +100bp Major Currencies +3%	(1,750,886)	(4,166,692)	(3,350,661)

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

9) Sensitivity analysis

a) Interest rate risk

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

b) Foreign exchange risk

Foreign exchange rate factor sensitivities ("FX delta") represent the change of the foreign exchange portfolios caused by the underlying currency exchange rate fluctuation.

c) Equity securities price risk

Equity securities price factor sensitivities ("Equity delta") represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% (100 basis points) in the underlying stocks prices fluctuation. The Bank's equity portfolios include stocks and equity index options.

		June 30, 2020	
Risk Factors	**Changes (+/-)**	**Sensitivity of Profit or Loss**	**Sensitivity of Equity**
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$ 90,129	$ -
	HKD+1%	(8,621)	-
	JPY+1%	676	-
	AUD+1%	(875)	-
	CNY+1%	6,261	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	2,891	-
	Yield curves (HKD) parallel shift+1bp	90	-
	Yield curves (AUD) parallel shift+1bp	(25)	-
	Yield curves (CNY) parallel shift+1bp	(889)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	(4,657)	102,837

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

Risk Factors	Changes (+/-)	June 30, 2019 Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$ 24,088	$ -
	HKD+1%	(159)	-
	JPY+1%	(2,652)	-
	AUD+1%	(457)	-
	CNY+1%	6,400	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(2,850)	-
	Yield curves (HKD) parallel shift+1bp	22	-
	Yield curves (JPY) parallel shift+1bp	(1)	-
	Yield curves (AUD) parallel shift+1bp	(36)	-
	Yield curves (CNY) parallel shift+1bp	(1,066)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	1,060	152,673

d. Transfers of financial assets

Financial assets transferred that have not been fully removed

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

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

June 30, 2020					
Category of Financial Assets	**Transferred Financial Assets Carrying Value**	**Related Financial Liabilities Carrying Value**	**Transferred Financial Assets Fair Value**	**Related Financial Liabilities Fair Value**	**Net Fair Value**
Financial assets at fair value through other comprehensive income					
Repurchase agreements	$ 18,644,244	$ 17,471,502	$ 18,644,244	$ 17,471,502	$ 1,172,742
Investments in debt instruments measured at amortised cost					
Repurchase agreements	1,100,778	1,050,789	1,114,112	1,050,789	63,323

December 31, 2019					
Category of Financial Assets	**Transferred Financial Assets Carrying Value**	**Related Financial Liabilities Carrying Value**	**Transferred Financial Assets Fair Value**	**Related Financial Liabilities Fair Value**	**Net Fair Value**
Financial assets at fair value through other comprehensive income					
Repurchase agreements	$ 37,202,442	$ 35,456,986	$ 37,202,442	$ 35,456,986	$ 1,745,456
Investments in debt instruments measured at amortised cost					
Repurchase agreements	15,538,318	12,723,466	15,346,975	12,723,466	2,623,509

June 30, 2019					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through profit or loss					
Repurchase agreements	$ 1,206,421	$ 1,142,058	$ 1,206,421	$ 1,142,058	$ 64,363
Financial assets at fair value through other comprehensive income					
Repurchase agreements	31,994,030	30,230,138	31,994,030	30,230,138	1,763,892
Investments in debt instruments measured at amortised cost					
Repurchase agreements	1,931,521	1,644,192	1,881,941	1,644,192	237,749

e. Offsetting financial assets and liabilities

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

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

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

June 30, 2020						
Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 78,316,163	$ -	$ 78,316,163	$ 71,905,722	$ 6,410,441	$ -

June 30, 2020						
Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 71,905,722	$ -	$ 71,905,722	$ 71,905,722	$ -	$ -

December 31, 2019						
Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 51,387,906	$ -	$ 51,387,906	$ 49,166,645	$ 2,221,261	$ -

December 31, 2019						
Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 49,166,645	$ -	$ 49,166,645	$ 49,166,645	$ -	$ -

June 30, 2019						
Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 57,364,999	$ -	$ 57,364,999	$ 49,284,816	$ 2,246,062	$ 5,834,121

June 30, 2019						
Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 49,284,816	$ -	$ 49,284,816	$ 49,284,816	$ -	$ -

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

51. CAPITAL MANAGEMENT

a. Capital adequacy maintain strategy

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

b. Capital assessment procedure

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

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

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

Items		Year	June 30, 2020	
			Standalone	**Consolidated**
Eligible capital	Common equity		$ 195,197,751	$ 203,140,012
	Other Tier 1 capital		28,153,742	34,006,725
	Tier 2 capital		45,977,251	58,930,226
	Eligible capital		269,328,744	296,076,963
Risk-weighted assets	Credit risk	Standardized approach	1,471,978,738	1,571,739,457
		Internal ratings-based approach	-	-
		Securitization	21,627,304	21,627,304
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	92,046,240	97,006,726
		Advanced measurement approach	-	-
	Market risk	Standardized approach	174,105,808	179,732,692
		Internal model approach	-	-
	Risk-weighted assets		1,759,758,090	1,870,106,179
Capital adequacy ratio (%)			15.30%	15.83%
Ratio of common equity to risk-weighted assets (%)			11.09%	10.86%
Ratio of Tier 1 capital to risk-weighted assets (%)			12.69%	12.68%
Leverage ratio (%)			7.13%	7.31%

Items		Year	December 31, 2019	
			Standalone	**Consolidated**
Eligible capital	Common equity		$ 186,226,591	$ 193,317,039
	Other Tier 1 capital		27,099,093	33,059,261
	Tier 2 capital		48,554,797	61,447,606
	Eligible capital		261,880,481	287,823,906
Risk-weighted assets	Credit risk	Standardized approach	1,458,022,891	1,546,548,347
		Internal ratings-based approach	-	-
		Securitization	22,228,869	22,228,869
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	92,046,240	97,006,726
		Advanced measurement approach	-	-
	Market risk	Standardized approach	162,655,085	171,196,678
		Internal model approach	-	-
	Risk-weighted assets		1,734,953,085	1,836,980,620
Capital adequacy ratio (%)			15.09%	15.67%
Ratio of common equity to risk-weighted assets (%)			10.73%	10.52%
Ratio of Tier 1 capital to risk-weighted assets (%)			12.30%	12.32%
Leverage ratio (%)			7.01%	7.18%

Items		Year	June 30, 2019	
			Standalone	**Consolidated**
Eligible capital	Common equity		$ 169,605,429	$ 176,765,790
	Other Tier 1 capital		28,533,383	34,532,865
	Tier 2 capital		50,409,269	63,593,914
	Eligible capital		248,548,081	274,892,569
Risk-weighted assets	Credit risk	Standardized approach	1,483,224,009	1,558,798,702
		Internal ratings-based approach	-	-
		Securitization	26,780,676	26,780,676
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	86,475,368	90,566,602
		Advanced measurement approach	-	-
	Market risk	Standardized approach	208,161,034	216,152,444
		Internal model approach	-	-
	Risk-weighted assets		1,804,641,087	1,892,298,424
Capital adequacy ratio (%)			13.77%	14.53%
Ratio of common equity to risk-weighted assets (%)			9.40%	9.34%
Ratio of Tier 1 capital to risk-weighted assets (%)			10.98%	11.17%
Leverage ratio (%)			6.63%	6.85%

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

Note 2: Formulas used were as follows:

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

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

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

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

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

6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

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

52. UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets at fair value through other comprehensive income	$ 26,832,487	$ 27,942,654	$ 19,484,368
Investments in debt instruments measured at amortised cost	40,086,918	38,848,276	49,127,198
	$ 66,919,405	$ 66,790,930	$ 68,611,566

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

The Bank

a. Credit risk

1) Asset quality: Please refer to Table 2.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

June 30, 2020			
Rank	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group A - real estate activities for sale and rental with own or leased property	$ 29,074,017	12.62
2	Group B - packaging and testing of semi-conductors	11,884,602	5.16
3	Group C - ocean transportation	8,776,208	3.81
4	Group D - other financial intermediation	7,490,945	3.25
5	Group E - wired telecommunications activities	7,156,470	3.11
6	Group F - real estate development activities	6,200,000	2.69
7	Group G - wired telecommunications activities	4,970,945	2.16
8	Group H - other financial intermediation	4,931,200	2.14
9	Group I - other financial intermediation	4,568,921	1.98
10	Group J - manufacture of petroleum and coal products	4,460,228	1.94

June 30, 2019			
Rank	**Industry of Group Enterprise**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group A - real estate activities for sale and rental with own or leased property	$ 27,343,449	12.93
2	Group B - packaging and testing of semi-conductors	18,509,488	8.75
3	Group C - ocean transportation	9,501,427	4.49
4	Group D - other financial intermediation	9,461,699	4.47
5	Group E - wired telecommunications activities	8,959,094	4.24
6	Group F - wired telecommunications activities	6,506,323	3.08
7	Group G - real estate development activities	6,400,000	3.03
8	Group H - other financial intermediation	5,110,397	2.42
9	Group I - other financial intermediation	4,902,003	2.32
10	Group J - activities of head offices	4,238,041	2.00

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars, %)

June 30, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,886,957,630	$ 62,339,944	$ 76,589,549	$ 127,084,554	$ 2,152,971,677
Interest rate-sensitive liabilities	200,603,382	1,399,552,453	244,626,803	85,946,702	1,930,729,340
Interest rate-sensitive gap	1,686,354,248	(1,337,212,509)	(168,037,254)	41,137,852	222,242,337
Net worth					230,389,113
Ratio of interest rate-sensitive assets to liabilities					111.51%
Ratio of interest rate sensitivity gap to net worth					96.46%

June 30, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,828,123,845	$ 17,762,150	$ 22,331,206	$ 103,152,298	$ 1,971,369,499
Interest rate-sensitive liabilities	192,685,888	1,263,535,468	255,965,396	99,909,442	1,812,096,194
Interest rate-sensitive gap	1,635,437,957	(1,245,773,318)	(233,634,190)	3,242,856	159,273,305
Net worth					211,442,698
Ratio of interest rate-sensitive assets to liabilities					108.79%
Ratio of interest rate sensitivity gap to net worth					75.33%

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, %)

June 30, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 9,386,220	$ 820,035	$ 475,617	$ 7,102,374	$ 17,784,246
Interest rate-sensitive liabilities	10,892,636	3,153,407	3,265,021	4,314,717	21,625,781
Interest rate-sensitive gap	(1,506,416)	(2,333,372)	(2,789,404)	2,787,657	(3,841,535)
Net worth					7,767,671
Ratio of interest rate-sensitive assets to liabilities					82.24%
Ratio of interest rate sensitivity gap to net worth					(49.46%)

June 30, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 9,278,695	$ 755,362	$ 476,972	$ 7,897,222	$ 18,408,251
Interest rate-sensitive liabilities	9,836,120	2,370,731	3,257,584	3,899,290	19,363,725
Interest rate-sensitive gap	(557,425)	(1,615,369)	(2,780,612)	3,997,932	(955,474)
Net worth					6,804,927
Ratio of interest rate-sensitive assets to liabilities					95.07%
Ratio of interest rate sensitivity gap to net worth					(14.04%)

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)

Unit: %

Items		For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on total assets	Before income tax	0.53	0.52
	After income tax	0.46	0.44
Return on equity	Before income tax	6.90	7.07
	After income tax	5.94	6.06
Net income ratio		41.76	39.21

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 six months ended June 30, 2020 and 2019.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars)

June 30, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 2,853,123,212	$ 510,037,067	$ 379,570,591	$ 316,527,560	$ 296,240,816	$ 303,147,896	$ 1,047,599,282
Main capital outflow on maturity	3,331,210,677	176,581,906	208,057,021	497,739,010	544,777,468	636,244,958	1,267,810,314
Gap	(478,087,465)	333,455,161	171,513,570	(181,211,450)	(248,536,652)	(333,097,062)	(220,211,032)

June 30, 2019

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 2,688,636,528	$ 578,213,249	$ 300,213,907	$ 375,869,749	$ 217,164,993	$ 214,368,580	$ 1,002,806,050
Main capital outflow on maturity	3,219,147,150	156,475,238	251,389,665	544,954,560	576,191,999	509,976,499	1,180,159,189
Gap	(530,510,622)	421,738,011	48,824,242	(169,084,811)	(359,027,006)	(295,607,919)	(177,353,139)

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(In Thousands of U.S. Dollars)

June 30, 2020

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 66,616,587	$ 19,306,014	$ 17,154,087	$ 9,648,136	$ 9,986,728	$ 10,521,622
Main capital outflow on maturity	71,288,886	22,595,992	17,756,470	9,535,613	13,248,604	8,152,207
Gap	(4,672,299)	(3,289,978)	(602,383)	112,523	(3,261,876)	2,369,415

June 30, 2019

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 64,223,441	$ 19,100,356	$ 15,287,587	$ 8,954,058	$ 9,727,335	$ 11,154,105
Main capital outflow on maturity	70,389,737	19,720,283	18,571,100	9,502,700	13,918,047	8,677,607
Gap	(6,166,296)	(619,927)	(3,283,513)	(548,642)	(4,190,712)	2,476,498

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

54. OPERATING SEGMENTS

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

a. Corporate banking unit: Corporate banking, foreign exchange business, debt management and public treasury business;

b. Individual banking unit: Deposits and consumer loans, foreign exchange service, endorsement guarantees business, note discounting, safe deposits boxes, credit card - related products, and trust business;

c. International banking unit: Offshore banking units, overseas branches and representative office; and

d. Other units: These parts contain the Bank's assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operation segments.

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

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

	For the Six Months Ended June 30, 2020				
	Corporate Banking	**Individual Banking**	**International Banking**	**Others**	**Total**
Net interest	$ 3,976,690	$ 5,120,494	$ 3,833,828	$ 5,013,674	$ 17,944,686
Segment revenue (expense)	$ (1,430,889)	$ 5,461,858	$ (265,077)	$ (3,765,892)	$ -
Segment net income	$ 2,458,097	$ 9,858,517	$ 2,177,767	$ 1,594,171	$ 16,088,552
Income tax expense					(2,239,622)
Income after income tax					$ 13,848,930

	For the Six Months Ended June 30, 2019				
	Corporate Banking	**Individual Banking**	**International Banking**	**Others**	**Total**
Net interest	$ 4,381,303	$ 6,079,707	$ 3,892,534	$ 3,552,217	$ 17,905,761
Segment revenue (expense)	$ (1,911,096)	$ 6,282,606	$ (490,732)	$ (3,880,778)	$ -
Segment net income	$ 2,466,554	$ 11,363,631	$ 2,528,575	$ (1,459,020)	$ 14,899,740
Income tax expense					(2,136,059)
Income after income tax					$ 12,763,681

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

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

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

55. 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.

56. ADDITIONAL DISCLOSURES

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

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

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

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

4) Marketable securities acquired or disposed of at costs or prices of at least $300 million or 10% of the paid-in capital: The Bank - not applicable; investee - none

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least $5 million: None

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: Table 1 (attached)

9) Sale of nonperforming loans: None

10) Asset securitization under the "Regulations for Financial Asset Securitization": None

11) Other significant transactions which may affect the decisions of users of financial reports: Table 2 (attached)

12) Related information of investees and proportionate share: Table 3 (attached)

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, please refer to Table 5 (attached).

e. Information on major shareholders

An bank whose stock is listed on the TWSE or listed on the TPEx shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the Bank's equity: Not applicable.

TABLE 1

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
JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Cathay United Bank Co., Ltd.	Cathay United Bank (China) Corporation Limited (Note 1)	Subsidiary	$ 558,063	-	$ -	-	$ -	$ -
	Cathay Life Insurance Co., Ltd. (Note 2)	Other related party	649,267	-	-	-	-	-

Note 1: Interest receivable.

Note 2: Insurance commission receivable.

TABLE 2

CATHAY UNITED BANK CO., LTD.

ASSET QUALITY - NONPERFORMING LOANS
AS OF JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars, %)

Period			June 30, 2020					June 30, 2019				
Items			Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (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		$ 151,437	$ 245,914,110	0.06%	$ 3,575,255	2360.89%	$ 573,867	$ 222,983,336	0.26%	$ 3,164,256	551.39%
	Unsecured		260,252	382,972,768	0.07%	8,145,971	3130.03%	444,060	352,609,924	0.13%	7,448,348	1677.33%
Consumer banking	Housing mortgage (Note 4)		427,474	357,113,998	0.12%	5,728,885	1340.17%	746,135	348,341,509	0.21%	5,576,481	747.38%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		235,439	93,828,134	0.25%	3,107,923	1320.06%	178,086	75,995,891	0.23%	2,532,675	1422.16%
	Other (Note 6)	Secured	887,384	470,717,662	0.19%	5,748,185	647.77%	1,083,104	500,767,362	0.22%	6,383,171	589.34%
		Unsecured	36,029	19,220,111	0.19%	276,417	767.21%	129,265	24,966,847	0.52%	445,102	344.33%
Loan			1,998,015	1,569,766,783	0.13%	26,582,636	1330.45%	3,154,517	1,525,664,869	0.21%	25,550,033	809.95%
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards			$ 120,300	$ 71,580,619	0.17%	$ 1,895,295	1575.47%	$ 107,757	$ 80,431,523	0.13%	$ 1,476,612	1370.32%
Accounts receivable factored without recourse (Note 7)			-	4,785,241	-	69,788	-	-	2,634,690	-	58,676	-

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

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

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

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

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

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

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

(Continued)

Not reported as nonperforming loans or nonperforming receivables

Types \ Items	June 30, 2020		June 30, 2019	
	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 1,692	$ 60,921	$ 2,361	$ 86,404
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	66,104	1,193,260	45,633	1,182,801
Total	$ 67,796	$ 1,254,181	$ 47,994	$ 1,269,205

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.

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEES
JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Invest Company	Investee Company (Note 1)	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Subsidiaries in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership (%)	
Cathay United Bank Co., Ltd.	Financial-related business										
	Taiwan Depository & Clearing Corporation	Taipei	Centralized securities depository of enterprises	0.17	$ 46,576	$ -	2,180	-	2,180	0.57	
	Taipei Forex Inc.	Taipei	Foreign exchange broker	4.04	50,185	4,800	800	-	800	4.04	
	Global Securities Finance Corporation	Taipei	Securities finance industry	2.46	132	530	457	-	457	2.46	
	Taiwan Future Exchange Co., Ltd.	Taipei	Futures exchange	0.62	260,196	-	2,212	-	2,212	0.62	
	Financial Information Service Co., Ltd.	Taipei	Data processing services	2.34	582,013	-	12,234	-	12,234	2.34	
	Taiwan Finance Corporation	Taipei	Bills financing	24.57	1,734,935	65,110	126,814	-	126,814	24.57	
	Waterland Securities Co., Ltd.	Taipei	Integrated securities houses	10.32	532,566	-	95,227	-	95,227	12.29	
	Taiwan Asset Management Corporation	Taipei	Financial institution’s debt purchase, evaluation or auction business	5.79	944,596	39,780	61,200	-	61,200	5.79	
	Taiwan Financial Asset Service Corporation	Taipei	Financial institution credit evaluation or auction services	5.88	69,097	-	10,000	-	10,000	5.88	
	Sunny Asset Management Co.	Taipei	Financial institution’s debt purchase and other services	9.37	1,329	1,387	562	-	562	9.37	
	Visa	Los Angeles	Credit card business	0.02	2,614,345	8,355	1,122	-	1,122	0.05	
	Indovina Bank Limited	Vietnam	Commercial banking	50.00	4,300,964	266,171	Note 3	-	Note 3	50.00	
	Cathay United Bank (Cambodia) Corporation Limited	Cambodia	Commercial banking	100.00	3,401,955	43,059	100,000	-	100,000	100.00	
	Taiwan Mobile Payment Co.	Taipei	Trust service manager (TSM)	4.00	14,844	-	2,400	-	2,400	4.00	
	Philippine Clearing House Corporation (PCHC)	Philippines	Bills financing	1.69	6,170	-	21	-	21	1.69	
	Quantifeed Holdings Limited	Philippines	Bills financing	8.66	23,920	-	2,829	-	2,829	8.66	
	Cathay United Bank (China) Limited	China	Commercial banking	100.00	15,709,013	219,357	Note 3	-	Note 3	100.00	
	Srisawad Corp. PCL	Thailand	Holding company	4.72	3,122,611	-	125,827	-	125,827	9.42	
	Non-financial-related business										
	Anfeng Enterprises Co., Ltd.	Taipei	ATM bill supplement business	15.00	2,719	-	450	-	450	15.00	
	Taiwan Real Estate Management Co., Ltd.	Taipei	Real estate management	30.15	99,551	(1,196)	9,044	-	9,044	30.15	
	China National Goods Promotion Center Co., Ltd.	Taipei	Acting as agent for exporting domestic manufacturers’ products for export business	4.87	378	-	19	-	19	4.87	
	Development International Investment Co., Ltd.	Taipei	Investment	4.95	831,157	-	108,000	-	108,000	9.90	
	EasyCard Investment Holding Co., Ltd.	Taipei	Investment	4.91	84,494	-	6,538	-	6,538	6.28	
	Kaohsiung Rapid Transit Corporation	Kaohsiung	Public rapid transit	1.38	32,698	-	3,845	-	3,845	1.38	
	Hantong Venture Capital Co., Ltd.	Taipei	Venture capital	12.95	94,285	3,404	7,092	-	7,092	12.95	
	Yuhua Venture Co., Ltd.	Taipei	Venture capital	5.00	3,454	-	450	-	450	5.00	
	Harbinger Venture Capital Co., Ltd.	Taipei	Venture capital	3.35	64	-	26	-	26	13.35	
	Victor Taichung Machinery Works Co., Ltd.	Taichung	Machinery and equipment manufacturing	0.03	1,125	-	66	-	66	0.03	
	Alliance Digital Tech. Co.	Taipei	Trust service manager (TSM)	2.16	834	-	900	-	900	2.16	

Note 1: Shares or pro forma shares held by the Bank, directors, president, vice president and affiliates have been included in accordance with the Company Act.

Note 2:
a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of Banking Law.
b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of “Securities and Exchange Law Enforcement Rules”.
c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in IFRS 9.

Note 3: Unissued stock.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020	Note
					Outflow	Inflow							
Cathay United Bank (China) Limited	Local government approved banking	$ 14,377,562 (CNY 3,000,000)	Direct	$ 14,377,562 (CNY 3,000,000)	$ -	$ -	$ 14,377,562 (CNY 3,000,000)	$ 219,357	100	$ 219,357	$ 15,709,013	$ -	

Accumulated Investment in Mainland China as of June 30, 2020	Investment Amount Approved by the Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
$ 14,377,562 (CNY 3,000,000)	$ 14,377,562 (CNY 3,000,000)	$ 140,814,046

Note 1: The registered capital of Cathay United Bank (China) Limited was CNY3,000,000, which was transferred to the working capital of Cathay United Bank (China) Limited after the merger of Cathay United Bank Shanghai branch, Qingdao branch and Shenzhen branch was approved by the authorities.

Note 2: The Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized the Bank to remit US$60,067,239 (CNY400,000,000). Based on the capital verification report issued by local accountants in mainland China, the Shanghai branch of the Bank was authorized to remit the total amount of working capital of US$59,768,397.46, 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: 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.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amounts	Terms of Transaction	Percentage of Total Revenue or Total Assets (Note 3)
0	Cathay United Bank	Indovina Bank	a	Due from banks - interest revenue	$ 164	Note 4	0.00
		Indovina Bank	a	Call loan to banks - interest revenue	64,035	Note 4	0.19
		Indovina Bank	a	Due to banks	71,336	Note 4	0.00
		Indovina Bank	a	Due from bank	27,590	Note 4	0.00
		Indovina Bank	a	Call loan to banks	2,639,740	Note 4	0.09
1	Indovina Bank	Cathay United Bank	b	Due to banks - interest expense	164	Note 4	0.00
		Cathay United Bank	b	Call loan from banks - interest expense	64,035	Note 4	0.19
		Cathay United Bank	b	Due from bank	71,336	Note 4	0.00
		Cathay United Bank	b	Due to banks	27,590	Note 4	0.00
		Cathay United Bank	b	Call loan from banks	2,639,740	Note 4	0.09
0	Cathay United Bank	CUBC Bank	a	Call loan to banks - interest revenue	773	Note 4	0.00
		CUBC Bank	a	Call loan from banks - interest expense	352	Note 4	0.00
		CUBC Bank	a	Due to banks	11,453	Note 4	0.00
		CUBC Bank	a	Due from bank	60,208	Note 4	0.00
		CUBC Bank	a	Dividends receivable	174,837	Note 4	0.01
2	CUBC Bank	Cathay United Bank	b	Call loan from banks - interest expense	773	Note 4	0.00
		Cathay United Bank	b	Call loan to banks - interest revenue	352	Note 4	0.00
		Cathay United Bank	b	Due from bank	11,453	Note 4	0.00
		Cathay United Bank	b	Due to banks	60,208	Note 4	0.00
		Cathay United Bank	b	Dividends payable	174,837	Note 4	0.01
0	Cathay United Bank	CUBCN Bank	a	Call loans to banks - interest revenue	23,977	Note 4	0.07
		CUBCN Bank	a	Due to banks	33,856	Note 4	0.00
		CUBCN Bank	a	Due from bank	9,234,289	Note 4	0.30
		CUBCN Bank	a	Call loans to banks	4,558,478	Note 4	0.15
		CUBCN Bank	a	Interest receivable	558,063	Note 4	0.02
3	CUBCN Bank	Cathay United Bank	b	Call loan from banks - interest expense	23,977	Note 4	0.07
		Cathay United Bank	b	Due from banks	33,856	Note 4	0.00
		Cathay United Bank	b	Due to banks	9,234,289	Note 4	0.30
		Cathay United Bank	b	Call loan from banks	4,558,478	Note 4	0.15
		Cathay United Bank	b	Interest payable	558,063	Note 4	0.02

(Continued)

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

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

Note 2: The flow of transactions is as follows:

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

Note 3: The percentage is calculated as follows:

a. Assets and liabilities: Ending balance divided by total consolidated assets.
b. Income and expenses: The amount for the year ended 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)