

Websites for search:

<http://mops.twse.com.tw>

<https://www.cathaybk.com.tw>

Stock code: 5835



Cathay United Bank

2020 Annual Report

Dated: April 20, 2021

I. Contact Information of Spokesperson and Deputy Spokesperson:

	Spokesperson	Deputy Spokesperson
Name	Chung-Yi Teng	Hsiang-Hsin Tsai
Title	Senior Executive Vice President	Senior Executive Vice President
Phone	(02) 8722-6666	(02) 8722-6666
Email	prolocutor@cathaybk.com.tw	vice-prolocutor@cathaybk.com.tw

II. Address and contact number of Head Office and global branches: See Attachment I

III. Name, address, website, and contact number of stock transfer agency:

Institution for stock transfer	Stock Registration, Administrative Division of Cathay Financial Holding Co., Ltd.		
Address	No. 296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)		
Phone	(02)2708-7698	Websites	https://www.cathayholdings.com

IV. Institution for credit rating:

Name of Institution for credit rating	Address	Tel
Taiwan Ratings	2F., No. 167, Dunhua N. Rd., Taipei City	(02)2175-6800
S&P Global Ratings	Unit 1, Level 69, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong	852-2533-3500
Moody's Investors Service Hong Kong Limited	24/F, One Pacific Place, 88 Queensway, Admiralty, Hong Kong	852-3758-1300

V. Latest financial statement auditor:

Name of accounting firm	Deloitte & Touche	Names of CPA	Cheng-Hung Kuo, Hsu-Jan Cheng
Tel	(02)2725-9988	Websites	www.deloitte.com.tw
Address	20F., No.100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)		

VI. Name of overseas exchange where securities are listed, and method of inquiry: None.

VII. Website of the Company: <https://www.cathaybk.com.tw/cathaybk>

Content

ONE.	LETTER TO SHAREHOLDERS.....	1
	I. FOREWORD	1
	II. BUSINESS REPORT FOR THE YEAR 2020	2
	III. 2021 BUSINESS PLAN	8
	IV. FUTURE STRATEGIES	12
	V. IMPACTS OF THE COMPETITIVE ENVIRONMENT, REGULATORY ENVIRONMENT, AND OVERALL BUSINESS ENVIRONMENT.....	15
	VI. CREDIT RATING	18
TWO.	BANK PROFILE.....	19
	I. DATE OF ESTABLISHMENT	19
	II. BANK HISTORY	19
THREE.	CORPORATE GOVERNANCE REPORT.....	20
	I. ORGANIZATION: ORGANIZATION AND RESPONSIBILITIES OF MAIN DEPARTMENTS.....	20
	II. BACKGROUND INFORMATION OF DIRECTORS, SUPERVISORS, THE PRESIDENT, EXECUTIVE VICE PRESIDENTS, SENIOR VICE PRESIDENTS, HEADS OF DEPARTMENTS AND BRANCHES AND CONSULTANTS	22
	III. REMUNERATION PAID TO DIRECTORS (INCLUDING INDEPENDENT DIRECTORS), SUPERVISORS, PRESIDENT, EXECUTIVE VICE PRESIDENTS, AND EMPLOYEES IN THE LATEST FISCAL YEAR	49
	IV. IMPLEMENTATION OF CORPORATE GOVERNANCE.....	57
	V. PROFESSIONAL FEES TO THE CPAS	112
	VI. INFORMATION ABOUT REPLACEMENT OF CPAS.....	113
	VII. THE BANK’S CHAIRMAN, PRESIDENT, OR ANY MANAGERS INVOLVED IN FINANCIAL OR ACCOUNTING AFFAIRS BEING EMPLOYED BY THE ACCOUNTING FIRM OR ANY OF ITS AFFILIATED ENTERPRISES IN THE LAST YEAR	114
	VIII. TRANSFER OR PLEDGE OF SHARES OWNED BY DIRECTORS, SUPERVISORS, MANAGERS, AND ALL PARTIES SUBJECT TO REPORTING UNDER ARTICLE 11 OF REGULATIONS GOVERNING THE OWNERSHIP OF BANK BY SINGLE INDIVIDUALS OR STAKEHOLDERS.	114
	IX. RELATIONSHIPS CHARACTERIZED AS SPOUSE OR SECOND-DEGREE RELATIVE OR CLOSER AMONG TOP-TEN SHAREHOLDERS.	114
	X. INVESTMENTS JOINTLY HELD BY THE BANK, THE BANK’S DIRECTORS, SUPERVISORS, PRESIDENT, EXECUTIVE VICE PRESIDENTS, SENIOR VICE PRESIDENTS, HEADS OF VARIOUS DEPARTMENTS AND BRANCHES, AND ENTERPRISES DIRECTLY OR INDIRECTLY CONTROLLED BY THE BANK, AND DISCLOSURE OF AGGREGATE SHAREHOLDING	115
FOUR.	CAPITAL OVERVIEW.....	117
	I. CAPITAL AND SHARES:	117
	II. ISSUANCE OF BANK DEBENTURES.....	122
	III. ISSUANCE OF PREFERRED SHARES	126
	IV. ISSUANCE OF GLOBAL DEPOSITARY RECEIPTS	126
	V. ISSUANCE OF EMPLOYEE STOCK OPTION PLAN	126
	VI. ISSUANCE OF NEW RESTRICTED EMPLOYEE SHARES	126
	VII. MERGER OR ACQUISITION OF OTHER FINANCIAL INSTITUTION	126
	VIII. IMPLEMENTATION OF THE CAPITAL UTILIZATION PLANS	126
FIVE.	OVERVIEW OF OPERATIONS.....	128
	I. THE CONTENT OF BUSINESS	128
	II. EMPLOYEE BACKGROUND, PROFESSIONAL CERTIFICATION AND EDUCATION IN THE LAST TWO YEARS.....	147
	III. CORPORATE RESPONSIBILITY AND MORAL CONDUCT	148
	IV. NO. OF FULL-TIME NON-MANAGERIAL EMPLOYEES, MEAN AND MEDIAN SALARY OF FULL-TIME NON-MANAGERIAL EMPLOYEE, AND DIFFERENCES FROM THE PREVIOUS YEAR	150
	V. INFORMATION SYSTEM.....	150
	VI. INDUSTRIAL RELATIONS.....	152
	VII. IMPORTANT CONTRACTS AND COMMITMENTS	153
	VIII. SECURITIZED COMMODITIES APPROVED UNDER FINANCIAL ASSET SECURITIZATION ACT OR CLAUSES OF THE REAL ESTATE SECURITIZATION ACT IN THE LAST YEAR.	154

SIX.	FINANCIAL STATUS.....	155
I.	SUMMARY BALANCE SHEET AND STATEMENT OF COMPREHENSIVE INCOME FOR THE LAST FIVE YEARS.....	155
II.	FINANCIAL ANALYSIS FOR THE MOST RECENT FIVE YEARS	161
III.	SUPERVISORS' REVIEW REPORT	165
IV.	LATEST FINANCIAL STATEMENTS	167
V.	LATEST AUDITED STANDALONE FINANCIAL STATEMENTS OF THE BANK.....	167
VI.	FINANCIAL DISTRESS ENCOUNTERED BY THE BANK AND AFFILIATED ENTERPRISES IN THE LAST YEAR UP TO THE PUBLICATION OF THE ANNUAL REPORT, AND IMPACT ON FINANCIAL POSITION IF ANY:	167
SEVEN.	REVIEW OF FINANCIAL POSITION, BUSINESS PERFORMANCE AND RISK ISSUES.....	168
I.	ANALYSIS OF FINANCIAL STATUS	168
II.	ANALYSIS OF FINANCIAL PERFORMANCE	168
III.	CASH FLOWS	168
IV.	MAJOR CAPITAL EXPENDITURES IN THE MOST RECENT YEAR.....	169
V.	THE INVESTMENT STRATEGY IN THE MOST RECENT YEAR, MAIN CAUSES FOR PROFITS OR LOSSES, IMPROVEMENT PLANS AND THE INVESTMENT PLANS FOR THE COMING YEAR	169
VI.	RISK MANAGEMENT.....	170
VII.	SPECIAL EVENT MANAGEMENT	195
VIII.	OTHER MAJOR EVENTS	198
EIGHT.	SPECIAL ITEMS.....	199
I.	INFORMATION ON AFFILIATES.....	199
II.	PRIVATE PLACEMENT OF SECURITIES AND BANK DEBENTURES DURING THE LAST YEAR UP TILL THE PUBLICATION DATE OF ANNUAL REPORT.	199
III.	HOLDING OR DISPOSAL OF THE BANK'S SHARES BY SUBSIDIARIES IN THE LAST YEAR, UP TILL THE PUBLICATION DATE OF THIS ANNUAL REPORT	199
IV.	OTHER IMPORTANT SUPPLEMENTARY INFORMATION.....	199
V.	OCCURRENCES OF EVENTS DEFINED UNDER SUBPARAGRAPH 2, PARAGRAPH 3, ARTICLE 36 OF THE SECURITIES AND EXCHANGE ACT IN THE LAST YEAR UP TILL THE PUBLICATION DATE OF ANNUAL REPORT THAT HAD SIGNIFICANT IMPACT ON SHAREHOLDERS' EQUITY OR SECURITY PRICE.	199
Appendix I:	Address and contact number of Head Office and global branches	200
Appendix II:	Significant resolutions made in shareholder meetings and board of directors meetings	210
Appendix III:	Transfer or pledge of shares owned by directors, supervisors, managers, and all parties subject to reporting under Article 11 of Regulations Governing the Ownership of Bank By Single Individuals or Stakeholders.....	215
Appendix IV:	2020 Consolidated Financial Statements and Independent Auditor's Report.....	218
Appendix V:	2020 Financial Statements and Independent Auditor's Report.....	347
Appendix VI:	Affiliation report.....	360
Appendix VII:	Consolidated business reports	370

One. Letter to Shareholders

I. Foreword

2020 will be remembered as the year when the entire world succumbed to the common threat of COVID-19. Many countries underwent recession, and as uncertainties and risks emerge with respect to future industry prospects, they responded with large-scale fiscal and monetary measures that injected unprecedented levels of liquidity into the financial market, increasing volatility of asset prices. Meanwhile, changes in international politics and economic interactions caused a worldwide restructuring of global supply chains, all of which posed a challenge to the organization's asset management and risk management capabilities. Fortunately, the Bank has been actively enforcing transformations in recent years, and was able to develop high levels of agility and efficiency to respond to changes. Even in such a turbulent year, the Bank still managed to maintain both quality and size of its assets, and delivered record-high consolidated after-tax earnings of US\$790 million in 2020!

The Bank reinforces its existing competitive advantage by continually adopting a customer-centric philosophy and improving service quality. In addition to operating a domestic network of 165 branches that serves customers face-to-face, the Bank continues to expand the coverage of automated equipment including ATMs so that customers may access the financial services they need anytime, anywhere. Furthermore, in light of consumers' shift towards digital lifestyle, the Bank has invested actively into data infrastructures and mobile banking, and formed alliances with partners of different industries as a means to introduce financial services to a broader diversity of lifestyles and scenarios. The Bank's services have been well-trusted by the general public as well as customers, whereas its effort for excellence has also been highly recognized among professional institutions local and abroad, including Best Frictionless Customer Experience by The Asian Banker, Best Service Provider-E-Solutions Partner in Taiwan by The Asset, Best Private Bank – Taiwan Domestic by Asian Private Banker, Best Wealth Management Bank in Business Today's Wealth Management Bank and Securities Evaluation for five consecutive years, Best Trust Service in Best-Practice Awards organized by Taiwan Academy of Banking and Finance for the 4th time, and the only contender from Taiwan to win 2020 International Business Awards of The Stevie Awards, the most prestigious award in the business world, thereby making Cathay the leading financial brand in Taiwan!

We continue to explore overseas markets for new growth opportunities. The Bank currently has 67 offices located in the Greater China Region and ASEAN, making it the Taiwanese bank with the widest coverage in Southeast Asia. Recent political and economic changes around the world have driven supply chain participants to move into Southeast Asia, where the Bank has a long-established presence; the upgrade of the Myanmar Office to Yangon Branch in 2021 will further strengthen the Bank's overseas presence and make it the most reliable partner to all Taiwanese enterprises seeking to grow business abroad. The addition of the Yangon Branch will also contribute to the Bank's goal of becoming a leading regional bank.

The Bank has devoted attention to corporate sustainability (CS) in addition to raising earnings per share (EPS) for many years. Not only was it the first Taiwanese bank to sign the commitment to the Equator Principles and announce its voluntary compliance with UN "Principles for Responsible Banking," the Bank also persistently supports renewable energy sources such as solar and wind power through green financing and strives to become a leader in green banking. The Bank continues to play a leading role in charity and nursing trusts as

well, helping residents and the government prepare for a hyper-aged society, while at the same time offering relief loans to businesses and workers to help them through the challenging times of the COVID-19 pandemic. The Bank has also implemented a series of sustainable measures within the organization; smart meters are deployed at branches to minimize wastage of resources, whereas employees are constantly reminded of the importance to reduce plastics and carbon, and mobilized to perform coastal cleanup among other environmental protection activities from time to time. This initiative at promoting sustainable values among employees has won the Bank multiple awards from the Taiwan Institute for Sustainable Energy (TAISE) in 2020, including Cybersecurity Award, People Development Awards, Social Inclusion Awards, and Creativity in Communication Awards, making it the highest award-winning bank in Taiwan Corporate Sustainability Awards (TCSA) 2020.

The pandemic and outlook of the global economy will continue to be the two key variables affecting overall performance of the financial industry in 2021. In light of the challenges ahead, Cathay United Bank will continue adhering to its “Integrity, Accountability, and Creativity” values as well as a customer-centric philosophy, and consolidate group resources to provide customers with more comprehensive financial services, thereby achieving the pinnacle of success in Asia Pacific while fulfilling its vision as the No. 1 brand in Taiwan!

II. Business Report for the year 2020

Changes in the local and foreign financial environment and outcomes of business plan and strategy for 2020 are explained below:

The ongoing pandemic brings additional uncertainty to the outlook of the global economy, whereas the low interest environment combined with the uprise of online-only banks and increasing homogeneity in financial services have made profitability more difficult to sustain. At the same time, banks are presented with challenges from changes in the competitive landscape, and aside from the three online-only banks that will be commencing operations, the Financial Supervisory Commission (FSC) has proposed amendments to “The Act Governing Electronic Payment Institutions” in an attempt to make electronic payment more popular among consumers. These amendments will attract market leaders such as Shopee, PX Mart, and FamilyMart into electronic payment service, and inevitably alter the state and ecosystem of current payment services. Their effects on the credit card market will have to be monitored closely.

While the authority’s decision to deregulate on the licensing of online-only banks and electronic payment services may cannibalize businesses and revenues of existing banks in the short term, it will inspire creativity and productive competition within the banking industry over time. As the world becomes more aware of anti-money laundering and counter terrorist financing and holds banks more accountable for risk identification, the Bank has taken proactive steps to develop relevant systems and teams to ensure compliance with prevailing laws.

The Bank has been actively enhancing the quality and diversity of services delivered over digital channels as a response to the growing popularity of mobile banking and increasing competition for digital customers. In addition to improving customer experience, the Bank also applies big data technology to analyze its extensive customer database (e.g. policyholder after-sale data analysis, customer insurance needs analysis) for timely monitoring of customers’ needs and preferences, and to satisfy them with appropriate financial services and

solutions.

The Bank will strive to maintain consistency of its business performance, bring more complete financial services and account features to customers, and secure deposit source while at the same time developing integrated investment solutions for customers of special needs, and take advantage of group synergy by cross-selling them through Cathay subsidiaries online as well as offline to attract new capital.

■ The Bank had been able to maintain growth across all main business activities; key accomplishments are as follows:

(I) Consumer banking service

The Bank continues to improve fundamental services to customers by adopting a needs-driven approach. With a comprehensive network of physical and digital channels available at disposal, the Bank is able to introduce integrated financial services and the ultimate one-stop shopping experience for customers of various profiles. The spread of COVID-19 subsided in Taiwan in the second half of 2020, and a low-interest environment combined with the return of Taiwanese enterprises increased demand for consumer banking solutions. The Bank had capitalized on this development by delivering good online borrowing experience. Consumer banking credit balance as of the end of 2020 exhibited strong growth over 2019.

1. Deposit balance amounted to NT\$2,594 billion at the end of 2020, up 12.3% compared to 2019; 71.8% of the NTD deposit balance were demand deposits.
2. At the end of 2020, outstanding balance across mortgage products (including: home equity loan) totaled NT\$784.2 billion, up NT\$85.2 billion or 12.19% growth from the end of 2019. Balance of small amount loan products amounted to NT\$100.6 billion, up NT\$13.3 billion or 15.23% growth from the end of 2019.

(II) Wholesale banking service

Growth of wholesale banking remained strong, and the Bank continued its strategy of industry segment management while offering integrated one-stop shopping to satisfy the needs of different customers. Meanwhile, support of group resources helped improve efficiency of business expansion efforts and maintain proper risk-return balance. As of the end of 2020, wholesale banking loan balance across domestic channels amounted to NT\$486.8 billion.

(III) Wealth management service

The Bank delivers wealth management services with a “customer-centric” philosophy and takes the initiative to learn customers’ needs. Given the volume of misinformation circulating the financial market, the Bank provides customers with market analysis, investment strategy, product, and service recommendations that are suited to their needs, and exercises more rigorous risk monitoring over customers’ investment positions to help them reach their goals. Differentiated products were offered to the investment needs of high net worth customers, and a team of professionals was assembled to provide tax and wealth transfer plans. Furthermore, the subsidiary made active use of financial technologies to improve service procedures for online, self-guided investors, and promoted insurance as a protection for improved service experience across all customers. Wealth management customers increased 9% in size and 11% in assets under management in 2020. Overall, the Bank was able to sustain growth of income from

wealth management services.

(IV) Trust service

AUM of real estate trusts totaled NT\$61.2 billion in 2020, up 15.93% from 2019, whereas AUM of personal and corporate trusts amounted to NT\$53.9 billion. Total assets under custody amounted to NT\$899.2 billion.

(V) Foreign currency service

1. The Bank has been active in the establishment of correspondence banking relations in ASEAN and the Greater China region as a means to support international businesses and facilitate more efficient transfer of capital in Asia. In the presence of a strong correspondence banking network, the Bank is able to appeal to a larger number of customers by introducing competitive remittance solutions and trade financing products, and thereby secure the foundation of success in the foreign currency market.
2. Despite the challenging global environment, the Bank has been focusing on growing its foreign currency service. Using pattern analysis, the Bank was able to strengthen relationships across all customer segments for mutual benefit. Foreign currency deposit balance in 2020 amounted to US\$21.1 billion, up 27% from 2019; import/export transactions amounted to US\$9.2 billion in 2020, up 22% from 2019; trade financing balance averaged US\$1.5 billion in 2020, up 13% from 2019.

(VI) Credit card service

1. The Bank had 7.12 million outstanding cards at the end of 2020 while the number of active cards reached 5.13 million and credit card spending amounted to NT\$493.3 billion during the year, down 9.7% year-on-year due to the COVID-19 pandemic.
2. Continue working closely with industry leaders to develop innovative payment scenarios for mutual customer acquisition, and adopt differentiated marketing combined with shared membership points to increase cardholders' revenue contribution.
3. Consumers' spending patterns have changed as a result of the pandemic, and as a response, the Bank introduced new data-driven credit card privileges and discounts incorporating a broad variety of merchants to create and satisfy customers' needs. Through customized services, the subsidiary was able to turn crisis into opportunities and generate revenues with improved competitiveness.
4. Competition in the credit card market continues to intensify, whereas campaign and product rewards are undermining profitability. To counteract this trend, the Bank shared data with merchants so that customers can be acquired, managed, and cross-sold more efficiently for maximum yield, thereby securing competitiveness for the challenges ahead.

(VII) Payment service

1. Transaction acquisition: The Bank was able to expand its transaction acquisition network in 2020 to include prominent merchants including Smile (gas station chain), Costco North Taichung Branch, and Taipei Metro. Several control measures were undertaken in response to the outbreak of COVID-19 in the first half of the year in order to secure debt entitlement over merchants; in the second half, the Bank completed phase 1 of its “acquisition automation” infrastructure. As of December 2020, the Bank had contracted with 72,345 merchants.
2. New payment: In addition to promoting PX Mart’s PX PAY and FamilyMart’s My FamiPay, the Bank also worked with Taiwan’s leading bookstore chain, eslite, and mass retailer Costco to introduce two new mobile payment services – “eslite Pay” and “Costco Pay” to further expand mobile payment scenarios in 2020. The Bank helped 7-ELEVEN expand applications of its OPEN Wallet to include 14 other channels of President Group such as Cosmed and Starbucks, thereby securing the Bank’s leading advantage in new payment services.
3. Automated channels service: A total of 15 million transactions were completed using ATM in 2020, representing a 10% growth; the Bank had 4,706 ATMs deployed nationwide, representing a 15% market share and ranking 2nd in the industry.

(VIII) Digital banking service

1. Website: A dedicated section on digital products and services has been created to build up brand image by connecting users’ lifestyle scenarios to the various products and services offered. Meanwhile, contents of the loan section have been updated with a mobile version that offers various features such as online application, consultation, and trial calculation. Visits to the mobile version increased 1.2 times in just one month after launch.
2. Online banking App: Through integration of online and offline services and by leveraging the advantages of digital channels, the Bank saw a 55% increase in active users compared to the previous year. The App consolidates cash flow, NTD/foreign currency account, and credit card information and account opening features in such a way that not only improves user experience and usability of banking services, but also creates opportunities for cross-selling. Other products such as smart investments and loans were added on a later date, and for enhanced security, the App allows facial recognition and video conferencing to be used for online application and login, whereas transaction alert was added to further distinguish from online-only banks.
3. KOKO APP: Having observed young customers’ lifestyles, habits, and financial product needs, the Bank introduced new services including foreign currency account online opening and NTD account opening for underage applicants, and launched a new pet insurance called KOPet with the support of group resources. The App was the first in the industry to incorporate real-time communication service, which promotes better user experience, interaction, and attachment. For improved security, the KOKO App adopts world-class security standards – FIDO – and uses asymmetric key as a simpler and more secure method of authentication. Meanwhile, optimizations were made to existing functions to ensure smoother digital experience.

(IX) Overseas operations

The Bank places significant emphasis on Greater China Region and Southeast Asia markets, and invests actively to capitalize on growth and opportunities within Asia Pacific. In the Greater China market, the Bank's mainland subsidiary continued to enforce a localized business strategy and support top-performing Taiwanese enterprises. Through customized offerings, professional services, and cross-selling efforts, the Bank actively promotes RMB-denominated financial products as a means to strengthen attachment with its target customers. Meanwhile, the Hong Kong Branch remains focused on growing wholesale banking, treasury and private banking services through cross-border collaboration. In Southeast Asia, the Bank currently has branch establishments in 9 countries including Vietnam, Cambodia, Singapore, Malaysia, the Philippines, Laos, Thailand, Myanmar, and Indonesia, making it the most widely established Taiwanese bank in Southeast Asia. The Yangon Office in Myanmar also received approval to convert into Yangon Branch in 2020, and opened for business on January 8, 2021. The Bank currently has 2 wholly owned subsidiary banks, 1 joint venture bank, 7 branches, and 4 representative offices overseas. By creating a cross-border financial platform and banking network that spans across Taiwan, the Greater China Region, and ASEAN, the Bank is able to integrate group resources toward serving local customers and providing them with a more diverse, better quality, and more comprehensive range of financial services.

(X) Treasury service

Expansionary measures introduced by central banks around the world to mitigate impacts of COVID-19 combined with the strengthening of the NTD presented great challenges to business operation and increased demand for hedging solutions. The Bank had capitalized on this development by offering foreign currency hedging instruments and exploring commodity and interest rate hedges for customers in need. As for wealth management services, product offerings were adjusted in line with the low interest environment and the current market trend, thus increasing spread income by 15% in 2020.

■ Changes in the Bank's organization

1. Domestic wholesale banking channels were reorganized and consolidated into local branches, which resulted in the decommissioning of seven regional centers including WB North 1, WB North 2, WB North 3, WB Taoyuan-Hsinchu, WB Taichung, WB Tainan, and WB Kaohsiung.
2. The Wealth Management Strategy and Development Department was consolidated into the Wealth Management Product Department, and eventually renamed Wealth Management Department.

■ Budget execution

The Bank achieved 111.76% of its NT\$2,321.1 billion deposit target and 103.07% of its NT\$1,589.9 billion loan target (including revolving credit on credit cards; mainly attributed to an adjustment of loan structure) in 2020. In terms of credit cards, the Bank achieved 100.83% of its 7.06 million card target.

Unit: NT\$ hundred million

Business activities	2020 - actual	2020 - target	Achievement rate
Deposit	25,940	23,211	111.76%
Credit (including revolving credit on credit cards)	16,387	15,899	103.07%
Credit card	7.12 million cards	7.06 million cards	100.83%

■ Research and development

The Bank has undertaken multiple digital projects to improve the efficiency and depth of services provided, the competitiveness of products offered, customer satisfaction, quality of credit assets, and overall reputation.

An enterprise banking system called GlobalMyB2B has been launched to support a digital cash flow ecosystem, and currently serves enterprise customers in Taiwan, Hong Kong, and China. An enterprise mobile banking system with accompanying APP will also be introduced in the future to help enterprise customers manage capital at greater efficiency.

With respect to payment service, a new Payment Hub was introduced as a fast and secure way for merchants to manage their digital wallets. The hub is complete with a payment gateway that supports all online-to-offline (O2O) payment applications and scenarios that a merchant may require. By promoting digital wallets in coordination with merchants' services, the Bank is able to obtain large volumes of consumption and transaction data and introduce differentiated services that are centered around customers' needs for stronger attachment.

In light of how financial technologies have evolved in the digital era, the Bank has responded with a series of enhanced cybersecurity protections including optimization of external platforms, internal software/hardware renewal, full upgrade of computer systems, adoption of new "security protection mechanism," and restricting laptop connections to the Intranet to SSL-VPN only. Furthermore, as a solution to the shortage of equipment capacity and increasing frequency and time of firmware changes in the Bank's data center IaaS (Infrastructure as a Service) platform, the Bank is currently planning a high availability architecture with more equipment of higher capacity and increased transfer rate.

■ Revenue, expense, and profitability analysis

Unit: NT\$ millions, %

Item \ Year	2020	2019	Growth rate (%)
Net interest income	32,109	32,649	-1.65%
Net income other than interest	26,560	27,465	-3.30%
Total net revenues	58,669	60,114	-2.40%
Loan loss, commitment and guarantee liability provision expense	2,901	2,871	1.04%
Operating expenses	30,747	31,940	-3.74%
Net profit before tax	25,021	25,303	-1.11%
Income tax expense	3,168	3,480	-8.97%
Net profit after tax	21,853	21,823	0.14%
EPS (after tax)(NT\$)	2.04	2.14	-
Return on assets (after tax)	0.73%	0.77%	-
Return on shareholders' equity (after-tax)	9.30%	10.17%	-

III. 2021 Business Plan

■ Operational strategies for 2021

(I) Consumer banking credit service:

The Bank will continue taking advantage of its broad customer base, direct attention towards customers with high revenue contribution, and strengthen customer relations by offering full range of financial products and services. By combining online and offline channels, the Bank hopes to create a service environment that works in favor of reaching customers and cross selling; meanwhile, disruptions in the service process will be continually addressed to improve customers' digital experience.

(II) Wholesale banking credit service:

The Bank will direct attention towards diversifying service activities, increasing fee revenues of low capital requirement, adjusting earnings structure, and enforcing sound capital management for balanced risks and revenues. Meanwhile, a network of streamlined and specialized service locations will be created with the support of existing channel resources, and branches will be working closely with the wholesale banking segment to reduce customer acquisition costs. Furthermore, digital tools and affiliated cash flow networks will be utilized to a greater extent to identify business opportunities, highlight customers' issues, improve operating efficiency, and increase profitability.

(III) Deposit and remittance service:

Digital services that are more relevant to customers' potential and lifestyle needs will be introduced to deliver optimal online-to-offline experience. The Bank will also engage

customers in more active cross-selling to increase fund utilization and transaction frequency, and structure trade strategies and marketing campaigns involving digital foreign currencies and wealth management customers from time to time to create profit and service opportunities.

(IV) Wealth management service:

Given the current uncertainties within the financial market and ongoing digitalization of wealth management service, the Bank aims to introduce new investment products by combining group resources with market research, including private or customized financial products for high-net-worth customers. Meanwhile, the Bank will actively improve the professional capacity of its financial advisors and help them transition into financial consultants for more productive management of customers' assets. Digital channels will also be used more pro-actively to deliver timely and accurate market information as well as investment recommendations to satisfy customers' needs while bringing value to the Bank's wealth management service.

(V) Trust service:

Using trust as a medium, the Bank aims to package financial products with services offered by partners from different industries that are relevant to customers' lifestyles, and introduce solutions that satisfy customers' every need from children's financial protection, retirement to wealth transfer.

(VI) Foreign currency service:

Through expansion of the foreign currency product line, optimization of foreign exchange platform, integration of online and offline channels, and introduction of diverse and efficient foreign currency services, the Bank aims to increase the efficiency of customers' capital allocation as well as their attachment to the Bank's services, which ultimately improves the Bank's competitiveness in the international market and generates revenue. The Bank will promote its trade financing services by exploring customers and cross-selling products needed for customers' operating accounts through available channels. Automated services will be developed for corporate banking customers for improved experience and satisfaction, whereas cooperation will be made with peers on a higher level to further complete product offerings locally and abroad.

(VII) Credit card service:

A data-driven approach and end-to-end optimizations will be undertaken for customer relationship management, whereas internal and external resources will be combined into creating a customer experience-oriented digital platform that not only extends the Bank's competitive advantage and maximizes product/service revenues, but also supports an ecosystem of new businesses.

(VIII) Transaction acquisition service:

Transaction acquisition service has reached economy of scale given the large number of merchants registered for the service. Externally, the Bank will continue to improve the capacity of its sales team while securing and expanding presence in viable markets; internally, the Bank will undergo active digital transformations and progressively introduce automated transaction acquisition systems to reduce labor costs while at the same time enhance the quality of service to merchants.

(IX) ATM service:

In addition to cooperating with strategic channels and helping branches shift transaction load over to ATMs, the Bank will also work with partners from different industries for the creation of a digital service platform that supports broader applications, adds value to existing services, optimizes customer experience, and improves overall business performance.

(X) Payment Hub service:

Continue exploration of new banking applications and scenarios to complement the mobile payment ecosystem; expand collaboration with existing channels and introduce suitable financial applications depending on the characteristics of specific channels, so that channel users may access other financial services offered by the Bank through the ecosystem.

(XI) Digital banking and online corporate services:

Emphasis will be placed on strengthening the relationship with digital users by optimizing digital experience across different platforms, empowering customers with features of a full-fledge branch, and continually developing innovative financial products. Meanwhile, the Bank aims to incorporate financial services seamlessly into daily business scenarios and progressively transform into a digital consultant for businesses, and shall replicate its successful experience to other overseas locations.

(XII) Overseas operations:

A significant amount of attention will be directed toward expansion and product offering in Greater China and ASEAN markets. In Southeast Asia, the Bank will focus on growing local customers and businesses, enhancing cross-border integration, introducing trade financing, treasury and structured financing solutions, and making improvements to the online banking platform so that a greater number of corporate customers may access the quality cross-border and cash management services we have to offer. As for the Greater China market, Hong Kong Branch shall maintain a balanced focus toward corporate banking, treasury and wealth management, while fulfilling its role as a regional coordinator. The mainland subsidiary will strive to meet the eligibility requirements for new financial products and services by improving business strength and raising the level of digitalization, while at the same time cooperate with Hong Kong Branch and other overseas units on domestic as well as foreign businesses at a higher level.

(XIII) Private banking:

The Bank will continue offering customized portfolio management service and a diverse range of financial products, and leverage the Bank's professional wealth transfer consultancy services, external partners, and the trust 2.0 program to further complete the Cathay as a service (CaaS) service ecosystem. Meanwhile, the Hong Kong Branch will continue to provide private banking and wealth management services to Taiwanese businesses as well as local customers, offering alternative long-term investment solutions to high-net-worth individuals. The Singapore Branch, on the other hand, will establish its own private banking segment to support asset planning and allocation for Taiwanese businesses seeking to expand into Southeast Asia, and complement its counterparts in Taiwan and Hong Kong to create a regional private banking platform.

(XIV) Treasury service:

For treasury service, emphasis will be placed on refining the sales process, enhancing end-to-end sales coordination, exploring active customers with real needs, promoting foreign currency/commodity/interest rate hedges to corporate customers, and introducing online derivatives trading services.

■ Expected business targets and basis of estimate

2021 business targets

Unit: NT\$ hundred million

Main business category	Target
Deposit	26,314
Credit (including revolving credit on credit cards)	17,879
Credit card (outstanding cards)	7.6 million cards

Basis of target

The Bank prepares its budget in a manner that achieves optimal allocation of capital. To achieve this purpose, the Bank evaluates market outlook, economic cycle and interest rate trends for the coming year before the end of each year in order to determine business-related factors. The management then makes assumptions by taking into consideration product profitability in previous years and possible growth opportunities before setting growth targets and interest rates for the coming year. With the growth forecast in place, the Bank is able to review budgeted expenses and loan loss provisions.

■ Key policies

Faced with changes in local and overseas markets and challenges from online-only banks and other non-conventional financial institutions, the Bank will continue adhering to rules of the authority and explore ways to improve capital efficiency and yield. The bank will also make better use of group resources to expand digital and data capacity and apply new technologies to the front, mid, and back offices to help the Bank expand banking scenarios and deliver higher value-adding services to customers, thereby accomplishing operational goals. ◦

In order to support future growth and realize the vision of becoming “the top performer in Asia Pacific,” the Company will continue making improvements to its organization, recruiting talents of various expertise and skills, and enforcing proper management, communication, and culture to inspire “Integrity, Accountability and Innovation” within employees, and provide the foundation and energy needed for transformation.

IV. Future strategies

(I) Consumer banking service

1. Make flexible capital allocations in line with compliance, risk management, and business expansion needs; adjust asset structure for maximum yield on capital utilization.
2. Expand the financial ecosystem to connect with customers' lifestyles. Combine physical and digital channels for more efficient customer relationship management and cross-selling; optimize the service process, address disruptions, and provide customers with more convenient and better digital service experience across all channels.
3. Apply data-mining techniques and analyze customers' information collected through different channels for better understanding of customers' requirements, so that the right products/services can be offered at the right time through the right channel.
4. Offer diverse range of integrated financial products to facilitate transfer of customer relations within group and maximize synergy in the use of group resources.
5. Enhance the value of services offered at branches; free up human resources through ongoing centralization of banking operations and the introduction of complete digital services; offer differentiated financial services in line with adjustments to branch lobby and service models.
6. Optimize physical and digital channels from a customer experience perspective, and strengthen relationship with customers through more user-friendly and convenient services; direct business efforts toward high potential customers and high-margin products for increased revenue contribution, improved operational performance and higher customer value.
7. As the world transitions into the digital era, the Bank will redesign its online banking App into a "group digital platform" where subsidiaries may refer customers to each other, introduce new financial products and services with the support of group resources, and co-manage target customers while giving them a comprehensive range of financial services to choose from.

(II) Corporate banking service

The Bank plans to enforce a new professional, centralized, and localized business model where a dedicated wholesale banking team will be assembled to target customers of certain size and industry, and focus on diversifying service activities, increasing fee revenues of low capital requirement, and adjusting earnings structure. Furthermore, the Bank will continue making optimal use of available channel resources and strengthen cooperation between sales roles to deliver full range of financial service. The Bank will also capitalize on the opportunities to cross-sell between business owners, family members, and employees for overall performance improvement across the wholesale banking channel.

(III) Wealth management service

1. Given the low interest environment, the Bank will focus on structuring new investment products and strategies by making optimal use of resources within and outside the organization. For high-net-worth customers, differentiated and customized products and services will be structured to satisfy customers' diverse needs.
2. An Investment Decision Office will be created to consolidate internal and external market studies, select investment products, provide customers with precise and timely investment information and recommendations, and ultimately improve customers' end-to-end experience.
3. Financial advisors will be given more intensive training to improve consultative selling skills, the ability to understand customers' needs, as well as the knowledge required to propose appropriate investment solutions and manage assets for customers, which ultimately brings value to wealth management services.
4. In light of the low interest environment and tightened insurance regulations, the insurance portfolio will be adjusted with greater emphasis towards protection-oriented and investment-linked products. Improvements will also be made to the digital insurance application process for better customer satisfaction, with effective controls taken for the monitoring of operational risks.

(IV) Trust service

1. In response to aging demographics and increase in wealth transfer needs, an innovative trust platform offering diverse and complete asset planning solutions and investment instruments will be created to help customers structure customized and flexible trusts for retirement and wealth transfer, and help business customers increase welfare for their employees.
2. Real estate trust services will be offered to support the government's urban renewal efforts and promote reconstruction of shoddy/old buildings.
3. Engage top-performing investment trust companies to hold custody of public (private) funds, and promote custodian service for investment-linked insurance and discretionary investment accounts.

(V) Foreign currency service

More complete range of foreign currency products will be offered and further upgrades will be made to the SWIFT system to deliver safer, faster and more convenient remittance services to customers local and abroad. The Bank will be cooperating with channel partners to cross-sell trade financing and cash flow solutions, and thereby complete the range of foreign currency products offered. Through optimization of foreign exchange platform, integration of physical and virtual channels and introduction of diverse foreign currency services, the Bank aims to increase the efficiency of customers' capital allocation as well as their attachment to the Bank's services, which ultimately improves the Bank's competitiveness in the market.

(VI) Credit card service

1. A data-driven approach and end-to-end optimizations will be undertaken for customer relationship management, whereas internal and external resources will be combined into creating a customer experience-oriented digital platform that not only extends the Bank's competitive advantage and maximizes product/service revenues, but also supports an ecosystem of new businesses.
2. Through integration of group resources and strategic alliance with partners from different industries, the Bank hopes to create an ecosystem of financial services that addresses customers' every need. With the help of data-driven innovations, the Bank aims to create collaborative opportunities with industry partners and expand financial service scenarios for a total upgrade in customer experience. By gaining insight into customers' needs and behaviors, a full set of segmentation and brand marketing strategies can be formulated to maximize yields of the organization's precision marketing efforts.
3. Taking advantage of its modularized and agile operations, the Bank will cooperate with merchants to create a common platform where data is used to provide differentiated services and to direct marketing resources to viable customers for the maximum yield.

(VII) Payment service

1. Transaction acquisition service: Transaction acquisition has reached economy of scale given the large number of merchants registered for the service. Externally, the Bank will continue to improve the capacity of its sales team while securing and expanding presence in viable markets; internally, the Bank will undergo active digital transformations and progressively introduce automated transaction acquisition systems to reduce labor costs while at the same time enhance the quality of service to merchants.
2. New payment: New payment tools give rise to broader range of financial applications, and depending on the characteristics of the channel partner new financial solutions may be developed to meet the needs of different customers.
3. Automated channels: Adhere to the "customer experience" focus, enhance cash flow services in ways that improve business performance, and create the optimal platform for serving customers.

(VIII) Overseas operations

1. The Bank will aim to expand its customer base overseas through active deployment of overseas channels, planning, training overseas talent, implementation of robust platform and procedures, and offering differentiated and diverse products.
2. Given the ongoing pandemic and fluctuations in global markets, overseas offices will have to adopt differentiated operating strategies depending on the nature of the local industry, whereas the Head Office will also commit additional investments into operating procedures, risk management, digital infrastructure, and talent development, thereby taking progressive steps toward becoming the leading financial institution in Asia Pacific.
3. Pro-active steps will be taken to strengthen the internal control system in particular regard to compliance, anti-money laundering, cybersecurity, and risk management,

while adopting “automated, high efficiency, and intelligent risk controls” to ensure optimal capital structure. Furthermore, a multinational customer management system (PAM/SAM) will be adopted to take full advantage of group resources as well as the Bank’s competitive advantage and synergies between overseas offices for cross-border relationship management. In the meantime, overseas offices will continue building local relations and contribute to the Bank’s visibility and presence in the global market; in countries where Taiwanese enterprises are dominant in numbers, the Bank has assembled local teams to consolidate and address needs exclusively for them.

V. Impacts of the competitive environment, regulatory environment, and overall business environment

(I) External competition

President Biden’s inauguration opens up negotiation between China and the USA and brings hope to ending the ongoing trade barriers. The bilateral investment agreement between the EU and China was finalized at the end of 2020 and is expected to take effect in early 2022. The EU has approved the UK’s exit, effective from 2021 onwards. There remains a large number of political uncertainties that may affect investment and trade prospects in the future, and considering the level of expansionary monetary and fiscal measures undertaken by Taiwan, the USA, Europe, Japan, and Korea, and the European Central Bank’s decisions to purchase additional debts and extend TLTRO (Targeted longer-term refinancing operations), the market should expect further inflow of liquidity. Furthermore, resurgence of COVID-19 poses additional uncertainty, and while vaccine development has been successful and the world’s developed nations are hopeful of vaccinating more than 50% of population in the first quarter of 2021, the effect of vaccines against virus mutation remains unclear, and the rate of economic recovery may be limited until herd immunity is achieved.

The pandemic combined with low-interest policy has raised the market’s risk preference and brought additional volatility to financial indices. Furthermore, disease controls introduced in response to the COVID-19 pandemic have changed people’s lifestyles and spending habits in ways that increased demand for online banking service. As online-only banks commence operations, they inevitably intensify competition within the wealth management segment.

Meanwhile, the Central Bank introduced four major credit controls in 2020 that increased barriers for real estate lending, whereas the FSC plans to introduce the responsibility mapping system from abroad for enhanced supervision over fraud; overall, the regulatory environment is becoming more rigorous than ever. Domestic demand should continue to be the main driver in 2021 given the low base of comparison, and as private investment and output strengthen, outlook of the economy should turn favorable. However, the global supply chain is still undergoing adjustments, and the RCEP scheduled to take effect by 2021 year-end at the earliest will cause global supply chains to shift towards Asia Pacific, and pose a certain level of stress on Taiwan’s industries.

Taiwan has abundant liquidity in its financial system, but local banks have been operating in an environment characterized by low margin, over-competition, and

excessive competitors for extended periods of time. To prevent engaging in all-out price competition, the Bank continues to innovate with the help of digital tools and strives to provide business customers with financial services that address a wide range of needs. This effort is further supported with tightened control over credit position and limited capital, which enable the Bank to grow while maintaining sound asset quality and consistent revenues.

Digital banking service have changed conventional banking and marketing practices, and fueled the growth of virtual channels to the extent that physical branches are being forced to undergo transformation. Today, it is necessary for banks to invest into the creation of an online banking environment and to guide branches toward transformation, while at the same time cater for customers' experience and transaction security. Technologies have already changed the ways of the financial industry, and uprise of virtual and cloud-based services is believed to disrupt the competitive landscape even further, making FinTech companies the primary competitor.

World Economic Forum (WEF) mentioned in its "Global Risks Report 2020" that "Environmental Risks" have emerged to become one of the five most likely risks for the first time in nearly 15 years. Today, growth and strategies of the world's businesses are influenced by "green finance" to such a high degree that financial service providers will have to shift their investment focus towards zero emission projects. Furthermore, environmental, social, and governance (ESG) risks will have to be taken into account as part of their credit assessment and supervision efforts, and by exerting financial influence, financial institutions will play their roles in helping customers mitigate ESG impacts and promote sustainability in the business world.

(II) The regulatory environment

The Bank conducts security assessment of all computer systems used in domestic and overseas offices, and makes the necessary improvements to enhance security and conform with regulatory requirements. An independent consultant has been engaged to evaluate information security for the entire bank for the year, and the outcome of evaluation, along with Statement of Information Security, are presented to the board of directors in the first quarter of the following year. By incorporating information security into the corporate culture, the Bank enforces and improves security protection through the entire organization.

The Bank has internal policies, internal control measures, training programs and compliance self-assessment practices in place to address key issues such as fair customer treatment, anti-money laundering, counter terrorism financing, corporate social responsibilities etc. for compliance with external regulations. Compliance awareness is being promoted to all employees within the Bank, and all issues relevant to the Bank's operations are covered by internal control and compliance systems.

In terms of financial supervision, financial institutions continue to face challenges from the introduction of new regulatory requirements, including AML, CTF, and related monitoring procedures. While the arrival of three online-only banks helps stimulate development and application of new financial technologies (particularly AI), they also bring new risks and challenges that force financial institutions to enhance cybersecurity, tighten risk management, and make use of supervisory tools for corporate governance,

risk management, and compliance purposes, and take pro-active steps toward reducing business risks, improving operational health, and adopting international standards.

Below is an explanation of enhanced internal controls undertaken in response to FSC's new insurance regulatory measures:

■ FSC's new insurance regulatory measures

1. Prevention against embezzlement of policyholders' funds by insurance sales representatives: systematic checks (such as KYE on insurance sales representatives, control and auditing of insurance transactions) will have to be developed and implemented.
2. Amendment of insurance solicitation rules: tightened control on insurance applications from customers aged 65 and above.
3. Life and non-life insurance representatives are required to undergo external compliance training on a yearly basis after registration. The Bank regularly assigns sales representatives to complete online courses at Taiwan Insurance Institute.

■ Amendments to product design rules and impact on product offering

1. Tightened regulations on investment-linked policies with guaranteed payouts: a higher expense ratio affects the offering of investment-linked policies.
2. Use of the 6th Mortality Table: premiums will increase for survival type products.
3. Expected reduction of liability reserve: traditional products will see a rise in premiums.

■ Internal control enhancement measures

1. Tightened management of personal data and documents.
2. Enforcement of fair customer treatment principles in the compensation system.
3. Tightened control for insurance purchases that are funded by loan or proceeds from termination of another insurance policy or time deposit.
4. Enhanced KYC process and monitoring of abnormal transactions for the protection of customers' interest.
5. For compliance with new regulations, systematic processes and checks will be implemented for new non-life insurance applications in the future.

(III) The overall business environment

Outbreak of COVID-19 in 2020 has had significant impacts on industrial and economic activities around the world, and presented financial institutions with immense challenges, both local and abroad. The effects it had on the supply chain and demands have increased credit default risk for banks. Although the government of Taiwan responded with relief measures and interest rate cuts in line with Europe and USA, the ongoing spread of COVID-19 still presents financial institutions with additional liquidity risk and credit risk, and undermines confidence of local investors and consumers, as well as the growth of Taiwan's economy.

As a response to the turbulent market conditions and future growth challenges, the Bank will direct more attention towards offering investment products that conform with

market trends and customers' needs and improving the professionalism of its financial advisors, while at the same time promote health- and investment-related solutions to help customers diversify and allocate assets against increased volatility.

Growth of the global economy has slowed down due to negative effects of the pandemic, and given the downside risks of deflation and worldwide trade dispute, banks will have to adapt to operating in an undesirable environment. The Bank will strive to maintain consistency of its business performance, bring more complete financial services and account features to customers, secure deposit source, and optimize customer experience. The Bank also aims to develop integrated investment solutions for customers with special needs, and take advantage of group synergy by cross-selling them through subsidiaries online as well as offline to maximize synergy and sustain business growth.

VI. Credit rating

Institution for credit rating	Rating Received		Rating Outlook	Date of last rating
	Long-term	Short-term		
Taiwan Ratings	twAA+	twA-1+	Stable	2020.10
Standard & Poor's	A-	A-2	Stable	2020.10
Moody's	A2	Prime-1	Stable	2020.09

Two. Bank profile

I. Date of Establishment

January 4, 1975

II. Bank history

The Bank was founded following a merger between “United World Chinese Commercial Bank” (UWCCB) and “Cathay Commercial Bank.” The former of the founding members (UWCCB) was founded in September 1971 during the 4th Cathay Financial Association Gathering, where members and overseas Chinese leaders representing Chinese businesses from 17 countries and regions worldwide gathered and founded a new banking establishment out of commitment to supporting economic growth in the home country, with all 17 members of The Bankers Association of Taipei each contributing 50% of capital. During the founders’ meeting held in May 1974, a resolution was passed to set share capital at US\$12 million; 50% of which was allocated to domestic shareholders while another 50% was allocated to overseas shareholders. In December 1974, the Executive Yuan approved UWCCB’s license application submitted through Ministry of Finance, and UWCCB later commenced official business activities on May 20, 1975 at No. 10 Yongsui Street, Taipei City. On April 17, 1995, UWCCB merged “Overseas Chinese Trust and Investment Co., Ltd.” into its organization.

The latter of the founding members (Cathay Commercial Bank) was initially founded as “First Trust and Investment Co., Ltd.” in June 1971. The board re-election held in 1993 elected Mr. Chen-Yu Tsai as the chairman of First Trust and Investment, who introduced a “5-year transformation program” that successfully re-organized the institution into “Huitong Commercial Bank Co., Ltd.” on November 16, 1998. On July 3, 2002, Huitong Commercial Bank Co., Ltd. was renamed “Cathay Commercial Bank.”

As a response to ongoing changes such as the government’s financial reform initiative, the implementation of Financial Holding Company Act and intensifying competition from financial conglomerates after joining the World Trade Organization, Cathay Commercial Bank and UWCCB joined Cathay Financial Group and became 100%-owned subsidiaries of Cathay Financial Holding Co., Ltd. (Cathay FHC) on April 22 and December 18, 2002, respectively, to provide more complete financial services to a wider range of customers. A decision was later made to merge UWCCB and Cathay Commercial Bank according to The Financial Institutions Merger Act and related laws, with UWCCB being the surviving company and Cathay Commercial Bank the dissolved company. Merging had a number of advantages such as integrated resource, reduced cost, enhanced performance, improved service and creation of synergy. Terms and details of the merger agreement were passed during the board of directors meeting held on April 21, 2003, and were later approved by the Ministry of Finance on June 26. The merger baseline date was set on October 27, 2003, from which time the surviving entity was renamed Cathay United Bank Co., Ltd.

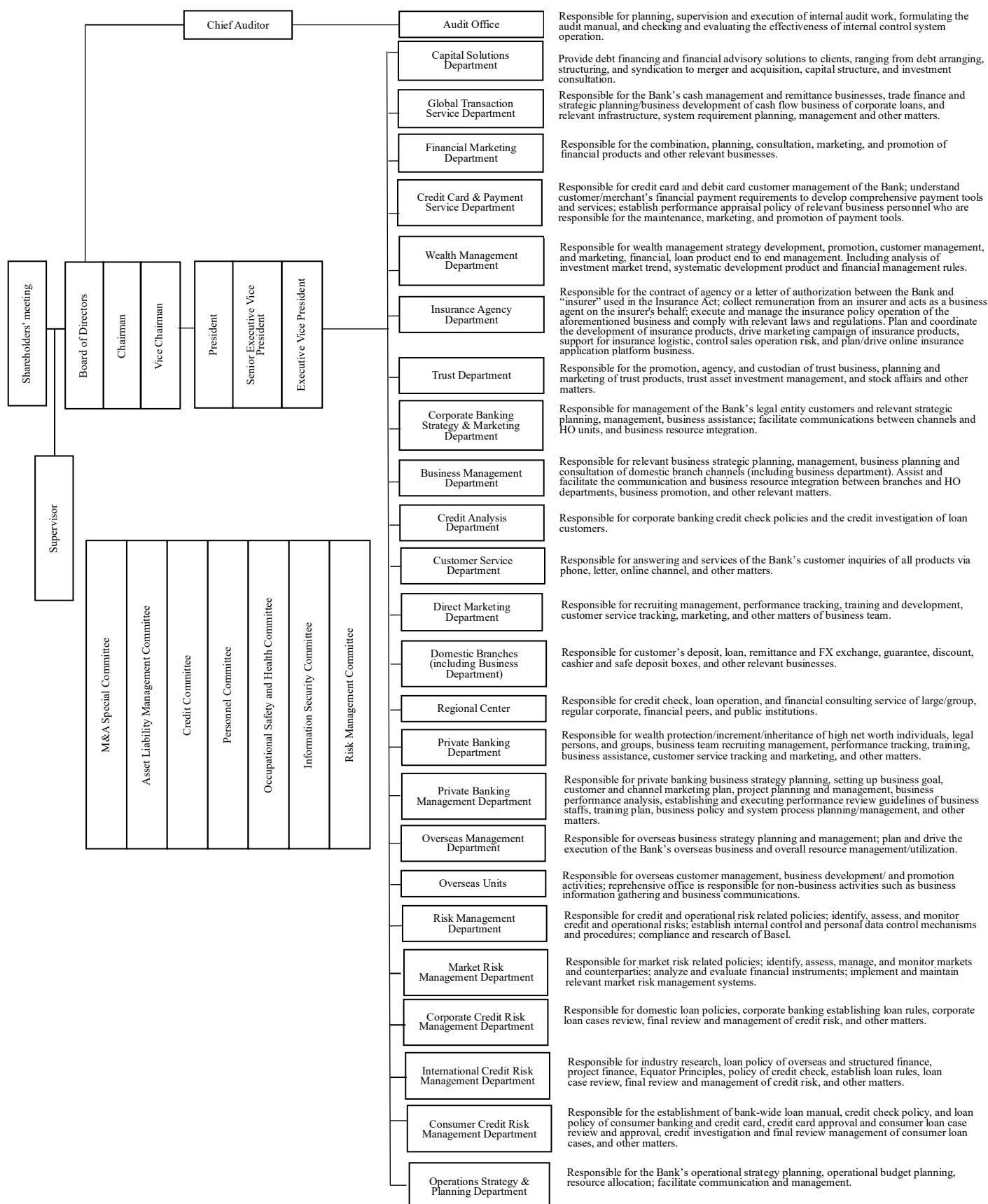
To ensure further growth in terms of service scope and market share, the Bank later merged with Lucky Bank (January 1, 2007 being the baseline date) and acquired a certain part of assets, liabilities, and business activities from China United Trust & Investment Corporation on December 29, 2007. Following the merger, the Bank was able to increase the domestic branch count to 165.

Three. Corporate Governance Report

I. Organization: Organization and responsibilities of main departments

Organization Chart of Cathay United Bank Co., Ltd.

2020.08.21



(Take on the previous page.)

Treasury Operations Department	Responsible for financial operation, settlement operation of investment clearing, and other matters.
Credit Card Operations Department	Responsible for credit card documents process, card making, postal affairs, credit card accounting clearing, consolidation of credit card operation policy and rules, authorization of credit card transactions, early warning and midterm management, accounting and property management, and other matters.
Cash Management Operations Department	Responsible for the establishment of manual/policy regarding deposit, remittance operation and data storage, planning and management of SOPs and relevant system process, supervision and management of the Bank's outsourced operation, and management, supervision and operation execution of operation centers under its authority.
Trade & Loan Operations Department	Responsible for the establishment of manual/policy regarding loan, trade financing and OBU business, planning and management of SOPs and relevant system process, and management, supervision and operation execution of operation centers under its authority.
Offshore Banking Unit	Responsible for planning and coordination of OBU projects, research analysis, campaign of important matters; consolidate issues from channels, propose solutions, comply with laws and regulations, and support other administrative matters.
IT Infrastructure Solutions Department	Responsible for the planning and implementation of bank-wide system infrastructure, management & maintenance of IT host systems and network equipment, and other matters; establish rules of system environment deployment, provide system operation consulting services, and other matters.
IT Strategy Department	Responsible for IT development strategies and goals, corporate IT infrastructure planning, new technological trend evaluation and trial, project execution, budget planning, project tracking and control, IT staff recruitment, training, administration resource management, and other matters.
Consumer Banking IT Department	Responsible for various application systems' analysis and planning, development, maintenance, and system documentation of consumer banking's credit card, fund trust, wealth management, financial service, and risk management.
Core Systems Solutions Department	Responsible for the analysis and planning, development, maintenance, and system documentation of domestic NTD/foreign currency deposit, loan, and remittance related systems.
Core Systems Development Center Department	Responsible for program design of application systems, development, maintenance, testing project review and testing execution control, and other matters.
Corporate & Global Banking IT Department	Responsible for domestic/overseas application systems' analysis and planning, development, maintenance, and system documentation of corporate and overseas digital channels, finance, accounting; execute overseas projects.
Intermediate-Platform Evolution Department	Responsible for the Bank's middle platform strategies and targets, requirement management, service analysis, platform design/development/testing, service monitoring, anomaly resolution, and data development, etc.
Digital Banking Department	Responsible for the digital channel strategy planning, analysis/planning of related systems, system construction/development and digital channel operation (including designs of digital service experience and digital customer acquisition strategy), planning and execution of new-type digital bank, management of digital customer groups, and development of digital channel related products.
Data Ecosystem Department	Responsible for the operation and planning of the Bank's data ecosystem (including data gathering and data utilization strategy), environment and structure planning of data engineering, data warehouse, big data platform, data model, and development and maintenance of data import/export. Manage data-driven platform and business model planning, establish data analysis model for business analysis, monitor risks related to innovation, conduct precision marketing analysis, generate promotion list, and develop omni-channel data management strategy, etc.
Strategic Planning Department	Responsible for Bank's strategic goals and development; drive the planning, execution, and evaluation of major projects; promote cross-unit communication and coordination; conduct business information gathering and analysis of competitive markets, and other matters.
Advertising Department	Responsible for brand management, customer segment, and product advertising/promotion; follow the Group's advertising and promotion strategy to plan the Bank's image advertising/promotion, integrate mass media campaigns, develop product marketing plan, and coordinate/manage internal & external advertising channels.
Information Security Department	Responsible for the establishment and amendment of bank-wide information security policies, blue print planning of information security architecture, collaboration major information security incident response plan, information security protection mechanism and emergency response inspection, overall implementation of information security monitoring, information security promotion and training, information security laws and regulations compliance issues inspection.
Finance & Accounting Department	Responsible for bookkeeping/accounting, tax, budget, balance statement, financial statistics, management of asset and liability, performance analysis, financial quality, and other matters.
Human Resources Department	Responsible for bank-wide organization development, human resource planning, personnel management, employee welfare, cultivation of supervisors/reserve talents, and other matters.
Education & Development Department	Responsible for employee training development, lecturer cultivation/management and certification, digital teaching tool development, and other matters.
General Affairs & Safety Department	Responsible for seals, documents, general affairs, construction and maintenance, procurement, certification application, property management, and the prevention plan of occupational accident; plan and supervise all units to implement relevant occupational safety and health works.
Financial Trading Department	Responsible for NTD and FX fund allocation, stock/bond/bill investment, financial instruments trading, securities dealing and underwriting, and other matters.
Legal Affairs Department	Responsible for the research of financial related laws and regulations, consultation of legal affairs, coordination and planning of corporate governance, assistance of patent development and case control, management of major lawsuit cases, and assistance of legal training, relevant issues of the BOD (Managing Directors Meeting), and seal management.
Asset Security Department	Responsible for the collection business of the Bank's non-performing assets and non-performing loans (including litigation cases, non-contentious cases, compulsory enforcement, bankrupt, debt restructuring, liquidation, and clearance), evaluation of non-performing loans, and civil litigations or criminal proceedings caused by business conduct dispute; draft and establish policy of non-performing loan clearance and bad debt write-off; perform bad debt write-off operation.
Compliance Department	Responsible for the research and establishment, planning and execution of the Bank's compliance policy strategy; detect compliance risk of each business based on the Bank's business goals; drive the implementation of compliance business concept and other matters.
Anti-Money Laundering Compliance Department	Responsible for the decision making and execution of the Bank's AML/CFT business; prevent money laundering, design system, and identify & evaluate AML/CFT risks; assist to ensure all business products and operation processes to be compliant with relevant AML/CFT regulations.

II. Background information of Directors, Supervisors, the President, Executive Vice Presidents, Senior Vice Presidents, heads of departments and branches and consultants:

(I) Board Members and Supervisors Information (Table 1)

Board Members and Supervisors Information (1)

March 31, 2021

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Chairman	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Andrew Ming-Jian Kuo	M	2019.06.26 (Note 1, 2)	3 years	2007.07.03	(Note)	(Note)	-	-	-	-	-	-	Chairman, Cathay United Bank (M.B.A., Baruch College, City University of New York, USA)	Chairman of Cathay United Bank (China); Samson Holding Ltd.; Independent Director of Zhongshan Huali Enterprise Group Co., Ltd.; Director of Cathay Financial Holdings, Cathay Securities Investment Trust, Cathay Private Equity Co., Ltd., Long Chen Paper, Far East Horizon Limited, Taiwan Farm Industry, Cathay Medical Care Corporate and Cathay Charity Foundation; Director of Bankers Association of The Republic of China and The Bankers Association of Taipei	None		
Vice Chairman	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Tzung-Han Tsai	M	2019.06.26 (Note 1, 2)	3 years	2011.06.29	(Note)	(Note)	-	-	-	-	-	-	Vice Chairman of Cathay United Bank (J.D., Georgetown University, USA)	Director of Cathay Life, Conning Holdings Limited, The Taiwan Entrepreneurs Fund Limited, 7-Eleven Malaysia Holdings Berhad and Srisawad Corporation Public Company Limited; Executive Vice President of Tung Chi Capital	Director	Tsung-Hsien Tsai	Brothers

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Managing Director (Independent Director)	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Tang-Chieh Wu	M	2019.06.26 (Note 1, 2)	3 years	2019.06.26	(Note)	(Note)	-	-	-	-	-	-	Secretariat of Taiwan Financial Services Roundtable; Former Chairman of Hua Nan Financial Holdings; Chairman of Hua Nan Bank; Chairman of Land Bank of Taiwan; Political Deputy Minister of Finance; Vice Chairman of Financial Supervisory Commission and Director-General of Securities and Futures Bureau (Master of Finance, National Chengchi University)	Independent Director of Cathay Financial Holdings, Cathay Life and Cathay Century Insurance; Secretariat of Taiwan Financial Services Roundtable; Consultant of Accounting Research and Development Foundation; Director of Foundation of Pacific Basin Financial Research and Development; Vice Chairman of Alumni of Finance, National Taipei University; Managing Director of Alumni Association of National Taipei University; Supervisor of Taiwan-Russia Association	None		
Managing Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Alan Lee	M	2019.06.26 (Note 1, 2)	3 years	2010.05.13	(Note)	(Note)	-	-	-	-	-	-	President of Cathay United Bank (Master of Business, National Taiwan University)	President of Cathay United Bank; Director of Cathay United Bank (China), CDIB Partners Investment Holding Corp., Taiwan Real Estate Management, Taiwan Finance Corporation, National Credit Card Center of R.O.C.; Supervisor of PT Bank Mayapada Internasional, Tbk			
Managing Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Chung-Yi Teng	M	2019.06.26 (Note 1, 2)	3 years	2013.07.12	(Note)	(Note)	-	-	-	-	-	-	Senior Executive Vice President of Cathay United Bank (MBA, Massachusetts Institute of Technology)	Senior Executive Vice President of Cathay Financial Holdings and Cathay United Bank; Director of Cathay United Bank (China), Cathay Venture, Taiwan Star Telecom and Culture and Charity Foundation of the Cathay United Bank; Chairman of Cathay United Bank (Cambodia); Supervisor of Taipei Forex Inc.			

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Independent Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Feng-Chiang Miao	M	2019.06.26 (Note 1, 2)	3 years	2016.06.20	(Note)	(Note)	-	-	-	-	-	-	Chairman of MiTAC Holdings Corporation; Former ITRI Laureate; President of UPC Technology Corporation, President of Linde Lienhwa Industrial Gases Co., Ltd.; Chairman of Synnex Corporation; Independent Director of Galileo International Shipping Co., Ltd.; Independent Director of British Oxygen Company, Independent Director of Linde Group; Representative of APEC Business Advisory Council (ABAC); Convener of Civil Advisory Committee of National Information and Communications Initiative Committee (NICI); (Honorary Doctorate of National Chiao Tung University, Master of Business Administration of Santa Clara University, U.S.A., Bachelor of Electrical Engineering, University of California, Berkeley, U.S.A.)	Independent Director of Cathay Financial Holdings and Cathay Century Insurance; Chairman of MiTAC Holdings, MiTAC Inc., Synnex Technology International, Lien Hwa Industrial Holdings Corp., UPC Technology, Harbinger Venture Capital, MiTAC International, Harbinger Management Consultancy, Lien Cheng Venture Capital and Mei Feng Investment; Director of Getac Technology, Wei Cheng Investment, BOC Lien Hwa Industrial, Harbinger III Venture Capital, Harbinger VII Venture Capital, MiTAC Information Technology, MiTAC Computing Technology, United Industrial Gases, MiTAC Digital Technology, Synnex Corporation, GLORY ACE INTERNATIONAL INC. and Synnex Global Ltd.; Director of Chinese National Association of Industry and Commerce	None		

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Independent Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Edward Yung Do Way	M	2019.06.26 (Note 1, 2)	3 years	2017.06.16	(Note)	(Note)	-	-	-	-	-	-	Chairman, YCSY Co., Ltd.; Former CEO, Deloitte Taiwan (M.B.A., of University of Georgia, USA)	Independent Director of Cathay Financial Holdings, Cathay Securities, Far Eastern Department Stores and Synnex Technology International; Independent Non-executive Director of Da Chan Food (Asia) Limited; Chairman of YCSY Co., Ltd.; Director of Iron Force Industrial, Vanguard International Semiconductor, MiTAC Holdings and Chilis Electronic Corp.	None		
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Tsung-Hsien Tsai	M	2019.06.26 (Note 1, 2)	3 years	2013.07.12	(Note)	(Note)	-	-	-	-	-	-	Senior Executive Vice President of Cathay Financial Holdings (M.S. in Electronic Engineering, Harvard University, USA)	Senior Executive Vice President of Cathay Financial Holdings; Director of Cathay Century Insurance; Vice Chairman of Symphox Information Co., Ltd.	Vice Chairman	Tzung-Han Tsai	Brothers
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Chi-Wei Joong	M	2019.06.26 (Note 1, 2)	3 years	2013.07.12	(Note)	(Note)	-	-	-	-	-	-	Chairman and CEO (legal representative) of Moderntimes (Shanghai) Co., Ltd.; Former President, CMB Credit Card Center (B.A., Kean College of New Jersey, USA)	Legal Representative, Yu Shun Investment consultancy (Shanghai); Chairman and CEO (legal representative) of Moderntimes (Shanghai) Co., Ltd.; Director of Cathay FHC, Essence Management Services Limited, Moderntimes Information Co., Ltd., etc.	None		
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Han-Kuo Chen	M	2019.06.26 (Note 1, 2)	3 years	2018.11.03	(Note)	(Note)	-	-	-	-	-	-	Bank of Taiwan - Deputy Manager of Department of Planning and Chief of Legal Affairs Center (Master of Law, Soochow University)	Bank of Taiwan - Deputy Manager of Department of Planning and Chief of Legal Affairs Center			

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Chang-Ken Lee	M	2019.06.26 (Note 1, 2)	3 years	2002.12.18	(Note)	(Note)	-	-	-	-	-	-	President of Cathay Financial Holdings (M.B.A., University of Pennsylvania, USA)	President of Cathay Financial Holdings; Chairman of Financial Planning Association of Taiwan; Managing Director of CDIB & Partners Investment Holding Corporation; Director of Cathay Financial Holdings, Cathay Securities, Cathay Securities Investment Trust, Cathay Charity Foundation and Joint Credit Information Center; Supervisor of Cathay Medical Care Corporate; Managing Director of The Bankers Association of The Republic of China; Director of The Bankers Association of Taipei, etc.	None		
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Grace Chen	F	2019.06.26 (Note 1, 2)	3 years	2003.10.24	(Note)	(Note)	-	-	-	-	-	-	Senior Executive Vice President of Cathay Financial Holdings (M.B.A. of National Chengchi University)	Senior Executive Vice President of Cathay Financial Holdings; Director of Cathay Venture, Cathay United Bank and Culture and Charity Foundation of the Cathay United Bank			
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Sophia Cheng	F	2021.03.11 (Note 6)	3 years	2021.03.11	(Note)	(Note)	-	-	-	-	-	-	Senior Executive Vice President of Cathay Financial Holdings (Master of Finance Banking., Golden Gate University, USA)	Senior Executive Vice President of Cathay Financial Holdings; Director of Cathay Venture			
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Jian-Hsing Wu	M	2019.06.26 (Note 1, 2)	3 years	2016.06.20	(Note)	(Note)	-	-	-	-	-	-	Senior Executive Vice President of Cathay United Bank (Master of Computer Science and Information Engineering, Tamkang University)	Director of Culture and Charity Foundation of the Cathay United Bank; Senior Executive Vice President of Cathay Financial Holdings and Cathay United Bank			

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Wei-Hua Chou	M	2019.06.26 (Note 1, 2)	3 years	2017.06.29	(Note)	(Note)	-	-	-	-	-	-	Senior Executive Vice President of Cathay United Bank (Master of Finance, National Chengchi University)	Senior Executive Vice President of Cathay United Bank; Director of Taiwan Finance Corporation; Supervisor of Cathay United Bank (China)	None		
Resident Supervisor	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Yiao-Chiun Lai	M	2019.06.26 (Note 1, 2)	3 years	2019.01.31	(Note)	(Note)	-	-	-	-	-	-	Former Chief Auditor of Cathay United Bank (Master of Business Administration, Tamkang University)				
Supervisor	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Chin-Hua Chiu	M	2021.02.04 (Note 5)	3 years	2021.02.04	(Note)	(Note)	-	-	-	-	-	-	Chief Secretary of Chunghwa Post Co., Ltd. (Bachelor of Law ,National Chengchi University)	Chief Secretary of Chunghwa Post Co., Ltd.			

Note: The Company became a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd. through an exchange of shares valued at December 18, 2002. The Company's directors and supervisors are corporate representatives appointed by the parent company.

Note: Directors' and supervisors' concurrent duties were accurate as of February - March 2021.

Note 1: Cathay Financial Holding Co., Ltd. appointed the Bank's 16th board of directors on June 26, 2019 to serve a term of 3 years from June 26, 2019 to June 25, 2022.

Note 2: During the 1st extraordinary meeting of the 16th board of directors held on June 26, 2019, the board selected its managing directors who further elected Mr. Andrew Ming-Jian Kuo to serve as Chairman and Mr. Tzung-Han Tsai as Vice Chairman. On the same day, the 16th board of supervisors held its 1st meeting to appoint Mr. Yiao-Chiun Lai as Resident Supervisor.

Note 3: Mr. Chun-Wei Yang resigned from the Bank's director position on September 2, 2019, effective from September 2, 2019.

Note 4: Madam Liang-Lin Chien resigned from the Bank's supervisor position on January 16, 2021, effective from January 16, 2021.

Note 5: On February 3, 2021, Cathay Financial Holdings appointed Mr. Chin-Hua Chiu to succeed as the Bank's supervisor, to take effect from February 4, 2021 until the end of the existing term.

Note 6: On March 10, 2021, Cathay Financial Holdings appointed Madam Sophia Cheng to succeed as the Bank's director, to take effect from March 11, 2021 until the end of the existing term.

Chart 1: Major Shareholders of Institutional Shareholders

April 13, 2021

Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)
Cathay Financial Holding Co., Ltd.	Wan Pao Development Co., Ltd. (15.71%), Lin Yuan Investment Co., Ltd. (13.72%), New Labor Pension Fund Scheme (2.83%), Shin Kong Life Insurance Co., Ltd. (1.98%), Labor Insurance Fund (1.44%), Nan Shan Life Insurance Company Ltd. (1.32%), TransGlobe Life Insurance Inc. (1.30%), China Life Insurance Co., Ltd. (1.07%), Chang Gung Medical Foundation (1.06%), Wan Ta Investment Co., Ltd. (0.99%)

Note 1: For directors and supervisors who are representatives of institutional shareholders, the name of the institutional shareholder should be filled.

Note 2: The above table shows the names and shareholding percentages of major shareholders (top 10 shareholders) for each of the corporate shareholders (shareholding percentage includes common shares and Class A and Class B preferred shares). Chart 2 below is used if the major shareholder is also a corporate entity.

Note 3: For corporate shareholders that are not corporate entities, the name of capital contributor or donor and percentage of capital contribution or donation are shown instead of shareholder name and shareholding percentage.

Chart 2: Major Shareholders of the Entities from Chart 1 that Are Institutions/Corporate

April 13, 2021

Institutional Shareholders (Note)	Major Shareholders of Institutional Shareholders
Wan Pao Development Co., Ltd.	Tung Chi Capital Co., Ltd. (19.96%), Chia Yi Capital Co., Ltd. (19.85%), Liang Ting Industrial Co., Ltd. (17.85%), Lin Yuan Investment Co., Ltd. (14.70%), Wan Ta Investment Co., Ltd. (12.89%), Pai Hsing Investment Co., Ltd. (9.18%), Chen Sheng Industrial Co., Ltd. (3.57%), Tzung Lien Industrial Co., Ltd. (2.00%)
Lin Yuan Investment Co., Ltd.	Chia Yi Capital Co., Ltd. (19.75%), Tung Chi Capital Co., Ltd. (19.69%), Liang Ting Industrial Co., Ltd. (17.74%), Wan Pao Development Co., Ltd. (14.81%), Wan Ta Investment Co., Ltd. (13.01%), Pai Hsing Investment Co., Ltd. (9.45%), Chen Sheng Industrial Co., Ltd. (3.54%), Tzung Lien Industrial Co., Ltd. (2.01%)
New Labor Pension Fund Scheme	None
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd. 100%
Labor Insurance Fund	None

Institutional Shareholders (Note)	Major Shareholders of Institutional Shareholders
Nan Shan Life Insurance Company, Ltd.	First Commercial Bank in its capacity as trustee for the trust account of Ruen Chen Investment Holding (55.5563%), Ruen Chen Investment Holding (33.9936%), Ruen Hua Dyeing & Weaving Co., Ltd. (1.3441%), Ying-Zong Tu (1.1576%), Runtaixing Co., Ltd. (0.9653%), Ruentex Development Co., Ltd. (0.2319%), Ruentex Industries Ltd. (0.2133%), YuanXin Investment Co., Ltd. (0.1563%), Ruentex Leasing Co., Ltd. (0.1321%), Jipin Investment Co., Ltd. (0.1069%)
TransGlobe Life Insurance Inc.	Chung Wei Yi Co., Ltd. - 100%
China Life Insurance Co., Ltd.	China Development Financial Holding Corp. (47.299%), KGI Securities Co., Ltd. (8.655%), Videoland Television Network (2.42%), Cathay Life Insurance Co., Ltd. (1.27%), Ling-Lang Chan (1.24%), Kuang-Ming Sung (0.72%), Standard Chartered Bank Business Department in its capacity as master custodian for iShares MSCI Taiwan ETF (0.66%), Shih-Chin Chen (0.63%), Citibank in Its Capacity as Master Custodian for Investment Account of the Central Bank of Norway (0.60%), Pei-Ju Huang (0.60%)
Chang Gung Medical Foundation	Nan Ya Plastics Corporation (19.51%), Formosa Chemicals & Fibre Corporation (15.02%), Formosa Plastics Corporation (14.41%), Yung-Tsai Wang (12.19%), Yung-Ching Wang (7.97%) (The above donation percentages were calculated based on donations accumulated in past years)
Wan Ta Investment Co., Ltd.	Cheng-Ta Tsai (97.6%), Lin Yuan Investment Co., Ltd (1.97%), Liang Ting Industrial Co., Ltd. (0.43%)

Note 1: The name of the institutional shareholder should be filled in for an institutional investor, like that in Chart 1.

Note 2: Fill in the major shareholders (top-10 shareholdings) of the institutional shareholders and their individual holding percentage.

Note 3: For corporate shareholders that are not corporate entities, the name of capital contributor or donor and percentage of capital contribution or donation are shown instead of shareholder name and shareholding percentage.

Board Members and Supervisors Information (2)

March 31, 2021

Name	Criteria	Has at least five years of relevant working experience and the following professional qualifications			Independence Criteria (Note 1)												Number of other Taiwanese Companies currently Serves as an independent Director (Note 2)
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to banking in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification relevant to banking	Commercial, legal, financial, accounting or other work experience required to perform banking duties	1	2	3	4	5	6	7	8	9	10	11	12	
Andrew Ming-Jian Kuo				✓	✓		✓	✓			✓		✓	✓	✓		
Tzung-Han Tsai				✓	✓		✓		✓		✓		✓		✓		
Tang-Chieh Wu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
Alan Lee				✓			✓	✓	✓		✓		✓	✓	✓		
Chung-Yi Teng				✓			✓	✓			✓		✓	✓	✓		
Feng-Chiang Miao				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Edward Yung Do Way			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		3
Tsung-Hsien Tsai				✓			✓				✓		✓		✓		
Chi-Wei Joong				✓	✓		✓	✓			✓		✓	✓	✓		
Han-Kuo Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		
Chang-Ken Lee				✓			✓	✓			✓		✓	✓	✓		
Grace Chen				✓			✓	✓			✓		✓	✓	✓		
Sophia Cheng				✓			✓	✓			✓		✓	✓	✓		
Jian-Hsing Wu				✓		✓	✓	✓			✓		✓	✓	✓		
Wei-Hua Chou				✓			✓	✓	✓		✓		✓	✓	✓		
Yiao-Chiun Lai				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Chin-Hua Chiu				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

Note 1: Directors or supervisors who, during the two years before being elected or during the term of office, meet any of the following situations, please tick “✓” the appropriate corresponding boxes.

- (1) Not employed by the Bank or any of its affiliated companies.
- (2) Not a director or supervisor of the Bank or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the Bank, its parent company, subsidiary, or another subsidiary of the parent that is compliant with Securities and Exchange Act or local laws).
- (3) Does not hold more than 1% of the Bank's outstanding shares under own name or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Bank.
- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Bank's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Bank according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Bank and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Securities and Exchange Act or local laws).
- (6) Not a director, supervisor or employee of any other company that controls directorship in the Bank or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Bank and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Securities and Exchange Act or local laws).
- (7) Does not assume concurrent duty as Chairman, President or equivalent role, and is not a director, supervisor or employee of a nother company or institution owned by spouse. (This excludes concurrent independent director positions held within the Bank and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Securities and Exchange Act or local laws.)
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Bank (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Bank, or in the Bank's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Securities and Exchange Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT\$500,000 in the last two years, to the Bank or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Bank or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) Not a relative within the second degree of kinship to any other director of the company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

Note 2: Calculated in accordance with Letter No. Jin-Guan-Zheng-I-Zi No. 0960010070.

(II) Background information of the President, Executive Vice Presidents, Senior Vice Presidents, and heads of departments and branch offices (Table 1-1)

March 31, 2021

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
President	R.O.C.	Alan Lee	M	20080930	(Note)	—	—	—	—	—	Master of Business, National Taiwan University	Managing Director of Cathay United Bank; Director of Cathay United Bank (China), CDIB Partners Investment Holding Corp., Taiwan Real Estate Management, Taiwan Finance Corporation, National Credit Card Center of R.O.C.; Supervisor of PT Bank Mayapada Internasional, Tbk	—	—	—
Senior Executive Vice President	R.O.C.	Chung-Yi Teng	M	20140711	(Note)	—	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA	Senior Executive Vice President of Cathay Financial Holdings; Managing Director of Cathay United Bank; Director of Cathay United Bank (China), Cathay Venture, Taiwan Star Telecom and Culture and Charity Foundation of the Cathay United Bank; Chairman of Cathay United Bank (Cambodia); Supervisor of Taipei Forex Inc.	—	—	—
Senior Executive Vice President	R.O.C.	Jian-Hsing Wu	M	20160118	(Note)	—	—	—	—	—	M.S., Tamkang University	Director of Culture and Charity Foundation of the Cathay United Bank; Senior Executive Vice President of Cathay Financial Holdings; Director of Cathay United Bank	—	—	—
Senior Executive Vice President	R.O.C.	Yu-Chin Cheng	M	20160317	(Note)	—	—	—	—	—	Master of Civil Engineering, National Taiwan University	Director of EasyCard Corporation	—	—	—
Senior Executive Vice President	R.O.C.	Hsiang-Hsin Tsai	F	20160323	(Note)	—	—	—	—	—	MBA, Thunderbird School of Global Management	Senior Executive Vice President of Cathay Financial Holdings	—	—	—
Senior Executive Vice President	R.O.C.	Xu-Jie Yao	M	20170310	(Note)	—	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA	Senior Executive Vice President of Cathay Financial Holdings	—	—	—
Executive Vice President	Hong Kong	Kai Yuen Kan	M	20160419	(Note)	—	—	—	—	—	MBA, York University (Canada)	Director of Cathay United Bank (China) Co., Ltd.	—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Executive Vice President (Deputy Chief Auditor)	R.O.C.	Su-Chu Li	F	20050523	(Note)	—	—	—	—	—	MBA, University of Central Florida		—	—	—
Executive Vice President	R.O.C.	Chao-Kuei Kuo	M	20031027	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Tamkang University	Director of Cathay Futures Co., Ltd.	—	—	—
Executive Vice President	R.O.C.	Tsung-Meng Huang	M	20070401	(Note)	—	—	—	—	—	Bachelor of Economics, National Taiwan University		—	—	—
Executive Vice President	R.O.C.	Chuo-Min Chin	M	20060101	(Note)	—	—	—	—	—	Bachelor of Statistics, Feng Chia University		—	—	—
Executive Vice President	R.O.C.	Chang-Li Tsao	M	20050501	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—
Executive Vice President	R.O.C.	Hsing-Ming Lee	M	20090122	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
Executive Vice President	R.O.C.	Ching-Li Chang	M	20160618	(Note)	—	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA		—	—	—
Executive Vice President	R.O.C.	Chih-Fong Wang	M	20161206	(Note)	—	—	—	—	—	MBA, National Tsing Hua University		—	—	—
Executive Vice President	R.O.C.	Yeun-Wei Hwang	M	20170701	(Note)	—	—	—	—	—	MBA, Information Management, National Chengchi University		—	—	—
Executive Vice President	R.O.C.	Chen-Tung Chang	M	20050613	(Note)	—	—	—	—	—	MBA, Chiayi University		—	—	—
Executive Vice President	R.O.C.	Ching-Hsiang Chan	M	20130715	(Note)	—	—	—	—	—	Master of Investment Management, City, University of London		—	—	—
Executive Vice President	USA	Hua-Ben Miao	M	20160201	(Note)	—	—	—	—	—	MBA, Pennsylvania State University	Executive Vice President of Cathay Financial Holdings; Director of Cathay United Bank (Cambodia) Corporation Limited	—	—	—
Executive Vice President	R.O.C.	Chien-Hui Hung	F	20170220	(Note)	—	—	—	—	—	Master of Law, The London School of Economics and Political Science		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Executive Vice President	R.O.C.	Po-Shen Fuh	M	20180613	(Note)	—	—	—	—	—	Master of Finance, Victoria University of Wellington		—	—	—
Executive Vice President	R.O.C.	Michael Wen	M	20180701	(Note)	—	—	—	—	—	MBA, Drucker School of Management		—	—	—
Executive Vice President	R.O.C.	Fa-Hsiang Chang	M	20190101	(Note)	—	—	—	—	—	Master of Finance, New York University		—	—	—
Executive Vice President	R.O.C.	Yen-Wen Chen	M	20130826	(Note)	—	—	—	—	—	Bachelor of Food Science, Fu Jen Catholic University				
Executive Vice President	R.O.C.	Kuan-Hsueh Chen	M	20180207	(Note)	—	—	—	—	—	MBA, University of California, LA	Executive Vice President of Cathay Financial Holdings			
Senior Vice President	R.O.C.	Wan-Ching Li	F	20160726	(Note)	—	—	—	—	—	Master of Industrial Economics, National Central University		—	—	—
Senior Vice President	R.O.C.	Chun-Wei Lai	M	20181103	(Note)	—	—	—	—	—	Master of Insurance, Feng Chia University		—	—	—
Senior Vice President	R.O.C.	Tzu-Jen Chao	M	20101101	(Note)	—	—	—	—	—	Bachelor of Accounting, Tamkang University		—	—	—
Senior Vice President	R.O.C.	Chi-Hua Su	M	20200613	(Note)	—	—	—	—	—	Master of Commerce, City University of New York Baruch College		—	—	—
Senior Vice President	R.O.C.	Yu-Cheng Yeh	M	20200312	(Note)	—	—	—	—	—	Master of Finance, Drexel University		—	—	—
Senior Vice President	R.O.C.	Chi-Ya Hua	F	20180316	(Note)	—	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA	Senior Vice President of Cathay Financial Holdings	—	—	—
Senior Vice President	R.O.C.	Yuan-Ti Yao	M	20210116	(Note)	—	—	—	—	—	M.B.A., The University of Sydney		—	—	—
Senior Vice President	R.O.C.	Kuo-Yu Hu	M	20140606	(Note)	—	—	—	—	—	MBA, Information Management, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Hsin-Pei Lin	F	20150501	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Cheng University		—	—	—
Senior Vice President	R.O.C.	Lin-Shu Hu	M	20200915	(Note)	—	—	—	—	—	MBA, National Chiao Tung University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Senior Vice President	R.O.C.	Chia-Hui Sun	F	20120501	(Note)	—	—	—	—	—	Bachelor of Theatre Arts, Chinese Culture University		—	—	—
Senior Vice President	R.O.C.	Min-Hsiu Yen	F	20150320	(Note)	—	—	—	—	—	Bachelor of Finance, National Kaohsiung University of Applied Sciences		—	—	—
Senior Vice President	R.O.C.	Chun-Ping Chen	F	20180210	(Note)	—	—	—	—	—	Bachelor of Economics, Tamkang University		—	—	—
Senior Vice President	R.O.C.	Chien-Kuo Huang	M	20170202	(Note)	—	—	—	—	—	MBA, Information Management, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Chang-Ying Tu	M	20140606	(Note)	—	—	—	—	—	Bachelor of Applied Mathematics, Chinese Culture University		—	—	—
Senior Vice President	R.O.C.	Chen-Kuei Chu	M	20210116	(Note)	—	—	—	—	—	Bachelor of Computer Science Department, Chinese Culture University		—	—	—
Senior Vice President	R.O.C.	Pen-Chieh Liu	M	20210116	(Note)	—	—	—	—	—	Master of Information Management, Tatung University		—	—	—
Senior Vice President	R.O.C.	Chih-Hsiung Ku	M	20180401	(Note)	—	—	—	—	—	USA Master of Electrical and Computer Engineering, Texas A&M University		—	—	—
Senior Vice President	R.O.C.	Hsiang-Ni Wu	F	20200312	(Note)	—	—	—	—	—	MBA, National Taipei University of Technology		—	—	—
Senior Vice President	R.O.C.	Cheng-Lu Chen	M	20170101	(Note)	—	—	—	—	—	Master of Finance, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Yao-Te Wang	M	20180502	(Note)	—	—	—	—	—	Master of Computer Science, University of Southern California	Senior Vice President of Cathay Financial Holdings	—	—	—
Senior Vice President	R.O.C.	Chih-Tung Huang	M	20190131	(Note)	—	—	—	—	—	Bachelor of Accounting, National Chung Hsing University	Director of Yu Hua Venture Capital Investment Co., Ltd.	—	—	—
Senior Vice President	R.O.C.	Chi-Liang Huang	M	20171109	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Senior Vice President	R.O.C.	Pei-Wen Wu	F	20201113	(Note)	—	—	—	—	—	M.S., National Yunlin University of Science and Technology		—	—	—
Senior Vice President	R.O.C.	Chun-Liang Lin	M	20150501	(Note)	—	—	—	—	—	MBA, Soochow University		—	—	—
Senior Vice President	R.O.C.	Jung-Hsi Li	M	20171109	(Note)	—	—	—	—	—	Bachelor of Law, National Taiwan University		—	—	—
Senior Vice President	R.O.C.	Shu-Chun Chuang	F	20090122	(Note)	—	—	—	—	—	Master of Investment Analysis, University of Stirling		—	—	—
Overseas branch Senior Vice President	R.O.C.	Hai-Ching Chen	M	20141216	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
Overseas branch Senior Vice President	Singapore	Wei-Hsiang Lin	M	20190530	(Note)	—	—	—	—	—	Bachelor of Financial Administration, University of Southern California		—	—	—
Overseas branch Senior Vice President	R.O.C.	Shih-Jen Cheng	M	20180817	(Note)	—	—	—	—	—	Master of Finance, National Central University		—	—	—
Overseas branch Senior Vice President	R.O.C.	Wei-Chieh Lu	M	20071015	(Note)	—	—	—	—	—	Master of Finance, Chaoyang University of Technology		—	—	—
Overseas branch Senior Vice President	R.O.C.	Tu-Heng Tsai	M	20190826	(Note)	—	—	—	—	—	Master of Financial Management, California State University		—	—	—
Overseas branch Senior Vice President	R.O.C.	Chung-En Pan	M	20140919	(Note)	—	—	—	—	—	Bachelor of Statistics, National Chengchi University		—	—	—
Overseas branch Senior Vice President	R.O.C.	Fang-Chih Huang	M	20190816	(Note)	—	—	—	—	—	Master of Marketing, University of Hertfordshire		—	—	—
Overseas branch Senior Vice President	Indonesia	Setio Soejanto	M	20161014	(Note)	—	—	—	—	—	Bachelor of Business Administration, University of San Francisco		—	—	—
Senior Vice President	R.O.C.	Yu-Li Chen	F	20180817	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Tamsui Institute of Business Administration		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Senior Vice President	R.O.C.	Wen-Hung Li	M	20141001	(Note)	—	—	—	—	—	MBA, the University of Texas at Arlington		—	—	—
Senior Vice President	R.O.C.	Yu-Peng Wu	M	20160819	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Lei Lei	F	20201113	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—
Senior Vice President	R.O.C.	Shang-Wen Wang	M	20210116	(Note)	—	—	—	—	—	Bachelor of Financial Management, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Chung-Che Li	M	20180427	(Note)	—	—	—	—	—	MBA, Chiayi University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Yi-Man Liu	F	20200121	(Note)	—	—	—	—	—	Bachelor of Statistics, Tamkang University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Tzu-Chen Tsao	F	20140827	(Note)	—	—	—	—	—	Bachelor of International Trade, Chung Yuan Christian University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Shih-Hsing Lin	F	20210116	(Note)	—	—	—	—	—	Department of Finance, Open College Affiliated with National Taipei College of Business		—	—	—
Senior Vice President of Regional Center	R.O.C.	Li-Hua Feng	F	20180817	(Note)	—	—	—	—	—	Master of Finance, Fu Jen University		—	—	—
Branch Senior Vice President	R.O.C.	Yu Juan	F	20050617	(Note)	—	—	—	—	—	Master of Business Administration, National Cheng Kung University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Liang Chen	M	20130617	(Note)	—	—	—	—	—	MBA, Royal Roads University		—	—	—
Branch Senior Vice President	R.O.C.	Chiu-Ling Hung	F	20200201	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Che Su	M	20200201	(Note)	—	—	—	—	—	Department of Business Administration, Chihlee Institute of Technology		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Hui-Ting Li	F	20200821	(Note)	—	—	—	—	—	Master of Non-Profit Organization Management, Fu Jen Catholic University		—	—	—
Branch Senior Vice President	R.O.C.	Su-Yen Chi	F	20130625	(Note)	—	—	—	—	—	Department of Business Administration (On-job Program), Open College Affiliated with National Taipei University of Business		—	—	—
Branch Senior Vice President	R.O.C.	Li-Ling Yang	F	20150320	(Note)	—	—	—	—	—	Department of International Trade, National Taipei University of Business		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Pou Chen	F	20200201	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Hsin-Chun Li	M	20040407	(Note)	—	—	—	—	—	Bachelor of International Trade, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Ya-Fen Lin	F	20210116	(Note)	—	—	—	—	—	Department of Banking and Insurance, Ming Chuan University		—	—	—
Branch Senior Vice President	R.O.C.	Kuei-Ching Juan	F	20031027	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Chin-Yung Chu	M	20190816	(Note)	—	—	—	—	—	Master of Finance, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Shu-Hui Tsai	F	20160401	(Note)	—	—	—	—	—	Bachelor of Land Administration, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Ching-Hui Lin	F	20200201	(Note)	—	—	—	—	—	Bachelor of Insurance, Chaoyang University of Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chia-Ching Lin	M	20180210	(Note)	—	—	—	—	—	Bachelor of International Trade, National Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Yung-Chin Tsai	M	20050322	(Note)	—	—	—	—	—	Bachelor of Industrial Construction Management, National Taiwan University of Science and Technology		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Kuei-Chu Chen	F	20050607	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Jung-Tsung Tsao	M	20100429	(Note)	—	—	—	—	—	Bachelor of Business Administration, Fu Jen Catholic University		—	—	—
Branch Senior Vice President	R.O.C.	Ya-Hui Chi	F	20080601	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
Branch Senior Vice President	R.O.C.	Chiu-Chin Chen	F	20180210	(Note)	—	—	—	—	—	Bachelor of Business Administration, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Feng-Chu Lin	F	20070618	(Note)	—	—	—	—	—	MBA, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Wei-Te Hsu	M	20081215	(Note)	—	—	—	—	—	Bachelor of Business Administration, Ming Chuan University		—	—	—
Branch Senior Vice President	R.O.C.	Ling-Yu Lin	F	20031027	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Shih Chien University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Hui Yu	F	20150320	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Yin-Chi Lin	F	20200201	(Note)	—	—	—	—	—	Bachelor of Business Administration, Fu Jen Catholic University		—	—	—
Branch Senior Vice President	R.O.C.	Ching-Ya Huang	F	20210116	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Mei-Ling Chen	F	20080430	(Note)	—	—	—	—	—	Bachelor of Banking, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiung-Hui Lin	M	20130826	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Ching-Sung Liu	M	20150320	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Tsung-Han Lu	M	20050617	(Note)	—	—	—	—	—	Bachelor of Finance, Chinese Culture University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Yen-Chin Lin	M	20050418	(Note)	—	—	—	—	—	Bachelor of Industrial Construction Management, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Kuan-Ling Kuo	F	20050315	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
Branch Senior Vice President	R.O.C.	Ling-Yi Chuang	F	20050901	(Note)	—	—	—	—	—	Master of Economics, Oklahoma State University		—	—	—
Branch Senior Vice President	R.O.C.	Jen-Chieh Liao	M	20140315	(Note)	—	—	—	—	—	Ph.D. in Commerce, Chung Yuan Christian University		—	—	—
Branch Senior Vice President	R.O.C.	Su-Mei Chen	F	20050607	(Note)	—	—	—	—	—	MBA, Chiayi University		—	—	—
Branch Senior Vice President	R.O.C.	Kung-Pin Li	M	20160401	(Note)	—	—	—	—	—	Bachelor of Economics, Fu Jen Catholic University		—	—	—
Branch Senior Vice President	R.O.C.	Tsui-Chuan Yang	F	20050501	(Note)	—	—	—	—	—	Bachelor of Law, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Chang Tseng	M	20180210	(Note)	—	—	—	—	—	MBA, St. John's University		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Hui Shih	M	20200201	(Note)	—	—	—	—	—	Bachelor of Information Management, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Yu-Hsing Fan	M	20031027	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Yueh-Hung Hsu	M	20210116	(Note)	—	—	—	—	—	Master of Insurance, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Wen Chang	M	20120628	(Note)	—	—	—	—	—	Master of Economics, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Jen-Ming Liu	M	20180210	(Note)	—	—	—	—	—	Master of Finance, National Chung Cheng University		—	—	—
Branch Senior Vice President	R.O.C.	Jen-Yi Huang	M	20180210	(Note)	—	—	—	—	—	Bachelor of Urban Planning and Development, Chinese Culture University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Hui-Fang Chen	F	20110503	(Note)	—	—	—	—	—	Bachelor of Commerce, Open University of Kaohsiung		—	—	—
Branch Senior Vice President	R.O.C.	Hsiao-Hua Cho	F	20090122	(Note)	—	—	—	—	—	Department of Accounting and Statistics, National Taipei University of Business		—	—	—
Branch Senior Vice President	R.O.C.	Yu-Lan Lu	F	20200821	(Note)	—	—	—	—	—	MBA, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Hsun Chang	M	20180210	(Note)	—	—	—	—	—	MBA, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Li-Meng Lin	F	20080822	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Yu Chen	M	20081110	(Note)	—	—	—	—	—	Master of Law, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Chun-Yi Chen	M	20170101	(Note)	—	—	—	—	—	Master of Technology Management, National Chiao Tung University		—	—	—
Branch Senior Vice President	R.O.C.	Chen-Chung Li	M	20110503	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Yung-Ching Hung	M	20031027	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Ming Chen	M	20180210	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Pai-Shun Li	M	20050516	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Hao Wu	F	20070822	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Chia Chang	M	20080913	(Note)	—	—	—	—	—	Master of Finance, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Ping-Hui Lin	M	20050301	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Ming-Jen Yang	M	20060829	(Note)	—	—	—	—	—	Master of Industrial Engineering, National Tsing Hua University		—	—	—
Branch Senior Vice President	R.O.C.	Mei-Ling Ting	F	20090826	(Note)	—	—	—	—	—	Department of International Trade, National Taipei University of Business		—	—	—
Branch Senior Vice President	R.O.C.	Ping-Tsang Lin	M	20160128	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Neng-Che Shih	M	20200201	(Note)	—	—	—	—	—	Master of Finance, National Chung Cheng University		—	—	—
Branch Senior Vice President	R.O.C.	Wen-Chiung Cheng	M	20110901	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chun-Ming Liu	M	20070401	(Note)	—	—	—	—	—	MBA, National Chiao Tung University		—	—	—
Branch Senior Vice President	R.O.C.	Lung-Hao Ko	M	20131223	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Kuang-Nan Fan Chiang	M	20210116	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Ting-Sheng Lu	M	20070101	(Note)	—	—	—	—	—	MBA, Shih Chien University		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Hung Chen	M	20080101	(Note)	—	—	—	—	—	MBA, New York University		—	—	—
Branch Senior Vice President	R.O.C.	Hsueh-Hung Chang	F	20031027	(Note)	—	—	—	—	—	Master of International Business, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Kuo-Yang Wu	M	20190131	(Note)	—	—	—	—	—	Bachelor of Banking, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chen Wu	F	20080908	(Note)	—	—	—	—	—	Bachelor of Accounting, Tamkang University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Keng-Ping Lin	M	20200201	(Note)	—	—	—	—	—	Bachelor of Industrial Engineering, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Yu Chen	M	20190131	(Note)	—	—	—	—	—	Master of Financial Management, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Wen-Pin Yang	M	20030919	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Tsung Yen	F	20200201	(Note)	—	—	—	—	—	Department of Banking and Insurance, Ming Chuan University		—	—	—
Branch Senior Vice President	R.O.C.	Yao-Yi Huang	M	20150821	(Note)	—	—	—	—	—	National Chung Hsing University Bachelor of Law		—	—	—
Branch Senior Vice President	R.O.C.	Wen-Feng Chen	F	20061110	(Note)	—	—	—	—	—	MBA, Schiller International University		—	—	—
Branch Senior Vice President	R.O.C.	Ya-Hui Lan	F	20150320	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Hao Cheng	M	20050301	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Chun-Hsiang Hsu	F	20031027	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Hsuan Tai	M	20070401	(Note)	—	—	—	—	—	MBA, National Chiao Tung University		—	—	—
Branch Senior Vice President	R.O.C.	Jung-Chin Wu	M	20100524	(Note)	—	—	—	—	—	MBA, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Wen-Yuan Li	M	20040407	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Yu-Ching Su	M	20200201	(Note)	—	—	—	—	—	Bachelor of Risk Management and Insurance, Ming Chuan University		—	—	—
Branch Senior Vice President	R.O.C.	Wen-Kan Lin	M	20080707	(Note)	—	—	—	—	—	Master of Finance, National Taipei University		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chi Hsu	F	20190907	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Central University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Cheng-Chi Hsiao	M	20081111	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Ping-Hui Wu	M	20050617	(Note)	—	—	—	—	—	Department of Financial Taxation, National Tam Shui Vocational High School		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chi Li	M	20130715	(Note)	—	—	—	—	—	Bachelor, Department of Applied Commercial, National Taipei College of Business School of Open Education		—	—	—
Branch Senior Vice President	R.O.C.	Te-Ching Ou	M	20050701	(Note)	—	—	—	—	—	Department of Finance, National Taipei College of Business		—	—	—
Branch Senior Vice President	R.O.C.	Feng-Hsu Ko	M	20110315	(Note)	—	—	—	—	—	MBA, University of Illinois		—	—	—
Branch Senior Vice President	R.O.C.	Shu-Yu Tu	F	20040501	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Chung-Ping Jen	M	20080822	(Note)	—	—	—	—	—	Bachelor of Statistics, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Chu Peng	F	20210116	(Note)	—	—	—	—	—	MBA, Chiayi University		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Hsien Lin	M	20210116	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Dong Hwa University		—	—	—
Branch Senior Vice President	R.O.C.	Shih-Kuang Yueh	M	20100901	(Note)	—	—	—	—	—	Department of Electrical Engineering, National Kaohsiung Institute and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Sheng-Yu Huang	M	20070101	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Kuang-Chung Chen	M	20031027	(Note)	—	—	—	—	—	MBA, Yuan Ze University		—	—	—
Branch Senior Vice President	R.O.C.	Chia-Ching Shen	F	20161114	(Note)	—	—	—	—	—	Bachelor of International Trade, Fu Jen Catholic University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Ya-Ling Hsieh	F	20050520	(Note)	—	—	—	—	—	M.B.A, Yuan Ze University		—	—	—
Branch Senior Vice President	R.O.C.	Yu-Chu Hsiao	F	20040801	(Note)	—	—	—	—	—	MBA, University of Leicester		—	—	—
Branch Senior Vice President	R.O.C.	Lung-San Fu	M	20140315	(Note)	—	—	—	—	—	Bachelor of Applied Foreign Languages, National United University		—	—	—
Branch Senior Vice President	R.O.C.	Hsing-Chu Chiu	F	20081215	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
Branch Senior Vice President	R.O.C.	Chen-Te Kuo	M	20090122	(Note)	—	—	—	—	—	Master of Finance, National Central University		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Wei Lu	M	20141113	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Chi Peng	M	20190131	(Note)	—	—	—	—	—	MBA, Ming Chuan University		—	—	—
Branch Senior Vice President	R.O.C.	Tung-Fa Li	M	20040407	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Shih-Cheng Chen	M	20050616	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Wei-Li Liang	M	20210116	(Note)	—	—	—	—	—	Bachelor of Industrial Engineering, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Liang-Jung Fan	M	20071229	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Chun Chung	M	20190722	(Note)	—	—	—	—	—	Bachelor of Banking and Insurance, Shih Chien University		—	—	—
Branch Senior Vice President	R.O.C.	Shih-Wei Li	M	20190916	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Chung Hsiao	M	20050606	(Note)	—	—	—	—	—	Ph.D. in Commerce, Chung Yuan Christian University		—	—	—
Branch Senior Vice President	R.O.C.	Wen-Kai Chen	M	20040530	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Sung-Hsing Chen	M	20110101	(Note)	—	—	—	—	—	Department of Business Administration, Tamsui Institute of Business Administration		—	—	—
Branch Senior Vice President	R.O.C.	Chen-Chen Kuo	F	20070101	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Yu-Jen Chiu	M	20210116	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Shih-Lin Sung	M	20140827	(Note)	—	—	—	—	—	Master of Accounting, National Changhua University of Education		—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chun Tseng	M	20070401	(Note)	—	—	—	—	—	International MBA, Asia University Taiwan		—	—	—
Branch Senior Vice President	R.O.C.	Hung-Hsiao Tsai	M	20190916	(Note)	—	—	—	—	—	International MBA, Asia University Taiwan		—	—	—
Branch Senior Vice President	R.O.C.	Chun-Ting Lin	M	20071015	(Note)	—	—	—	—	—	MBA, Chaoyang University of Technology		—	—	—
Branch Senior Vice President	R.O.C.	Hsi-Jen Liu	M	20170101	(Note)	—	—	—	—	—	Master of Finance, Chaoyang University of Technology		—	—	—
Branch Senior Vice President	R.O.C.	Sheng-Hsieh Ho	M	20070401	(Note)	—	—	—	—	—	MBA, Chaoyang University of Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Jen Yeh	M	20200312	(Note)	—	—	—	—	—	Bachelor of International Trade, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Hsien Yu	M	20070101	(Note)	—	—	—	—	—	Master of Electrical Engineering, National Changhua University of Education		—	—	—
Branch Senior Vice President	R.O.C.	Hsi-Chiu Chen	M	20150821	(Note)	—	—	—	—	—	MBA, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Chin-Yu Chiu	M	20210116	(Note)	—	—	—	—	—	Department of Finance, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Chun-An Chen	M	20090826	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chun-Lin Li	M	20110503	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Tao-Huang Lin	M	20040407	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Wei Peng	M	20201012	(Note)	—	—	—	—	—	MBA, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chi Hsu	M	20170126	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Shou-Lu Liu	M	20210116	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Central University		—	—	—
Branch Senior Vice President	R.O.C.	Shu-Ling Chen	F	20070101	(Note)	—	—	—	—	—	International MBA, Asia University Taiwan		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Jui Shen	M	20070101	(Note)	—	—	—	—	—	MBA, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Kao Yeh	M	20201113	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Hung Yu	M	20210116	(Note)	—	—	—	—	—	Bachelor of Economics, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiao-Kuang Li	F	20030919	(Note)	—	—	—	—	—	MBA, Preston University, U.S.A		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chih Tsai	M	20070101	(Note)	—	—	—	—	—	Bachelor of International Trade, Chung Yuan Christian University		—	—	—
Branch Senior Vice President	R.O.C.	Kuei-Ying Wu	F	20180210	(Note)	—	—	—	—	—	Bachelor of Statistics, Fu Jen Catholic University		—	—	—
Branch Senior Vice President	R.O.C.	Hui-Ying Chiang	F	20050615	(Note)	—	—	—	—	—	MBA, Providence University		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Cheng Hsiao	M	20021101	(Note)	—	—	—	—	—	M.B.A, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Min-Cheng Chiang	M	20110503	(Note)	—	—	—	—	—	International MBA, National Changhua University of Education		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Li-Ping Hsu	F	20070401	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chun Wang	M	20100429	(Note)	—	—	—	—	—	Master of Finance and Risk Management, Shu-Te University		—	—	—
Branch Senior Vice President	R.O.C.	Hsueh-Fen Yeh	F	20110503	(Note)	—	—	—	—	—	Bachelor of Commerce, Open University of Kaohsiung		—	—	—
Branch Senior Vice President	R.O.C.	Jung-Sung Hsu	M	20070625	(Note)	—	—	—	—	—	MBA, University of Houston		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chuan Chou	F	20190131	(Note)	—	—	—	—	—	Bachelor of International Trade, Yung Ta Institute of Technology and Commerce		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Chen E	F	20150320	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Tainan Junior College of Home Economics		—	—	—
Branch Senior Vice President	R.O.C.	Hui-Fang Lo	F	20061207	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Yao Chang	F	20210116	(Note)	—	—	—	—	—	Bachelor of Business Administration, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Tien Wu	M	20090826	(Note)	—	—	—	—	—	Bachelor of Finance, Fortune University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Ta Chen	M	20161114	(Note)	—	—	—	—	—	Bachelor of Law, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chin Huang	F	20050523	(Note)	—	—	—	—	—	MBA, National Pingtung University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Cheng Tsung	M	20090826	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chi Chen	M	20190131	(Note)	—	—	—	—	—	Bachelor of I-SHOU University		—	—	—
Branch Senior Vice President	R.O.C.	Jen-Kai Tseng	M	20090122	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Hsiang-Lan Chang Chien	F	20070401	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Chin-Tsai Chen	M	20031027	(Note)	—	—	—	—	—	Master of Financial Management, National Kaohsiung First University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Jui-Pin Tseng	M	20050617	(Note)	—	—	—	—	—	Bachelor of Statistics, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Liang Chen	M	20150320	(Note)	—	—	—	—	—	Master of Finance, National Kaohsiung First University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Nan Tsai	M	20031027	(Note)	—	—	—	—	—	MBA, Sun Yat-Sen University		—	—	—
Branch Senior Vice President	R.O.C.	Fei-Hsiang Yeh	M	20050110	(Note)	—	—	—	—	—	MBA, Sun Yat-Sen University		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Ching Lin	F	20200201	(Note)	—	—	—	—	—	Bachelor of Economics, Fu Jen Catholic University		—	—	—
Branch Senior Vice President	R.O.C.	Chun-Huan Chiang	F	20090826	(Note)	—	—	—	—	—	Department of International Trade, National Taipei University of Business		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Hao Hsiung	M	20040407	(Note)	—	—	—	—	—	Bachelor of Economics, National Taiwan University		—	—	—

Note: The Company became a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd. through an exchange of shares on December 18, 2002.

(III) Compensation for retired chairman and presidents of the Bank or related companies re-hired as consultants: disclose name, gender, nationality, title, institution and title before retirement, date of retirement, date appointed as consultant, purpose of hire, and responsibilities: None

III. Remuneration Paid to directors (including independent directors), supervisors, President, Executive Vice Presidents, and employees in the latest fiscal year

(I) Remuneration to non-independent and independent (Table 1-2)

Remuneration to non-independent and independent directors (aggregate disclosure of directors' names and range of remuneration)

December 31, 2020; Unit: NT\$ thousand

Title	Name	Remuneration Paid to Directors								Sum of A, B, C and D as percentage of Net Income (%)	Relevant Remuneration Received by Directors Who are Also Employees								Sum of A, B, C .D, E, F and G as percentage of Net Income (%)		Compensation from parent company or business investment other than subsidiaries	
		Compensation (A)		Pension upon retirement (B)		Directors' Remuneration (C)		Service Expenses (D)			Base Compensation, Bonuses, and Allowances (E)		Pension upon retirement (F)		Employee remuneration (G)							
		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries		
Chairman	Andrew Ming-Jian Kuo	55,443	55,443	-	-	5,100	5,100	6,936	7,514	0.309%	0.305%	56,672	56,672	-	-	6	-	6	-	0.568%	0.559%	94,820
Vice Chairman	Tzung-Han Tsai																					
Managing Director	Alan Lee																					
Managing Director	Chung-Yi Teng																					
Director	Tsung-Hsien Tsai																					
Director	Chi-Wei Joong																					
Director	Han-Kuo Chen																					
Director	Chang-Ken Lee																					
Director	Grace Chen																					
Director	Jian-Hsing Wu																					
Director	Wei-Hua Chou																					
Independent Director (Managing Director)	Tang-Chieh Wu	-	-	-	-	-	-	794	794	0.004%	0.004%	-	-	-	-	-	-	-	0.004%	0.004%	15,480	
Independent Director	Feng-Chiang Miao																					
	Edward Yung Do Way																					
1. Please explain the policy, system, standards and structure by which independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks and time committed: Independent directors of the Bank are appointed and compensated by the parent company, which holds 100% ownership in the Bank. The Bank also pays fixed amounts of service allowance and attendance allowance according to director and supervisor compensation guidelines on a monthly basis. 2. Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None.																						

- Please explain the policy, system, standards and structure by which independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks and time committed:
Independent directors of the Bank are appointed and compensated by the parent company, which holds 100% ownership in the Bank. The Bank also pays fixed amounts of service allowance and attendance allowance according to director and supervisor compensation guidelines on a monthly basis.
- Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None.

Note: Salaries paid to drivers amounted to NT\$2,778,000.

Remuneration range for non-independent and independent directors

Range of compensation paid to directors	Directors Name			
	Total Remuneration from (A+B+C+D)		Total Remuneration from (A+B+C+D+E+F+G)	
	The Bank	Consolidated subsidiaries H	The Bank	Consolidated subsidiaries I
Under NT\$1,000,000	Wei-Hua Chou, Jian-Hsing Wu, Tang-Chieh Wu, Feng-Chiang Miao, Edward Yung Do Way, Tsung-Hsien Tsai, Chi-Wei Joong, Han-Kuo Chen, Chang-Ken Lee, Grace Chen	Wei-Hua Chou, Jian-Hsing Wu, Tang-Chieh Wu, Feng-Chiang Miao, Edward Yung Do Way, Tsung-Hsien Tsai, Chi-Wei Joong, Han-Kuo Chen, Chang-Ken Lee, Grace Chen	Tang-Chieh Wu, Feng-Chiang Miao, Edward Yung Do Way, Tsung-Hsien Tsai, Chi-Wei Joong, Han-Kuo Chen, Chang-Ken Lee, Grace Chen	Tang-Chieh Wu, Feng-Chiang Miao, Edward Yung Do Way, Tsung-Hsien Tsai, Chi-Wei Joong, Han-Kuo Chen, Chang-Ken Lee, Grace Chen
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Alan Lee, Chung-Yi Teng	Alan Lee, Chung-Yi Teng		
2,000,000 (inclusive) ~ 3,500,000 (exclusive)				
3,500,000 (inclusive) ~ 5,000,000 (exclusive)				
5,000,000 (inclusive) ~ 10,000,000 (exclusive)			Wei-Hua Chou, Chung-Yi Teng	Wei-Hua Chou, Chung-Yi Teng
10,000,000 (inclusive) ~ 15,000,000 (exclusive)			Jian-Hsing Wu	Jian-Hsing Wu
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Tzung-Han Tsai	Tzung-Han Tsai	Tzung-Han Tsai	Tzung-Han Tsai
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	Andrew Ming-Jian Kuo	Andrew Ming-Jian Kuo	Andrew Ming-Jian Kuo, Alan Lee	Andrew Ming-Jian Kuo, Alan Lee
50,000,000 (inclusive) ~ 100,000,000 (exclusive)				
Over NT\$100,000,000				
Total	14	14	14	14

* Remuneration shown under the chart is for disclosure purpose. It is not subject to “income” under the Income Tax Act, and thereby is not taxable.

(II) Remuneration to Supervisors

Remuneration to Supervisors (aggregate disclosure of supervisors' names and range of remuneration)

December 31, 2020; Unit: NT\$ thousand

Title	Name	Supervisor remuneration								Sum of A, B, C and D as percentage of Net Income		Compensation from parent company or business investments other than subsidiaries
		Compensation (A)		Pension upon retirement (B)		Remuneration (C)		Service Expenses (D)				
		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	
Resident Supervisor	Yiao-Chiun Lai	-	-	1,023	1,023	900	900	336	336	0.010%	0.010%	900
Supervisor	Liang-Lin Chien											

Remuneration range for supervisors

Range of compensation paid to supervisors	Name of supervisor	
	Total Remuneration from (A+B+C+D)	
	The Bank	Consolidated subsidiaries E
Under NT\$1,000,000	Liang-Lin Chien	Liang-Lin Chien
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Yiao-Chiun Lai	Yiao-Chiun Lai
2,000,000 (inclusive) ~ 3,500,000 (exclusive)		
3,500,000 (inclusive) ~ 5,000,000 (exclusive)		
5,000,000 (inclusive) ~ 10,000,000 (exclusive)		
10,000,000 (inclusive) ~ 15,000,000 (exclusive)		
15,000,000 (inclusive) ~ 30,000,000 (exclusive)		
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	2	2

* Remuneration shown under the chart is for disclosure purpose. It is not subject to "income" under the Income Tax Act, and thereby is not taxable.

(III) Remuneration Paid to Presidents and Executive Vice Presidents

Remuneration to the President and Executive Vice Presidents (collective disclosure by name and range of remuneration)

December 31, 2020; Unit: NT\$ thousand

Title	Name	Salary (A)		Pension upon retirement (B)		Bonuses & Allowance Paid (C)		Amount of Employee remuneration (D)				Sum of A, B, C and D as percentage of Net Income (%)		Compensation from parent company or business investments other than subsidiaries
		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank		Consolidated subsidiaries		The Bank	Consolidated subsidiaries	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Alan Lee	110,429	110,429	-	-	145,538	146,064	36	-	36	-	1.171%	1.150%	38,893
Senior Executive Vice President	Chung-Yi Teng													
Senior Executive Vice President	Jian-Hsing Wu													
Senior Executive Vice President	Yu-Chin Cheng													
Senior Executive Vice President	Hsiang-Hsin Tsai													
Senior Executive Vice President	Xu-Jie Yao													
Senior Executive Vice President	Wei-Hua Chou													
Executive Vice President	Hsing-Ming Lee													
Executive Vice President	Chang-Li Tsao													
Executive Vice President	Hung-Chang Yang													
Executive Vice President	Chao-Kuei Kuo													
Executive Vice President	Tsung-Meng Huang													
Executive Vice President	Tung-Wen Li													
Executive Vice President	Chuo-Min Chin													
Executive Vice President	Hsiu-Chu Chuang													
Executive Vice President	Su-Chu Li													
Executive Vice President	Francis Peng													
Executive Vice President	Ching-Yuan Kung													

Title	Name	Salary (A)		Pension upon retirement (B)		Bonuses & Allowance Paid (C)		Amount of Employee remuneration (D)				Sum of A, B, C and D as percentage of Net Income (%)		Compensation from parent company or business investments other than subsidiaries
		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank		Consolidated subsidiaries		The Bank	Consolidated subsidiaries	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Executive Vice President	Ching-Li Chang													
Executive Vice President	Chih-Fong Wang													
Executive Vice President	Yeun-Wei Hwang													
Executive Vice President	Chen-Tung Chang													
Executive Vice President	Ching-Hsiang Chan													
Executive Vice President	Chien-Hui Hung													
Executive Vice President	Po-Shen Fuh													
Executive Vice President	Michael Wen													
Executive Vice President	Fa-Hsiang Chang													
Executive Vice President	Hua-Ben Miao													
Executive Vice President	Kai Yuen Kan													
Executive Vice President	Feng-Chih Hsu													

Note: Salaries paid to drivers amounted to NT\$4,464,000.

Remuneration range for President and Executive Vice President

Range of remuneration paid to President and Executive Vice President	President and Executive Vice President Name	
	The Bank	Consolidated subsidiaries E
Under NT\$1,000,000		
1,000,000 (inclusive) ~ 2,000,000 (exclusive)		
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Feng-Chih Hsu	Feng-Chih Hsu
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	Tung-Wen Li, Chuo-Min Chin, Hsiu-Chu Chuang	Tung-Wen Li, Chuo-Min Chin, Hsiu-Chu Chuang
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Chung-Yi Teng, Hsiang-Hsin Tsai, Xu-Jie Yao, Hsing-Ming Lee, Chang-Li Tsao, Hung-Chang Yang, Chao-Kuei Kuo, Tsung-Meng Huang, Su-Chu Li, Francis Peng, Ching-Yuan Kun, Ching-Li Chang, Chih-Fong Wang, Yeun-Wei Hwang, Chen-Tung Chang, Chien-Hui Hung, Po-Shen Fuh, Fa-Hsiang Chang, Wei-Hua Chou	Chung-Yi Teng, Hsiang-Hsin Tsai, Xu-Jie Yao, Hsing-Ming Lee, Chang-Li Tsao, Hung-Chang Yang, Chao-Kuei Kuo, Tsung-Meng Huang, Su-Chu Li, Francis Peng, Ching-Yuan Kun, Ching-Li Chang, Chih-Fong Wang, Yeun-Wei Hwang, Chen-Tung Chang, Chien-Hui Hung, Po-Shen Fuh, Fa-Hsiang Chang, Wei-Hua Chou
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	Jian-Hsing Wu, Yu-Chin Cheng, Ching-Hsiang Chan, Michael Wen, Hua-Ben Miao, Kai Yuen Kan	Jian-Hsing Wu, Yu-Chin Cheng, Ching-Hsiang Chan, Michael Wen, Hua-Ben Miao, Kai Yuen Kan
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Alan Lee	Alan Lee
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	30	30

* Remuneration shown under the chart is for disclosure purpose. It is not subject to “income” under the Income Tax Act, and thereby is not taxable.

(IV) Employee Remuneration Distributed to Managers and Distribution Situation:

Title	Name	Stock Amount	Cash Amount	Total	Total as a Percentage of Net Income (%)
Please see P31-48		-	NT\$283,000	NT\$283,000	0.00129%

- (V) The Bank that has had an insufficient director shareholding percentage for 3 consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual directors:

None.

- (VI) The Bank that has had an average ratio of share pledging by director supervisors in excess of 50 percent in any 3 months during the most recent fiscal year shall disclose the remuneration paid to each individual director supervisor having a ratio of pledged shares in excess of 50 percent for each such month:

None.

- (VII) If the total amount of remuneration received by all of the directors and supervisors in their capacity as directors or supervisors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director or supervisor exceeds NT\$15 million, the Bank shall disclose the remuneration paid to that individual director or supervisor:

None.

- (VIII) TWSE/TPEX listed banks that ranked in the worst tier of the most recent corporate governance evaluation, or were denied evaluation by the Corporate Governance Evaluation Committee for reasons such as change of trading method, trade suspension or delisting in the most recent year up till the publication of annual report, shall disclose director and supervisor remuneration on an individual basis:

None.

- (IX) TWSE/TPEX listed banks where annual salary of full-time, non-managerial staff average less NT\$500,000 in the most recent year shall disclose director and supervisor remuneration on an individual basis:

None.

- (X) TWSE/TPEX listed banks that exhibit any of the conditions listed in Item 2-3 or Item 6 shall disclose remuneration of the 5 most highly remunerated managers on an individual basis:

None.

- (XI) Amount of remuneration paid in the last 2 years by the Bank and all companies included in the consolidated financial statements to the Bank's directors, supervisors, President, and Executive Vice Presidents, and their respective proportions to net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks:

The sum of remuneration paid to directors, supervisors, President and Executive Vice Presidents in 2020 amounted to NT\$326,499,000 (representing 1.49% of net income in 2020), down 13.62% from the NT\$377,998,000 reported in 2019. The basis of remuneration disclosed above is different from the basis of the Income Tax Act; for this reason, the amount has been prepared solely for information disclosure, and not for tax purpose.

1. Remuneration to directors, supervisors and managers are determined according to the Bank's "Director and Supervisor Compensation Guidelines" and "Manager

Compensation Guidelines”; both policies have been resolved in board meetings. Amount of remuneration is decided based on responsibilities, capacity and annual performance of each individual, while taking into consideration the benchmark level. Both the remuneration policy and amount are adjusted according to current and future risks and overall business performance to ensure alignment with shareholders’ long-term interest.

2. In the “Director and Supervisor Compensation Guidelines” (referred to as the “Guidelines” below), a director’s compensation includes fees, remuneration, and traffic and other allowances.

- (1) Compensation: The Bank may compensate directors (including Chairman/Vice Chairman) who personally participate in the execution of business activities. The amount of which is determined based on level of participation and contribution of individual directors and peer levels, and are paid with board of directors’ approval. These directors may also receive bonus at managers’ rate depending on annual performance.

Compensation for independent directors and external directors appointed by the parent company is evaluated according to rules of the parent company; directors who concurrently assume managerial position within the Bank are not entitled to receive director compensation.

- (2) Remuneration: In profit-making years, the Bank may pay out no more than 0.1% of earnings as remuneration to directors and supervisors (i.e. the parent company).
 - (3) Transportation and other allowances are paid at the standards stated in the Guidelines.

3. The Bank has “Manager Compensation Guidelines” in place that outlines managers’ monthly salary, allowance, bonus and retirement benefits.

The board of directors of Indovina Bank convenes meetings four times a year. Given Indovina Bank’s stature as a Vietnam-registered subsidiary jointly controlled by Industrial and Commercial Bank of Vietnam (50%), the Bank respects the decisions of its Vietnamese partner on related issues, including director remuneration, provided that such decisions are fair and do not adversely impact the shareholders’ interest.

IV. Implementation of Corporate Governance:

(I) Operation of the Board of Directors (Table 2)

A total of 6 meetings (A) were held in the last year(2020); below are directors' and supervisors' attendance records:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	(representative for Cathay Financial Holding Co., Ltd.) Andrew Ming-Jian Kuo	6	0	100%	
Vice Chairman	(representative for Cathay Financial Holding Co., Ltd.) Tzung-Han Tsai	6	0	100%	
Managing Director (Independent Director)	(representative for Cathay Financial Holding Co., Ltd.) Tang-Chieh Wu	6	0	100%	
Managing Director	(representative for Cathay Financial Holding Co., Ltd.) Alan Lee	6	0	100%	
Managing Director	(representative for Cathay Financial Holding Co., Ltd.) Chung-Yi Teng	5	1	83.33%	
Independent Director	(representative for Cathay Financial Holding Co., Ltd.) Feng-Chiang Miao	6	0	100%	
Independent Director	(representative for Cathay Financial Holding Co., Ltd.) Edward Yung Do Way	6	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Tsung-Hsien Tsai	5	1	83.33%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Chi-Wei Joong	5	1	83.33%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Han-Kuo Chen	6	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Chang-Ken Lee	6	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Grace Chen	6	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Jian-Hsing Wu	6	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Wei-Hua Chou	6	0	100%	
Resident Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Yiao-Chiun Lai	6	0	100%	
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Liang-Lin Chien	6	0	100%	Resigned on January 16, 2021; required attendance: 6 sessions

Note: The company is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.

■ Other items to be stated:

- I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Bank's resolution of said opinions:
- (I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act (Reason for not voting and actual voting counts):

Board meeting date/session	Motion	Company's response to all independent directors' opinions
2020.01.20 The 3 rd meeting of the 16 th board of directors	◎ Purchase of group credit with Symphox Information. ◎ Passed allocation of 2019 year-end bonus, special incentive and long-term incentive for Chairman and Vice Chairman.	None.
2020.03.11 The 4 th meeting of the 16 th board of directors	◎ Proposal of the Bank's 2019 earnings appropriation. ◎ Capitalization of the Bank's earnings and capital-raising draft plans. ◎ Signing of tri-party collaboration agreement with bank and technology company in the mainland. ◎ Participation in the underwriting of international bonds (including Formosa bonds) by companies including Goldman Sachs and branches, subsidiaries, and affiliated enterprises in the primary market as the underwriter. ◎ Underwriting for the primary market offering of corporate bonds issued by CPC. ◎ Collaboration with UnionPay International on the optimization of EDC. ◎ Removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involving in competing businesses. ◎ Subsidiary's participation in the investment and establishment of a consumer banking company.	None.

Board meeting date/session	Motion	Company's response to all independent directors' opinions
2020.04.29 The 5 th meeting of the 16 th board of directors	◎ Removal of restrictions imposed against Independent Director Feng-Chiang Miao for involving in competing businesses. ◎ Co-underwriting with Cathay Securities for the corporate bonds issued by Cathay FHC. ◎ Additional short-term secured lending and renewal of existing credit facilities and treasury limits to Cathay Securities.	None.
2020.05.14 The 6 th meeting of the 16 th board of directors	◎ Amendments to "Derivative Guidelines." ◎ Leasing transaction with Cathay Real Estate Development Co., Ltd. ◎ Procurement with Symphox Information. ◎ System development project with TPIsoftware. ◎ Change of the Bank's Chief Risk Officer.	None.
2020.08.20 The 7 th meeting of the 16 th board of directors	◎ Signing of incentives agreement with UnionPay International. ◎ Participation in the underwriting of international bonds (including Formosa bonds) by companies including Goldman Sachs and branches, subsidiaries, and affiliated enterprises in the primary market as the underwriter. ◎ Underwriting for the primary market offering of corporate bonds issued by CPC. ◎ Joining Cathay FHC and other subsidiaries in procurements with TPIsoftware. ◎ Renewal of temporary labor service with Seaward Card. ◎ Lending to stakeholders. ◎ Application for new treasury limit by Taiwan Finance Corporation.	None.

Board meeting date/session	Motion	Company's response to all independent directors' opinions
2020.11.12 The 8 th meeting of the 16 th board of directors	◎ Appointment of financial statement auditors and review of audit remuneration for 2021. ◎ Allocation of group overheads with group subsidiaries including Cathay Life Insurance. ◎ Procurement with Cathay FHC and nine of its subsidiaries including Cathay Life Insurance. ◎ Establishment of authorized limits to Cathay United Bank (Cambodia) and others. ◎ Establishment of authorized limits to Cathay Life Insurance and others. ◎ Extension of treasury limits for Cathay Life Insurance and Cathay Century Insurance. ◎ Lending to stakeholders. ◎ Credit extension to Mei Feng Investment and Mei An Investment.	None.

(II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing:

None.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process: (Reason for not voting and actual voting counts):

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Andrew Ming-Jian Kuo (Chairman), Tzung-Han Tsai (Vice Chairman)	Allocation of 2019 performance bonus, special incentive, and long-term incentive for the Bank's Chairman and Vice Chairman	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Chang-Ken Lee	Participation in the underwriting of international bonds (including Formosa bonds) by companies including Goldman Sachs and branches, subsidiaries, and affiliated enterprises in the primary market as the underwriter.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Underwriting for the primary market offering of corporate bonds issued by CPC.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Feng-Chiang Miao (Independent Director)	Removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo and Independent Director Feng-Chiang Miao for involving in competing businesses.	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Chang-Ken Lee	Co-underwriting with Cathay Securities for the corporate bonds issued by Cathay FHC.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Additional short-term secured lending and renewal of existing credit facilities and treasury limits to Cathay Securities	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Procurement with Symphox Information	The motion concerned the interest of director(s) listed on the left and 2nd-degree direct relatives or closer thereof	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Procurement with TPI software	The director(s) listed on the left had recused from involvement out of respect for corporate governance	Disassociated from discussion and voting

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Andrew Ming-Jian Kuo (Chairman), Tzung-Han Tsai (Vice Chairman), Tsung-Hsien Tsai, Chang-Ken Lee	Procurement from TPISoftware, together with Cathay FHC and other subsidiaries	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Renewal of temporary worker assignment contract with Seaward Card	The motion concerned the interest of director(s) listed on the left and 2nd-degree direct relatives or closer thereof	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Credit extension to stakeholders	The motion concerned the interest of director(s) listed on the left and 2nd-degree direct relatives or closer thereof	Disassociated from discussion and voting
Alan Lee and Wei-Hua Chou	Application for new treasury limit by Taiwan Finance Corporation	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Alan Lee, Chung-Yi Teng, Jian-Hsing Wu and Wei-Hua Chou	2021 audit plan	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Tzung-Han Tsai (Vice Chairman), Tsung-Hsien Tsai and Chang-Ken Lee	Allocation of group overheads among 4 group subsidiaries including Cathay Life Insurance .	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Tzung-Han Tsai (Vice Chairman), Alan Lee, Chung-Yi Teng, Tsung-Hsien Tsai, Chang-Ken Lee, Wei-Hua Chou	Joint procurement with Cathay FHC and nine of its subsidiaries including Cathay Life Insurance from SUNNET Technology	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Alan Lee, Chung-Yi Teng, Chang-Ken Lee and Wei-Hua Chou	Establishment of authorized limits to Cathay United Bank (Cambodia) and others.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Establishment of authorized limits to Cathay Life Insurance and others.	The motion concerned the interest of director(s) listed on the left and 2nd-degree direct relatives or closer thereof	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Increase and extension of treasury limit for Cathay Life Insurance; extension of treasury limit for Cathay Century Insurance	The motion concerned the interest of director(s) listed on the left and 2nd-degree direct relatives or closer thereof	Disassociated from discussion and voting
Feng-Chiang Miao (Independent Director)	Credit extension to Mei Feng Investment and Mei An Investment	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting

III. TWSE/TPEX listed banks are required to disclose the cycle, duration, scope, method and detail of board performance self (or peer) evaluations performed, and complete Table 2 Execution of Board Performance Evaluation.

According to Article 3 of the Bank's "Board of Directors and Functional Committee Performance Evaluation Principles," the board of directors is subject to performance assessment once a year. The 2020 assessment found the board having performed "Above Standard," and the outcome was reported during board meeting. Board member performance evaluation rules and methods have been established according to "Director and Supervisor Performance Evaluation Policy"; the Bank examines performance of board members on a yearly basis.

Execution of Board Performance Evaluation

Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
Once a year	2020.01.01~ 2020.12.31	Board of directors performance valuation	Board of directors internal self- assessment	1. Level of participation in the Company's operations. 2. Improvement of board decision quality. 3. Composition of the board of directors. 4. Board members and ongoing education. 5. Internal control
Once a year	2020.01.01~ 2020.12.31	Performance assessment of individual directors	Director self- assessment	1. Attendance (excluding proxy attendance) at board meetings. 2. Supervision over business execution. 3. Supervision over finance and operations. 4. Supervision over internal audit, internal control, risk management and compliance. 5. Company credit rating. 6. Fulfillment of corporate social responsibilities. 7. Ongoing education of corporate governance-related courses.
Once a year	2020.01.01~ 2020.12.31	Supervisor self- assessment	Supervisor member self- assessment	1. Attendance at board meetings. 2. Interaction with audit department. 3. Execution of compliance tasks. 4. Enhancement of corporate governance. 5. Ongoing education of corporate governance-related courses. 6. Other matters specified by the authority.

Note 1: Represents the frequency of board performance evaluation, e.g.: once a year.

Note 2: Represents the duration covered by performance evaluation, e.g.: performance of the board of directors between January 1 and December 31, 2020, was assessed.

Note 3: The scope of assessment covers performance of the board as a whole, the individual directors and functional committees.

Note 4: Assessment methods include: board internal self-assessment, director self-assessment, peer assessment, assessment by external institution or expert, and other methods as deemed appropriate.

Note 5: Assessment details, by scope of assessment, include at least the following:

- (1) Board performance assessment: board's participation in the Bank's operations, the quality of board's decisions, the board's composition and structure, election and ongoing education of board members, and enforcement of internal control.
- (2) Director individual performance assessment: director's awareness toward the Bank's goals and missions, awareness to duties, level of participation in the Bank's operations, maintenance of internal relations and communication, professionalism and ongoing education, and enforcement of internal control.
- (3) Performance assessment for functional committees: participation in the Bank's operations, awareness to duties, quality of committee's decisions, composition and member selection, and enforcement of internal control.

IV. Enhancement to functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency, etc.), and the progress of such enhancements.

The Bank has undertaken a number of governance enhancement actions in line with the corporate governance roadmap published by the Financial Supervisory Commission. For example: a Corporate Sustainability (CS) task force comprising representatives from various departments and offices has been assembled to enforce corporate social responsibilities; a corporate governance officer has been appointed to assist board members with various duties; and changes in regulations are being monitored closely and reflected in internal policies in a timely manner to support the Bank's corporate governance efforts.

■ Enhancement of board performance

- Board meetings are being held more frequently and more efficiently to accommodate the Bank's growing size and businesses.
- A set of "Board of Directors and Functional Committee Performance Evaluation Principles" was established in 2018 to support the Bank's corporate governance efforts and to improve efficiency of the board and functional committees, based on the ways they operate. Board performance evaluation is conducted once a year; outcomes of the 2020 board performance evaluation have been reported during the board meeting held in February 2021, and ongoing efforts will be made to improve performance targets and board efficiency. Furthermore, the Bank engaged an independent third party to evaluate performance of the board of directors in 2020 out of concerns for the independence and efficiency of the evaluation process. The institution offers professional insight to various aspects including corporate governance and operations that helps board members supervise more effectively to ensure accomplishment of sustainability goals.
- During the meeting held in March 2019, the Bank's board of directors passed a resolution to appoint a "Corporate Governance Officer" to oversee corporate governance affairs. In March 2020, the Bank passed "Standard Operating Procedures for Resolving Directors' and Supervisors' Requests" to support directors and supervisors with their duties and improve efficiency of the board.

■ Improvement of information transparency

- The Bank prepares annual reports in Chinese and publishes them over its website; English versions of the annual reports have also been added and disclosed on website to facilitate global communication.
- The Bank has created a “Corporate Governance” section up on its website to disclose internal policies relating to corporate governance, such as the “Articles of Incorporation,” “Board of Directors Conference Rules,” “Corporate Governance Guidelines,” “Business Integrity Procedures and Behavioral Guidelines,” and “Asset Acquisition and Disposal Guidelines,” both in Chinese and English.

■ Participation in “Corporate Governance Evaluation”

Cathay FHC, Cathay United Bank, and Cathay Life Insurance participated in the “CG6012 Corporate Governance Assessment” of Taiwan Corporate Governance Association in 2020, and managed to claim the highest “Exceptional” rating.

(II) 1. Functionality of the Audit Committee: No Audit Committee has been assembled.

2. Supervisors' involvement in board of directors meetings:

Supervisors' involvement in board of directors meetings

A total of 6 meetings (A) were held in the last year (2020); below are the attendance records:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Resident Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Yiao-Chiun Lai	6	100%	
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Liang-Lin Chien	6	100%	Resigned on January 16, 2021; required attendance: 6 sessions

Other items to be stated:

I. Constitution and responsibilities of supervisors:

■ Supervisors' communication with bank employees and shareholders (e.g. communication channels and methods).

1. The Bank has open channels to facilitate bilateral communication between supervisors and employees, and to ensure delivery of supervisors' correspondence and message. Supervisors are also able to contact the Bank's employees on various matters.
2. The company is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.

■ Communication between supervisors and internal/external auditors (e.g. the Bank's financial and business affairs, the methods and outcome of communication).

1. The Bank's supervisors communicate with the Chief Internal Auditor and the internal audit unit through meetings on an unscheduled basis (at least once a year; 2 sessions were held in 2020). Meeting proceedings are recorded in minutes and reported to the board of directors.
2. The Bank's supervisors and Chief Internal Auditor are invited to take part in board meetings. The Chief Internal Auditor makes an "Internal Audit Progress Report" at each board meeting to cover the progress and key issues concerning internal and external audits. Furthermore, defects highlighted in internal and external inspections/self-audits and areas requiring improvement, as mentioned in the declaration of internal control, are followed up during quarterly board meetings.
3. Audit reports prepared by the internal audit unit on the Bank and its subsidiaries, as well as opinions from external inspections, are escalated to supervisors.
4. All major occurrences (such as those listed in Article 42-1 of Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries) are reported to supervisors in writing.

5. The Bank's annual audit plans are subject to supervisors' review and opinion before presenting to the board of directors for approval.
 6. Supervisors may communicate and discuss with the Chief Internal Auditor on the above matters or at any time deemed necessary.
 7. Financial statement auditors' independence is evaluated on a yearly basis; supervisors are able to communicate with CPAs on issues concerning the Company's financial and business performance.
- II. Opinions expressed by supervisors in board meetings; state the date and session of the meeting held, the motion, the board's resolution, and how the company has responded to supervisors' opinions: None.

(III) Items disclosed in accordance with the Corporate Governance Best-Practice Principles for Banking. However, if disclosure has already been posted via the website, the Bank may simply post a link to the relevant webpage.

For details, please refer to relevant sections of this annual report or visit the Bank's website or the Market Observation Post System (company ID: 5835) at the following URL:

1. Corporate governance guidelines of the Bank:
<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/#first-tab-04>
2. Financial position, business performance and annual report:
<https://www.cathaybk.com.tw/cathaybk/about/about/finance/>
3. Donations:
<https://www.cathaybk.com.tw/cathaybk/about/about/announcement/donation-info/>
4. Spokesperson and changes in insider shareholding:
<http://mops.twse.com.tw/mops/web/t146sb05>
5. Composition of the board of directors and supervisors:
<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/>
<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/#first-tab-02>
6. Risk management information:
<https://www.cathaybk.com.tw/cathaybk/about/about/announcement/announce-risk/>

(IV) Status of corporate governance and deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
I. Equity structure and shareholders' rights of the Bank (I) Whether the Bank has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure? (II) Whether the Bank controls the Bank's major shareholders and the ultimate controller? (III) Whether the Bank establishes or implements some risk control and firewall mechanisms between the Bank and its affiliates?	V		(I) The Bank is a 100%-owned subsidiary of Cathay FHC. Being the only shareholder, Cathay FHC does not resolve shareholders' recommendations or disputes relating to the Bank. (II) The Bank is a 100%-owned subsidiary of Cathay FHC. (III) 1. The Bank has implemented "Cathay United Bank Policy on Credit and Non-credit Transactions with Stakeholders," "Cathay United Bank Credit or Transaction Guidelines" and "Cathay United Bank Self-discipline Guidelines for Transaction with Watchlisted Parties" to ensure: control over stakeholder risk, compliance with requirements of the Banking Act and Financial Holding Company Act regarding credit and non-credit transaction with stakeholders, and that all transactions with stakeholders involve no conflict of interest and do not compromise the Bank's operational stability in any way.	No significant difference

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
II. Composition and responsibilities of board of directors (I) Is the Bank, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?	V		2. The Bank has established a firewall policy that all directors, supervisors, managers, and employees are bound to comply, and enforced it with proper hardware, software, and internal control systems to prevent any conflict that may arise from exchange of customers' information, joint marketing, and interested parties credit extension or transaction between subsidiaries of Cathay Financial Holding Co., Ltd. (I) 1. The Bank's 16th board of directors comprises 3 independent directors, 12 directors, and 2 supervisors. All independent directors of the Bank are equipped with the proper characters and professional knowledge needed to contribute to board functionality and corporate governance. 2. The Bank formulated the organization rules of the Sepecial Committee on M&A on January 28, 2016, and the committee consists entirely of independent directors. Responsibilities of the committee are to assess the fairness and rationality of M&A projects and deals, and to present review findings for discussion at board meetings and shareholder meetings. However, no report has to be made during shareholder meetings in situations permitted by the "Business Mergers and Acquisitions Act."	Being a 100%-owned subsidiary of Cathay FHC, the Bank's directors and supervisors are appointed by Cathay FHC. Cathay FHC may choose to assemble an Audit Committee or appoint supervisors. No significant difference

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
(II) Has the TWSE/TPEX listed bank established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration and nomination decisions? (III) Does the Bank conduct regular assessments regarding the independence of its financial statement auditors? III. Has the Bank allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?	V		(II) Board performance assessment is performed once a year according to “Cathay United Bank Board of Directors and Functional Committee Performance Evaluation Principles”; outcome of the 2020 performance assessment was reported during board meeting. (III) Financial statement auditors’ independence is evaluated on a yearly basis. Supervisors are able to communicate with CPAs on issues concerning the Company’s financial and business performance. The Bank has assigned a corporate governance officer and specialists to oversee corporate governance-related affairs including: 1. Providing information required for business execution by directors and supervisors. 2. Handling matters relating to board meeting in accordance of relevant laws.. 3. Producing minutes of board meeting. 4. Assisting directors and supervisors with continuing training courses. 5. Assisting directors and supervisors with compliance regulations. 6. Other tasks mentioned in Articles of Incorporation or foundation principles.	No significant difference

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
IV. Has the Bank provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers, etc.)?	V		(I) The Bank has diverse and open channels available for stakeholders to communicate with the Bank, including phone, e-mail, Internet, written correspondence, and meetings. The Bank maintains a corporate sustainability (CS) webpage and uses it to communicate with stakeholders on sustainability issues. Stakeholders may visit “Bank’s CS webpage” to download the group corporate sustainability report and watch CSR-related news and videos, or raise queries to the CS team through the e-mail and FB links disclosed on “financial holding company’s CS webpage.” (II) Cathay FHC, the Bank’s parent company, has an Investor Relations section created on its website (https://www.cathayholdings.com/holdings/investor-relations/intro/contact-us) to appropriately respond to corporate social responsibility issues of significant concern to stakeholders. (III) The Bank has also formulated a set of “Notes on Resolution of External Environmental, Social, and Governance (ESG) Incidents” available to address borrowers’ ESG issues reflected by stakeholders. For each of the incidents brought to attention, the Bank would conduct the necessary investigations and assessments so that proper responses and actions can be taken to address issues of concern for all stakeholders.	No significant difference

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
V. Information Disclosure (I) Has the Bank established a website to disclose financial, business, and corporate governance-related information? (II) Has the Bank adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)? (III) Does the Bank publish and make official filing of annual financial reports according to the Banking Act and Securities and Exchange Act within the required timeframe after the end of an accounting period, and publish/file Q1, Q2, and Q3 financial reports plus monthly business performance before the specified due dates?	V		(I) Web Pages including “Financial Highlights,” “Disclosures” and “Corporate Governance” have been created under “About Us” section of the Bank’s website to disclose financial, business and corporate governance-related information: https://www.cathaybk.com.tw/cathaybk/about/ (II) The Bank also has an English website created to disclose financial, business and corporate governance-related information in English: https://www.cathaybk.com.tw/en-us/cathaybk/english/about-us/about-us/company-history/ (III) The Bank publishes and makes official filing of annual financial reports according to the Banking Act and Securities and Exchange Act within the required timeframe after the end of an accounting period, and publishes/files Q1, Q2 and Q3 financial reports plus monthly business performance before the required due dates.	No significant difference

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
VI. Does the bank have other information that enables a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, insuring against liabilities of bank's directors and supervisors, and donation to political parties, stakeholders and charity organizations)?	V		(I) The Bank convenes regular labor-management conference as required by Labor Standards Act. These conference provide the opportunity to communicate with employees on welfare measures or management system, or discuss material issues concerning employment and labor regulations. They are intended to promote interaction and communication between the employer and employees and thereby maximize mutual interest between staff and the Bank. (II) Directors' and supervisors' continuing training courses: Progress of directors' and supervisors' education has been disclosed on Market Observation Post System. (http://mops.twse.com.tw/mops/web/t93sc03_1) (III) Purchase of liability insurance for directors and supervisors: "Director, Supervisor, and Manager Liability Insurance" is collectively purchased by Cathay FHC. The insurance policy covers all directors and supervisors of the Bank, and the terms of which are reported during the Bank's board of directors conferences. These policies are intended to minimize the levels of risk borne by directors, supervisors, and the organization, and to set up a robust corporate governance system.	No significant difference

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
	V		(IV) The Bank has established its “Board of Directors and Functional Committees Performance Evaluation Guidelines” to involve the board of directors, functional committee members, and meeting organizers in annual performance review of directors/functional committees on five main aspects (including: participation in the Bank’s operations, enhancement of decision quality, composition and structure, member selection and continuing education, and internal control). Performance of the board and functional committees is assigned one of three ratings: Above Standard, Standard, and Substandard. Internal assessment of “board of directors” performance was completed for 2020 with “qualitative indicators” assessed by directors and “quantitative indicators” calculated by the meeting organizer using quantifiable data. After calculating attainment rates across all indicators, the meeting organizer issued an internal performance rating of “Above Standard” and found now aspect or area that required improvement. Outcome of this internal performance assessment was discussed and approved during the board of directors meeting dated February 3, 2021, and is indicative of the progress the Bank has made to enhance board functionality. (V) The Bank has “Director and Supervisor Performance Evaluation Policy” in place to supervise directors in fulfilling their duties, and in order to improve overall performance and achieve sustainable business	No significant difference

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
	V		management. Performance is evaluated once a year. Directors' performance is evaluated using a variety of indicators including: "supervision over business execution," "supervision over finance and operations," "supervision over internal audit, internal control, risk management, and compliance," "company credit rating," "company's fulfillment of CSR," "ongoing education in corporate governance," and "board meeting attendance rate." Supervisors' performance, on the other hand, is evaluated using indicators including: "interaction with the audit department," "execution of compliance duty," "contributions to improvement of corporate governance," "ongoing education in corporate governance," "other requirements mandated by the authority," and "invitation to board of directors meetings." Performance is self-assessed by directors, reviewed by independent directors, and approved by the chairman. Performance of the chairman and vice chairman is evaluated by chairman of Cathay FHC after taking into account independent directors' opinions. Performance of supervisors is evaluated through self-assessment. Director and supervisor performance evaluation for 2020 was completed in February 2021; outcomes of which have been presented to the respective directors and supervisors. (VI) The Bank presents risk management report for review by the board of directors, the senior management and the Risk Management Committee on a regular basis. For more details, please refer to "Risk Management" section of the annual report.	No significant difference

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
	V		(VII) The Bank has its subsidiaries have implemented “Donation Guidelines for Cathay United Bank and Subsidiaries.” All donations to political parties, stakeholders, and non-profit organizations in the current year to be disclosed publicly on the Bank’s website.”	No significant difference
VII. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies. (Not required if the Company is not one of the evaluated subjects) The Bank is not part of the evaluation				

(V) Describe the composition, duties and operations of the remuneration committee, if available.

All of the Bank’s directors and supervisors are appointed by Cathay FHC, the only corporate shareholder. All compensation-related matters are handled according to Cathay FHC’s policies and therefore no Remuneration Committee was assembled.

(VI) Fulfillment of social responsibilities and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
I. Has the Bank conducted risk assessment on environmental, social and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?	V		The Bank has implemented environmental/social/governance risk management guidelines and follows principles of materiality to assess and address ESG issues that are relevant to its operations. A more detailed explanation is provided below: (I) “Equator Principles Enforcement Guidelines,” “Equator Principles Project Financing Rules,” and “Environmental, Social and Governance (ESG) Guidelines for Corporate Lending”: Through these guidelines, the Bank exerts influence as a financier towards mitigating environmental/social/governance risks while at the same time explores viable business opportunities. In addition, improvements are constantly being made to internal credit management practices as well as external service/product offerings, so that the Bank and the society may move in line toward creating a sustainable future. (II) “Notes on Resolution of External Environmental, Social, and Governance (ESG) Incidents”: The rules are intended to address borrowers’ ESG issues reflected by stakeholders. For each of the incidents brought to attention, the Bank would conduct the necessary investigations and assessments so that proper responses and actions can be taken to address issues of concern for all stakeholders.	No significant difference

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
II. Whether the Bank establishes a dedicated unit (concurrently engaged in) to promote corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	V		(I) The Bank has assembled a “Corporate Sustainability (CS) Task Force” based on the structure of the financial holding company’s “CS Committee” to execute and manage CSR-related practices. The task force comprises representatives from various departments and offices, and enforces CS on three main aspects: environmental (E), social (S) and governance (G). The task force represents the Bank’s primary CS enforcer; the general manager serves as the chairman,, whereas the role of executive committee is undertaken by the CAO, and Sustainable Banking Section of the International Audit Department serves as secretariat. The task force has six panels established to promote “responsible investment, responsible product, sustainability governance, green operation, employee care, and social exclusion.” Together, they work toward fulfilling the Bank’s vision of “creating a sustainable future through green banking.” The CS Task Force convenes quarterly CS conferences to track progress of each panel and to discuss key issues relating to CS, which help monitor work progress, resolve obstacles, and enforce the Bank’s key initiatives. (II) “Cathay United Bank CS Task Force” makes half-yearly reports to the board of directors to explain the Bank’s progress regarding CS vision, organization, systems and performance highlights. By making transparent disclosures on corporate governance and sustainability practice, the Bank strives to fulfill corporate social responsibilities while building its reputation as the leader in “green banking.” Regular reporting also enhances the board’s strategic role in the promotion of corporate social responsibilities and enables CS policies to be implemented from the top down, thereby providing continual support to CS efforts at the required intensity.	No significant difference

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
III. Environmental issues (I) Has the Bank established environmental policies suitable for the Company's industrial characteristics? (II) Does the Bank endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials? (III) Does the Bank assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		(I) The Bank had been certified for ISO14001 – Environmental Management System and constantly looks for possible improvements to current practices and equipment for more effective prevention and control of pollution as well as more efficient use of resources. (II) The Bank supports group policy and has been progressively increasing the percentage of environment-friendly and energy-saving products/equipment purchased, as well as the overall amount of green procurement. More than NT\$148 million of green purchase was made in 2020. (III) 1. The Bank strives to reduce carbon emission associated with its operations, and actively enforces environmental protection, energy conservation, and carbon reduction policies and initiatives through energy reduction challenge, setting up recycling bin, establishment of solar-powered branches, digitalization of existing processes, and reduction of energy and paper consumption. 2. The Bank adheres to the Equator Principles and its own Environmental, Social and Governance (ESG) Guidelines for Corporate Lending by incorporating ESG and climate factors into the Risk Management Policy, which outlines the proper process and scope of ESG review so that ESG and climate risks can be duly identified. Furthermore, using scenario analysis, the Bank evaluates its real estate properties and mortgage portfolios for susceptibility to climate risk, and devises appropriate response strategies and risk management plans accordingly.	No significant difference

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(IV) Does the Bank maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water, and waste? IV. Social issues (I) Whether the Bank establishes the related management policies and procedures in accordance with the relevant laws and international human right conventions? (II) Has the Bank developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	V		(IV) The Bank has been surveying greenhouse gas emission, power usage, water usage, and waste volume since 2016, and passed ISO14064-1 Greenhouse Gas Inventory Verification. In addition to adopting water-saving equipment and making plans to gradually phase out old energy-consuming equipment, the Bank persistently reminds employees to turn off power and water that are not use in their daily work, whereas recycling bins have been properly labeled to facilitate waste sorting and waste reduction. (I) The Bank complies with labor regulations and has management policies and transparent channels in place to promote and protect employees' rightful interest. The Bank adopts practices that conform with globally recognized basic human rights, including freedom of association, collective bargaining, care for the socially disadvantaged, prohibition of child labor, elimination of forced labor, and elimination of employment discrimination. There have been no violation of workers' basic rights. (II) 1. Employees' compensation, work hours and leave of absence have been outlined in the Bank's work rules and personnel management policies. In addition to complying with laws, the Bank also allows employees to take paternity leave, fully paid miscarriage leave, volunteer leave and online learning leave that are more favorable than what the laws require. In terms of welfare, employees are offered group insurance coverage, regular health checkup, wedding/childbirth subsidy and various benefits arranged by employee welfare committee (including travel subsidy, birthday cash, festive cash, children's education subsidy, emergency financial aid).	No significant difference

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(III) Whether the Bank provides the existence of a safe and healthy work environment; regular safety and health training to its employees?	V		2. Employees' salary is determined based on the responsibilities undertaken, the performance delivered, the capacity demonstrated, and market benchmarks. Depending on current year's business performance, the Bank pays employees a variable amount of performance bonus to serve as incentive. (III) 1. Workplace carbon dioxide levels and lighting are inspected once every six months, whereas drinking fountains are subjected to water quality tests once every quarter. The Bank has a total of 33 nursery rooms at 13 office locations to provide employees with safe and comfortable work environment. 2. The Bank hosts occupational safety and health training courses and occupational hazard prevention awareness programs, and rewards internal departments for absence of occupational hazard on a regular basis. Each business unit is staffed with a safety officer and first-aid crew whose responsibilities are to ensure workers' safety and health. 3. The Bank arranges regular employee health checkups and adopts a tier-based health management system. A Physician and 7 professional full-time nurses are available to provide medical consultation on site. Other services such as ambulatory blood pressure measurement, EAP (employee assistance program) and health promotion activities have been arranged to address and promote employees' health. 4. The Bank has a total of 215 AEDs deployed throughout its premises. All employees are given practical training on AED+CPR for their own protection as well as the safety of customers and the workplace.	No significant difference

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(IV) Has the Bank established some effective career development training plan for employees?	V		(IV) In addition to providing convenient, professional, and innovative financial services for better customer experience, the Bank also emphasizes diversity in employees' career development potentials. Through the use of a career roadmap, the Bank presents employees with potential learning goals and supports their learning efforts with a systematic training program, digital technologies, remote interactive courses, and digital learning resources from outside the organization. These resources help promote learning within the organization, and when combined with the right capacity and performance assessment system, the Bank is able to associate employees' skill development with its growth targets.	No significant difference
(V) Has the Bank complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?			(V) 1. The Bank has implemented "Consumer Protection Guidelines," "Consumer Review Committee Principles," and "Customer Dispute Resolution Manual for Business Units" in accordance with the Financial Consumer Protection Act to protect consumers' interest and raise the quality of services rendered. Dispute resolution guidelines (which contain details on acceptance of grievance, handling procedures, progress inquiry, follow-up audit, regular review, and training) have also been created for different service categories to ensure that consumers' queries are addressed in a fast, credible, and proper manner. 2. The Bank has a dedicated unit available to handle customers' complaints. Customers are able to raise queries, dispute and express opinions to the Bank through a variety of channels including branch mailbox, the 24-hour service hotline and the consumer complaint hotline; all of which are responded within a short period of time. Causes of customer complaint are analyzed regularly, whereas issues concerning consumer protection are reviewed and improved upon by the respective product/service departments.	

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
	V		3. All existing contracts between the Bank and customers have been established in accordance with rules of the authority and Bankers Association. Not only has the Bank clearly outlined the terms with which the two parties are bound to comply, consumers are given a reasonable amount of time to review contract terms as well as comprehensive explanations on important features and risks of the products/services offered before signing contract. Consumers are entitled to enforce their contractual rights if any dispute with the Bank. 4. “Fair customer treatment” not only represents one of the key values in the Bank’s corporate culture, but it is also an important foundation principle to all operating and business activities. To further enforce the Bank’s “fair customer treatment” philosophy and implement refined consumer practices for the harmony of the financial market, amendments have been made to “Cathay United Bank Fair Customer Treatment Guidelines” to introduce self-assessment standards and involvement from the board of directors based on Financial Supervisory Commission’s “Fair Customer Treatment Evaluation for Financial Service Providers.” The Bank will direct more attention toward the performance of fair customer treatment in the future, while taking a cautionary approach to discover and rectify defects, examine the products/services offered and plan future businesses, thereby avoiding dispute where possible. Meanwhile, employees will be required to undergo rigorous training to promote “fair customer treatment” not only as an important part of the corporate culture, but a common value and guideline that all behaviors are based upon.	No significant difference

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(VI) Has the Bank implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	V		(VI) Starting from September 2012, it is mandatory for all supplier contracts to be drafted with the clause that: "Supplier must duly comply with corporate social responsibility requirements, including employment, occupational safety and health, environmental protection and workers' rights, as stipulated in the laws of any location relevant to contract fulfillment. The Bank may also perform audit at any time to evaluate supplier's compliance." Furthermore, the Bank has amended Article 28 of "Cathy United Bank Procurement Management Principles" to specify that: "The Bank may blacklist or suspend dealing with suppliers that are in violation of corporate social responsibilities depending on the severity of violation." A set of "Supplier CSR Code of Conduct" was established and announced over the group vendor management system in 2020 to minimize ESG risks and impacts associated with business operations. The Bank invites all supplier partners to commit to a common set of corporate social responsibilities, and in doing so fulfill the organization's sustainability vision of achieving the right balance between economic development, social care, and environmental protection. Cathay Financial Holdings, the Bank's parent company, and subsidiaries have adopted sustainable procurement practices based on ISO 20400 Sustainable Procurement – Guidance and established procurement policies, strategies and supply chain management procedures accordingly since 2018. In 2020, the parent company and subsidiaries engaged suppliers in a number of events including online training and self-assessment to communicate issues concerning sustainability, human rights, and environmental protection. The Bank passed certification for CNS45001 and ISO 45001 - Occupational Health and Safety in 2019, which requires establishment of supplier management policy.	No significant difference

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
V. Does the Bank prepare corporate social responsibility reports or any report of non-financial information based on international reporting standards or guidelines? Are the above mentioned reports supported by assurance or opinion of a third-party certifier?	V		(I) Cathay FHC, the Bank's parent company, prepares "Corporate Social Responsibility Reports" in accordance with international guidelines. The report primarily covers six of Cathay FHC's main subsidiaries (including Cathay Life Insurance, Cathay United Bank, Cathay Century Insurance, Cathay Securities, Cathay Securities Investment Trust, and Cathay Venture) and content of roughly includes the institutional framework for implementing CSR, issues of main stakeholders' concern, corporate governance, environmental sustainability, contribution to public welfare, as well as performance review, future improvements and goals. The report has been made available on the website of Cathay FHC for public reference. (https://www.cathayholdings.com/holdings/csr/intro/csr-report) (II) Validation and assurance of report: 1. The Bank's parent company has engaged BSI Taiwan Branch to validate the report for High-level Assurance GRI Standard – core option and AA1000 AS Type 2. A copy of BSI's independent assurance statement has been provided in the appendix of the report. 2. The Bank's parent company prepares regular reports on sustainability performance according to GRI guidelines, and engages PwC Taiwan to perform independent assessment and provide limited assurance using the standards published by the Accounting Research and Development Foundation in Statement of Assurance Principles No. 1 – "Audit and Review of Non-financial Information" (which was established in reference to International Standard on Assurance Engagements;	No significant difference

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
			ISAE3000). A copy of the limited assurance report has been included in the appendices of the CSR report. 3. The Bank prepares self-assessment reports on compliance with United Nations Principles for Responsible Banking (PRB), and engages PwC Taiwan to provide limited assurance on certain aspects of its operation that are relevant to PRB. A copy of the limited assurance report has been presented on the CS section of the Bank's website and in the appendices of the parent company's CSR report.	
VI. If the Bank has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation: In light of rising CSR awareness throughout the world, the parent company has responded with the introduction of "Cathay Financial Holdings Corporate Sustainability Code of Conduct" and assembled a "CS Committee" to help broaden its vision. The committee has been re-organized to operate directly under the board of directors, and independent directors have been assigned to supervise CS affairs. VII. Other information material to the understanding of the corporate social responsibility: (I) The Bank was the first in the industry to contribute to the field of art, starting with the establishment of Cathay United Bank Foundation in 1980 followed by the founding of Cathay United Art Center in 2000. Driven by its mission to "give back to society," the Bank has since been active in charitable causes including offering of study aid, charity sponsorship, cultural/arts performance, and consignment charity. The Bank is highly committed in fulfilling corporate social responsibilities. The Bank is highly committed in fulfilling corporate social responsibilities. It organizes charity events through Cathay United Bank Foundation, and a list of major events organized by the Foundation in 2020 is presented as follows: 1. "Elevated Tree Program— Grow A Big Tree From A Shoot" series: (1) Elevated Tree Program Scholarship: In April and October, the Foundation made 2 donations under the Elevated Tree Program totaling NT\$10 million. These donations				

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
			were intended to cover tuition fees for students from financially disadvantaged families and those who fell victim to tragic events. Donations were made to 963 elementary and junior high schools in Miaoli County, Yunlin County, Chiayi County, Pingtung County, Taitung County, and Yilan County to a total of 7,432 beneficiaries. (2) Donation of “charity coats” in collaboration with business: Chairman Jin-Zhu Shen of Ever Shine Y&F and Chairman Shu-Li Yeh of Ever Shine I&F have always been valuable customers to Cathay United Bank and supported the Elevated Tree Program each year through action. In 2020, they donated 4,000 new winter coats to students in remote areas. (3) Love Without Barriers: In order to fully preserve knowledge conveyed in “Elevated Tree Seminars,” the Bank published the 8th volume of “Love Without Barriers,” which features a collection of knowledge verbally communicated by experts and scholars of parental education. The 2020 publication was made solely in digital form as part of the Group’s paperless movement. 2. Art and cultural events: (1) Art exhibitions at Cathay United Art Center: Cathay United Art Center supports local arts development and hosts exhibitions of different themes each year where Taiwanese artists are free to create. The art center relocated to a new address in Xinyi District at the end of 2019. The new venue offers more than 300 square meters of floor space, thereby allowing visitors to approach and admire the beauty of art comfortably up close. While many exhibitions were postponed in 2020 due to the pandemic, Cathay United Art Center still organized 9 exhibitions of varying themes including oil painting, calligraphy, and sculpture, and three “Elevated Tree Program – Philanthropist Artists Exhibitions” where artists were invited to donate artworks and raise money for charity. Using art as a trigger for charitable actions, the art center hopes to inspire kindness and beauty in everyone. (2) “Art Talk Lectures” held at Cathay United Art Center: Driven by the mission to promote art education, Cathay United Art Center had been hosting free sessions of “Art Talk Lecture” at night. The number of sessions organized in 2020 was reduced to three due to the pandemic, and during these 3 sessions, Director Chun-Lan Liu of Taoyuan Museum of Fine Arts was invited to speak on “The Three Lessons of Visual Art.” Through these free seminars, the art center hoped to provide the public with the opportunity to learn about arts and attract more people to art and cultural exhibitions.	

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(3) Charity auction of specially designed calendar: In 2020, Cathay United Art Center created a calendar that comprised artworks of 10 artists, including Hsien-Fa Su. With this calendar, the art center hoped to bring art into people’s lives and promote a sense of joy and warm atmosphere. The art center also introduced merchandise such as albums and cushions to go with its “Elevated Tree Program – Philanthropist Artists Exhibitions,” and donated all proceeds to education for socially disadvantaged students, thereby promoting the beauty of social goodness. 3. Sponsored events: “83rd Tai-Yang Arts Exhibition” by Tai-Yang Art Association; “44th Oil Painting Competition and Exhibition” by Republic of China Oil Painting Association; 2020 “Graduation Trip to Chiaming Lake” by Padan Village Elementary School; “Down Town Walks” by Down Syndrome Foundation of the R.O.C.; financial aid to Bunun Cultural and Education Foundation, and thereby maintain park operations for tourism income and employment opportunities for the Bunun people; a “Mid-autumn Charity Auction” with UBS to mobilize acts of decency and generate income for charity organizations, during which members of Down Syndrome Foundation of the R.O.C. and Yu-cheng Social Welfare Foundation were invited; and also sponsored the operating expenses of Leshan Corretional Center. 4. Charity events co-sponsored with group affiliates: The Bank participated in “Cathay Scholarship,” “Teach For Taiwan (TFT),” “New Immigrant Offspring After-school Care,” “Giving Winter Warmth” and “Eden Charity Auction.” and was involved in the preparation of Cathay Charity Group annual report. (II) The Bank has been donating impaired computer equipment (servers, monitors, laptops etc.) to ASUS Foundation since 2017 for refurbishment and distribution to the socially disadvantaged and people living in remote areas. By 2020, 8,053 pieces of equipment had been donated through this arrangement. (III) In 2020, the Company organized three coastal clean-up events at Yilan Zhuan Estuary and New Taipei City Bali Left Bank, during which a total of 320 Cathay volunteers and family members participated and cleared out 480kg of ocean waste. In addition, environmental education events were held at Lanyang Museum to educate participants on ocean waste, making handicraft from ocean waste, reusing plastics. (IV) The Company organized a parental event at Good Times Farm in 2020, during which a total of 120 employees and family members participated. Through a series of fun games, employees engaged their family members in parental activities and indulged themselves in nature.				

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(V) In 2020, 15% of electricity expenses saved during the power conservation competition were donated to help The First Social Welfare Foundation, an institution that cares specifically for people with mental disability, installing new LED lights. By transferring energy conservation benefits to charity organizations, the Company hoped to inspire a cycle of social friendly. (VI) Below is a summary of main health promotion events the Bank had organized in 2020: 1. Cathay Financial Group organized a “Weight Loss Program” for the purpose of promoting healthy lifestyles, proper exercise habits, and healthy diet, and thereby improve health and energy of its employees. The Bank’s employees achieved a total weight loss of 5.8 tonnes, for which the financial holding company made a donation of NT\$2 million to charity causes. The Bank will continue working with group affiliates to promote health of its employees in the future. 2. Considering that many employees were forced to stay indoors due to the pandemic, this year’s “Cathay Kid’s Soccer” was adjusted to the theme of “outdoor activities,” in which a team of professionals was engaged to design a series of parental activities and competitions involving soccer. The event closed with prized quizzes on the topic of disease prevention to promote proper disease awareness among employees and children. The event saw total participants of approximately 600, and had been effective at relieving parental stress and promoting a friendly work environment. 3. The Bank organized its “2020 Blood Donation” event and invited participation from employees, customers and the general public. In addition to the health benefits (such as increased metabolism), donors also received exquisite concessions prepared by the Bank. A total of 5 sessions were held in northern, central and southern Taiwan, all of which received overwhelming responses from the local community, and resulted in 1,052 bags of donated blood. This event not only brought businesses closer to the people, but also raised the public’s awareness toward health and social engagement. 4. The Company held four group dating events in 2020 in Northern, Central, and Southern Taiwan to help single employees expand their social life and enforce Cathay Group’s mission of providing a “happy workplace.” This year’s event was expanded to include single employees outside Cathay United Bank, and was organized with the hope of increasing the marriage rate and fertility rate as part of the Company’s corporate social responsibilities. 5. The Company has been organizing a Working Mother Protection Program since June 2016 to support maternal health. The program not only offers employees the benefit to apply for childcare concessions, but also uses questionnaires to evaluate employees’ childcare needs and provide relevant assistance. A total of 200 pregnant employees applied for maternal concessions, while 184 female employees applied for post-labor concessions and 58 male employees applied for parental concessions in 2020. (VII) With the construction of the branch automated service areas and online banking facility, the customers’ automatic service experience is				

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
			improved, which also provides guidance to customers in the application and use of digital functions. In addition, the objective of customers' use of digital instruments is improved, such that paper use quantity is reduced, and the carbon emission due to transportation necessary for customers to travel to the counter for transaction in person can be reduced, thereby achieving contributions to the mitigation of SDG climate change.	
(VIII)			The selection of relocation subject matter of the Bank and the planning of decoration of branches are required to comply with fire control and building related laws and regulations, and such selection and planning are made based on the consideration of avoiding social concerns, cultural asset or world heritage sites and monuments or any disputable and sensitive subject matters. In response to the "Blueprint of 2030 Bilingual National Policy Development," the Bank is currently in the process of creating a friendly bilingual financial service environment. By the end of 2020, the business halls of 4 branches have completed the installation of bilingual signs and labels, and in 2021, 50 more branches will also be equipped with bilingual signs and labels, such that the Bank is heading toward the goal of bilingual environment signs and labels by 2030.	
(IX)			Charity trust 1. Assistance has been given to owners of TWSE/TPEX listed companies and contributing members of the society to establish charity and education trusts, and thereby directing care to socially disadvantaged organizations and individuals in a timely manner. The Bank duly fulfills its role as a wealth manager. At the end of 2020, the Bank managed NT\$37.52 billion of charity trust, ranking first in the industry. 2. The Bank has been coordinating with Taiwan Professional Baseball Players Association, CPBL and teams for the introduction of professional baseball players trust since 2009 as an assurance to players and the fans. The Bank was the first to enforce such a vision and currently has the largest number of players under trust. These funds only demonstrate the athletes' determination in anti-gambling to the general public but also serves as the athletes' second life fund for business starting and family care after retirement . Up to the present day, the Bank has been sponsoring the "Feedback" program organized by CPBL Players Development Association for the 8th consecutive year, and its main purpose is to promote young baseball talents and to convey healthy exercise to the general public.	
(X)			The Bank continually encourages credit card holders to receive statements and terms and conditions in electronic form as part of the Bank's movement toward paperless process for the protection of the environment. The Bank also organizes donation campaigns as a way to fulfill its social responsibilities. The following is a summary of main credit card campaigns organized in 2020: 1. Online credit card application: Online approval for instant inquiry on the Cathay Life insured value as the financial support data, and after completion of the external verification, applicants are able to apply the Combo card immediately and the automatic payment	

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
			deduction function. Accordingly, the written applications are expected to be decreased in number. Up to the end of December 2020, the number of digital applications had reached 533,334 applications, increased by 40% from 2019.	
			2. Digital invoice: The Bank issues credit cards that have the capacity to store digital invoices, and notifies customers if any of their purchases win the invoice lottery. This credit card feature represents the Bank's ongoing effort to support the government's cloud invoice solution for customers' convenience and protection of the environment. More than 100,000 e-mail and SMS notifications were sent in 2020 as of December.	
			3. Online e-statement application: Using OTP instead of printed forms, customers are able to request for e-statements online, and the simplified process saved approximately 19.58 million sheets of A4 paper in 2020.	
			4. Credit card online donation: Cardholders can make donations to 43 partnered charity organizations using credit card. The ability to make credit card donations online without leaving home serves as a great incentive, and a total of NT\$380 million were donated to the Bank's partnered charity organizations via credit card in 2020.	
			5. Reward point online donation: The Bank currently works with 10 charity organizations to accept online donations in the form of credit card reward points. Cardholders may specify to donate NT\$60 for every 1,000 reward points held from the website of the charity organization they choose. Up to 100% of the current reward point balance can be redeemed to offset the amount of donation specified (balance after redemption of reward point can be charged to Cathay United Bank credit card). In 2020, cardholders made 456 donations for a sum of NT\$696,000, including 3.44 million reward points (equivalent to NT\$207,000) and NT\$489,000 in credit card spending.	
			6. Reward point fax donation: The Bank currently works with 28 charity organizations to accept reward point donation over fax. In 2020, a total of 158 reward point donations were made over fax for a sum of 1.422 million points (equivalent to NT\$88,000).	
			7. Cooperation with organic food merchants/electric scooter platform: By offering credit card discount at organic food merchants, the Bank encourages cardholders to support environmental protection through action; by offering credit card privileges on scooter sharing platform, the Bank took steps to promote use of green transportation. A sum of NT\$349,438,000 were charged to credit cards in relation to the above in 2020.	

(VII) Fulfillment of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
I. Enactment of integrity management policy and scheme. (I) Has the Bank established a set of board-approved business integrity policy, and stated in its internal regulation or external correspondence about the policies and practices it implements, and the board of directors and senior management to actively fulfill business integrity?	V		(I) According to Article 12 of the United Nations Convention against Corruption, all member countries shall, in accordance with the fundamental principles of its legal system, undertake measures to prevent corruption, and ensure that effective internal control systems are adopted by businesses to prevent and discover corruption. “Integrity” is Cathay’s most important core value, for which Cathay Financial Holdings has established “CFH Co., Ltd. Code of Operation Integrity” and “CFH Co., Ltd. Integrity Procedures and Behavioral Guidelines” in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” published by Taiwan Stock Exchange Corporation and Taipei Exchange and implemented with the approval of the board of directors. The Bank engages in commercial activities out of the utmost fairness, honesty, faithfulness and transparency, and takes pro-active actions to prevent act of dishonesty. The Bank has established a set of “Business Integrity Procedures and Behavioral Guidelines” based on Cathay Financial Holdings’ “Code of Operation Integrity” and local laws relevant to operations of the Bank and group affiliates, and enforced	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
			them with the Chairman’s approval. The guidelines	
	V		provide a comprehensive list of issues that the Bank’s directors, supervisors, managers and employees are expected to pay attention to when performing service activities, and serve as a complement to sound corporate governance and risk management. A set of “Cathay United Bank Corporate Governance Guidelines” has been established in accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and “Corporate Governance Best-Practice Principles for Banks” following approvals sought in the 12th meeting of the 14th board of directors held on April 28, 2016 (the most recent amendment was approved in board of directors meeting dated August 20, 2020) to support a sound corporate governance system. The Guidelines state that the Bank is bound to uphold integrity principles and respect and protect the rightful interests of shareholders, customers, employees, consumers, local communities, and other stakeholders of the Bank. Principles of the guidelines have also been enforced through internal policies such as “Employee Code of Conduct” and “Donation Guidelines.”	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(II) Has the Bank developed systematic practices for assessing integrity risks? Does the Bank perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”? (III) Has the Bank defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	V		(II) The Bank has established internal rules for various business activities, and implemented robust systems to verify transactions, regularly review employees’ conducts, rotate job duties and thereby minimize integrity risks. All new products and services have to undergo rigorous review procedures and risk assessments before launch for the protection of consumers’ and stakeholders’ interests. (III) “Cathay Financial Holding Co., Ltd. Code of Operation Integrity Policy” and “Cathay United Bank Integrity Procedures and Behavioral Guidelines” clearly outline behavioral guides, disciplinary actions and grievance systems on a broad range of issues including business ethics, workplace conducts, compliance, prevention of conflicting interest, gifting/hospitality, bribes/kickbacks, political donation, sponsorship, confidentiality, fair trading, insider trading, AML and maintenance of work environment; all of which have been duly implemented. Meanwhile, other policies such as “Cathay United Bank Misconduct and Complaint Handling Policy” and “Cathay United Bank Employee Reward and Disciplinary Policy” have also been	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
II. Implementation of integrity management (I) Has the Bank assess a trading counterpart’s integrity management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	V		implemented to facilitate prevention, reporting and discipline of dishonest conducts. Furthermore, according to “Cathay United Bank Corporate Governance Guidelines,” all employees, business administration units and accountable departments within the Bank are bound to comply with policies and strategies from internal control, internal audit, compliance, risk management, finance, business, accounting, information management to human resource management. (I) Prior to engaging in commercial transactions, the Bank first considers the legitimacy and reputation of its counterparties and avoids dealing with those that exhibit a history of dishonest conduct. All contracts signed with counterparties include terms that outline integrity obligations to be fulfilled by contract principals. The Bank is entitled to terminate a contract with any counterparty that exhibits dishonest conduct.	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(II) Does the Bank have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)? (III) Has the Bank defined any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?	V		(II) The Bank has a CS Team that operates under the supervision of the President; responsibilities of the CS Team are to execute and supervise integrity-related tasks, and to make regular reports at board of directors meetings. (III) According to “Cathay United Bank Integrity Procedures and Behavioral Guidelines,” if a director, or a corporate entity represented by the director, holds conflicting interest with respect to a motion proposed in a board of directors meeting, the director shall explain key details of the conflicting interest during the current meeting session and may still express opinions and answer queries but must not participate in the discussion or voting of such motion. In addition, the director may not exercise voting rights on behalf of other directors with respect to the motion. Furthermore, all personnel regulated in the abovementioned behavioral guidelines are bound to report to the line manager and relevant departments if they or the corporate entity they represent hold conflicting interest against that of the Bank with respect to the service performed. These personnel must not exploit their vested authorities for improper gains, whether for themselves or for spouse, parents, children,	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(IV) Has the Bank implemented an effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees’ compliance with various preventions against dishonest conduct? (V) Has the Bank organized internal/external education training program for integrity management periodically?	V		or any other parties. The Bank provides “customer opinion boxes” and opinion forms in all branch lobbies. Customers may also leave message on the Bank’ website or use the 24-hour customer service hotline to express opinions. Information including the Bank’s complaint hotline and contact person for complaint-related matters has also been published on the website of the authority. (IV) The Bank has implemented accounting policy and internal control system based on International Financial Reporting Standards and Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. The Bank devises audit plans according to “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” and risk assessment outcome of its risk-driven internal audit system; it conducts general as well as special audits on business activities performed by Head Office, domestic (overseas) branches and subsidiaries, and engages CPAs to perform regular audit on the internal control system. (V) The Bank organized multiple training on integrity-related issues in 2020 (e.g. training on integrity and ethics, education on fair customer treatment, AML/CFT issues). These sessions received a total of 67,031 enrollments and delivered 97,140 man-hours of training.	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
III. Status of the Bank’s complaint system (I) Has the Bank defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation? (II) Has the Bank implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	V		(I) “Cathay United Bank Whistle-blowing system Guidelines” and “Cathay United Bank Whistle-blowing Rules” have been established based on “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” and “Cathay Financial Group Whistleblower System.” These policies are intended to build a corporate culture of integrity and transparency, promote sound business practices, and encourage people with knowledge to report misconduct so that the incident can be addressed quickly and properly before it escalates, and thereby prevent damage to the Bank’s reputation. Details of available whistleblower channels have been disclosed on website, and the Compliance Department has been appointed to accept misconduct reports. (II) The Bank has developed investigation procedures based on the above whistle-blowing guidelines and policy, and outlined subsequent actions and confidentiality measures to be undertaken after completion of investigation.	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(III) Has the Bank adopted any measures to prevent the complainants from being abused after filing complaints? IV. Enhancing Information Disclosure Has the Bank has disclosed the Integrity Management Principles and effect of implementation thereof on its website and Market Observation Post System?	V		(III) The Bank has adopted principles of protection for whistleblower to protect them from improper treatment, including: 1. Confidentiality over the informant’s identity, and prevention against leakage of any information that can be used to establish informant’s identity. 2. Assurance that whistleblowers shall be protected against any form of retaliations for filing a report,, such as dismissal, relief of duty, demotion, salary cut, depriving of his/her rights and benefits entitled under law, contracts or customary practices, or any other prejudicial treatments. The Bank has disclosed “Cathay United Bank Integrity Procedures and Behavioral Guidelines” on its Chinese and English website: https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/#first-tab-04 ; The Bank has also complied with “Mandatory Disclosure Guidelines for Bank Annual Reports” and discloses execution of integrity policy in its annual report, which can be found at: https://www.cathaybk.com.tw/cathaybk/about/about/finance/	No significant difference
V. If the bank has established business integrity policies in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” please describe its current practices and any deviations from the Best Practice Principles: No deviation was found.				

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
VI. Other information material to the understanding of ethical management operation (e.g. discussion of amendments to the Bank’s business integrity code of conduct):				
1. Prevention against embezzlement: All financial advisors of Cathay United Bank have acknowledged their advisory notice prior to commencing duty. The notice covers important details from protection of customers’ personal information, fair marketing to transaction procedures.				
2. Active prevention of financial crime: All subsidiaries of Cathay FHC have duly completed the Know Your Customer (KYC) process and conducted product suitability reviews based on customers’ investment profile and product risk rating. Furthermore, customers aged 70 or above and high-risk customers/transactions are subjected to enhanced control. The Bank monitors extraordinary and unusual transactions through its internal audit system, and has outlined in its work rules and policies the behaviors that employees are bound to obey as well as disciplinary systems. Training is organized on a yearly basis to promote employees’ awareness toward laws such as Money Laundering Control Act, Sexual Harassment Prevention Act and Personal Information Protection Act.				

Note 1: Regardless “Yes” or “No”, the status shall be stated in the Remarks section.

Note 2: Non-TWSE and non-TPEX listed banks need not explain “Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.”

(VIII) If the Bank has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed.

The Bank has established “Cathay United Bank Corporate Governance Guidelines” based on Corporate Governance Best-Practice Principles for Banks, and disclosed it along with other governance-related policies on the official website:

<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/#first-tab-04>

(IX) Other information material to the understanding of corporate governance within the Bank.

1. Cathay FHC, Cathay United Bank and Cathay Life Insurance participated in the “Corporate Governance Assessment” of Taiwan Corporate Governance Association for the second time in 2020, and managed to claim the highest “Exceptional” rating.
2. The Bank signed “Statement of Compliance with Stewardship Principles for Institutional Investor” in 2018 as a commitment to contribute expertise and exert influence over ESG and corporate sustainability issues as an institutional investor. In order to implement the spirit of responsible investment, the Bank actively votes in the shareholder meetings of its investees and interacts with them through appropriate means to communicate the Bank’s governance and sustainability vision, which in turn creates long-term value for the Bank, its customers, and shareholders. The Bank has been preparing stewardship reports on a yearly basis since 2019; all reports are disclosed on the Bank’s website.

(X) Implementation of the internal control system

Declaration of Internal Control System of Cathay United Bank

- I. On behalf of Cathay United Bank, we hereby declare that, between the period January 1 and December 31, 2020, the Bank had duly implemented internal control system and exercised risk management in accordance with “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.” These policies and practices were also inspected by an independent audit department that reported regularly to the board of directors and supervisors. With regards to the Bank’s concurrent involvement in securities business, we also evaluated the design and execution of internal control system using the effectiveness criteria specified in “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets.” After a careful assessment, it was found that except for the matters identified in the attached schedule, all units were able to effectively implement internal control and legal compliance tasks during the year. This Statement shall be included among the chief contents of the Bank’s annual report and prospectus, and shall be made public. Any illegalities such as misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal liabilities.
- II. In regards to concurrent life insurance agency service:
- (I) The Bank has evaluated the effectiveness of its internal control system design and execution according to “Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies” (referred to as “the Regulations” below). According to “the Regulations,” internal control system shall be evaluated on at least the following aspects: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision.
- (II) The Bank has adopted the abovementioned criteria to examine the design, execution, and effectiveness of its internal control system.
- (III) Based on the assessments described above, the Bank considers the design and execution of its internal control system to be effective (at keeping the management informed of operations, producing reliable reports, and complying with laws) within the abovementioned period and are able to provide reasonable assurance with regards to the above goals.
- (IV) This declaration constitutes part of the Bank’s annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act and relevant laws.
- III. This declaration was passed during the board of directors meeting held on March 10, 2021.

To

Financial Supervisory Commission

Stated by:

Chairman: Andrew Ming-Jian Kuo

(Signature and seal)

President: Alan Lee

(Signature and seal)

Chief Auditor: Su-Chu Li

(Signature and seal)

Chief Compliance Officer: Yeun-Wei Hwang

(Signature and seal)

March 10, 2021

**Areas of Improvement and Improvement Plan for the Internal Control System of
Cathay United Bank**

(Baseline date: December 31, 2020)

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
I. Deficiency of former financial advisor misappropriating customer's account amount.	Strengthened various control and verification systems for preventing financial advisors from making arbitrary transactions without authorization of customers, and customer care measures have also been performed. In addition, the effectiveness of relevant systems will also be periodically reviewed subsequently.	Rectified
II. Deficiency of former bank clerk misappropriating amount collected on behalf of the customer.	Control points have been established for the procedure of amount collection on behalf of customers.	Rectified
III. Implementation of Digital Finance Service It is necessary to enhance the control of the e-mail box provided and registered by the customer, and an abnormality inspection system shall be established.	Relevant control and verification systems are, currently, being actively adjusted and established in process.	2021/3/31
IV. Implementation of AML, CTF and anti-proliferation of arms operations		
(I) Regarding the improvements for the institution risk assessment report with respect to the anti-money laundering and counter terrorism financing (referred to as AML/CTF), the operations of follow-up control and reporting to the board of directors indicated in the letter of the FSC shall be enhanced.	For important matters related to AML/CFT, relevant reporting control procedures have been further established in order to enhance relevant control.	Rectified
(II) It is necessary to strengthen the supervision of overseas branches and subsidiaries to implement the improvement and reporting operations with respect to the AML/CFT inspection opinions.	Relevant reporting control procedures have been enhanced and adjusted, and subsequent operation will be performed properly according to such procedures.	Rectified

(III) For the system parameter consistency for the name and title verification operation performed by overseas branches and subsidiaries and the optimization of the system testing project implemented by a third party under the entrustment of the overseas branches, the tracking control system shall be enhanced.	The system parameter setting and optimization of tracking improvement and reporting operation tested by the third party have been completed. Relevant subsequent controls will be enhanced according to the system established.	Rectified

CPA Due Diligence Report on Cathay United Bank Co., Ltd.

Cathay United Bank Co., Ltd.:

We have completed due diligence on: the accuracy of regulatory reports, execution of internal control system and compliance system, and appropriateness of loan loss provisioning policy of Cathay United Bank Co., Ltd. in 2020. Given that the due diligence process was determined by the Bank, we, the auditors, do not express opinion on the adequacy of such a process. This task was performed in accordance with Statement of Auditing Standards No. 34 - "Execution of Due Diligence on Financial Information," and the purpose of which is to assist the Bank in assessing compliance with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and Article 24 of "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" stipulated by the Financial Supervisory Commission. Compliance with the above rules is the responsibility of the Bank's management. The procedures chosen by us as auditors, along with our findings, have been disclosed in the attachment.

Since we did not perform audit according to generally accepted auditing principles, we do not provide any assurance with regards to the accuracy of regulatory reports, execution of internal control system and compliance system, and appropriateness of loan loss provisioning policy for the Bank. If the CPA were to undertake additional procedures or follow the generally accepted audit principles, other findings or relevant issues may have been discovered.

This report has been prepared for the Bank for the purpose described in Paragraph 1, and should not be used for other purposes or distributed to other parties.

Deloitte & Touche

CPAs: Hsu-Jan Cheng

March 31, 2021

(XI) Penalties imposed against the Bank in the last two years up till the publication date of this annual report; describe the weaknesses found and the improvements made are disclosed as follow:

Disclosure	Motion	Improvement
I. Indictment of the Bank's statutory responsible person or an employee by prosecutors for crimes committed on the job.	None	
II. Any regulatory violation fined by FSC, any occurrence that the FSC has exercised decision power in accordance with Article 61-1 of the Banking Act, or any penalty imposed against the Bank or insider for violation of internal control system; where the penalty is likely to have material impact on shareholders' interest or security price, or meets any of the conditions mentioned in Article 2 of FSC's Regulations Governing Announcement of Major Penalties Imposed for Violation of Financial Regulations, explain in details the penalty imposed, the main defects involved and improvement progress.	(I) Embezzlement of customer's proceeds involving former financial advisor of Southern Kaohsiung Branch was found to have violated Paragraph 1, Article 45-1 of the Banking Act and posed concern to the Bank's operations. A fine of NT\$2 million was imposed according to Subparagraph 7, Article 129, an order of correction was issued under Paragraph 1, Article 61-1, and an order for dismissal of the employee was issued according to Subparagraph 3, Paragraph 1, Article 61-1 of the Act. (Letter Jin-Guan-Yin-Kong-Zi No. 1080272196C of August 7, 2019) (II) Deposit service to Ruen Yin Group exhibited defects that violated Paragraph 1, Article 7 of the Money Laundering Control Act, for which a fine of NT\$1 million was imposed according to Paragraph 5, Article 7 of the Money Laundering Control Act. (Letter Jin-Guan-Yin-Piao-Zi No. 1080273660B of October 17, 2019)	The subsidiary has reiterated rules on counter transactions, enhanced management over business premises, undertaken self-audit and enforced training to promote employees' awareness toward daily duties and compliance. The Bank has undertaken tightened controls, enhanced training and ongoing check for discrepancies between the remittance applicant and the payer.

Disclosure	Motion	Improvement
	(III) Former financial advisor of Banqiao Branch was found to have embezzled customers' funds, failed to establish insurance applicants' needs, and failed to check the solicited applications before submission. These defects were in violation against Paragraph 1, Article 45-1 of The Banking Act and Article 6 and Paragraph 1, Article 7 of the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies," for which a fine of NT\$12 million was imposed out of concern for the integrity of banking operations. Furthermore, pursuant to Subparagraph 1, Paragraph 1, Article 164-1 of the Insurance Act and Subparagraph 2, Paragraph 1, Article 61-1 of The Banking Act, the Bank's Banqiao Branch was suspended from soliciting new insurance brokerage and money trust business for one month each, starting from the effective date of penalty, and may resume service only when improvements are approved by the FSC. (Letter Jin-Guan-Yin-Kong-Zi No. 10902743842 of December 31, 2020)	The Company has enhanced its control over non-counter transactions, its assessment of customers' insurance needs and product suitability, its identification of abnormal insurance transactions, and the monitoring of cash flow between financial advisors or related accounts and customers. Meanwhile, on-site audits, self-audits, and training are being conducted at high intensity to promote employees' compliance awareness.

Disclosure	Motion	Improvement
III. Disclosure of losses exceeding NT\$50 million incurred during the year, whether in one event or aggregately over several events, as a result of extraordinary non-recurring incidents (such as fraud, theft, embezzlement, fictitious transaction, forgery of documents and securities, kickbacks, natural disasters, external forces, hacker attack, theft and leakage of confidential information, disclosure of customers' details or other material occurrences), or accidents arising from failure to comply with safety rules.	(I) FSC's general inspection on the Bank found defects in deposit account opening that posed concern to the Bank's operations, for which an order of correction was issued according to Paragraph 1, Article 61-1 of the Banking Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10801050630 of June 13, 2019) (II) Former employee of Anhe Branch was found to have embezzled customers' funds, related deficiencies may hinder sound operation, for which an order of correction was issued in accordance with Paragraph 1, Article 61-1 of the Banking Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10902743841 of December 31, 2020)	Additional checks have been implemented for account opening. The subsidiary has abolished the practice of manually stamping the collection seal; statements are now printed automatically by the system with warning messages to prevent fraud.
IV. Other disclosures required by the Financial Supervisory Commission.	None	

(XII) Shareholder meeting(s) and significant board resolutions during the most recent year and up to the date of publication of this annual report.

See Attachment II.

(XIII) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up till the publication date of this annual report.

None.

(XIV) Resignation or dismissal of personnel related to financial statement preparations (including the chairman, president, head of finance, head of accounting, chief internal auditor, and the Chief Corporate Governance Officer) in the most recent year up till the publication date of annual report (Table 2-3):

March 31, 2021

Title	Name	Date on board	Date departed	Reasons for resignation or discharge
Chief internal auditor	Hung-Chang Yang	August 9, 2016	February 4, 2021	Transfer to affiliated enterprise

Note: The “related parties of the Bank” described refers to the Chairman, President, Financial Supervisor, Accounting Supervisor, Internal Audit Supervisor and Corporate Governance Supervisor, etc.

V. Professional Fees to the CPAs (Table 3):

Range of Professional Fees to the CPAs

Accounting firm name	Names of Auditors	Audit period	Remarks
Deloitte & Touche	Li-Chi Chen, Hsu-Jan Cheng	2020.01.01~2020.09.30	Internal job adjustment.
	Cheng-Hung Kuo, Hsu-Jan Cheng	2020.10.01~2020.12.31	

Note: If there is any change of auditor or accounting firm during the year, please specify the duration of their services separately and state the reason for making the change in the remarks field.

Amount Unit: NT\$ thousand

Amount range		Fee items	Audit Fee	Non-audit Fee	Total
1	Under NT\$2,000,000				
2	NT\$2,000,000 (inclusive) ~ NT\$4,000,000				
3	NT\$4,000,000 (inclusive) ~ NT\$6,000,000				
4	NT\$6,000,000 (inclusive) ~ NT\$8,000,000				
5	NT\$8,000,000 (inclusive) ~ NT\$10,000,000				
6	Over NT\$10,000,000 (inclusive)		V	V	

Professional Fees to the CPAs (Table 3-1):

Amount Unit: NT\$ thousand

Accounting firm name	Names of Auditors	Audit Fee	Non-audit Fee					Audit period (Note 1)	Remarks
			Designing regulations	Business registration	Human resources	Others (Note 2)	Subtotal		
Deloitte & Touche	Li-Chi Chen, Hsu-Jan Cheng	11,280	16,315	-	-	176	16,491	2020.01.01~ 2020.09.30	Internal job adjustment
	Cheng-Hung Kuo, Hsu-Jan Cheng							2020.10.01~ 2020.12.31	

Note 1: If the CPAs or public accounting firms for the Company were replaced during the year, the duration of their audit engagement should be separately disclosed, and the reason for replacement should be explained in the remark section, and information such as audit and non-audit fees paid should be disclosed in said sequence.

Note 2: Please list non-audit fees according to service categories. If “other fees” of non-audit fees are more than 25% of non-audit fees, the service details should be disclosed in the remarks section.

VI. Information about replacement of CPAs :

(I) Information relating to the former CPA

Date of reappointment	2020.10.01		
Reason for reappointment	Internal job adjustment within the accounting firm		
Was the termination of audit services initiated by the principal or by the CPA	Contracting Party		Certified Public Accountant
	Status		Principal
	Service terminated by	—	—
	Service no longer accepted (continued) by	—	—
Issuance of the audit report other than the audit report containing unqualified opinions in the most recent two years, and cause thereof	None		
Disagreements with the bank	Yes	—	Accounting principles or practices
		—	Disclosure of financial report
		—	Scope or steps of audit
		—	Others
	None	V	
	Notes		
Other disclosures (as deemed necessary under Item 1-4, Subparagraph 6, Article 10 of the Guidelines)	None		

(II) Information relating to the succeeding CPA

CPA Office	Deloitte & Touche
Names of Auditors	Cheng-Hung Kuo, Hsu-Jan Cheng
Date of reappointment	2020.10.01
Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment	None
Written disagreements from the succeeding auditor against the opinions made by the former CPA	None

(III) The former CPA's response to the items referred to in the Item 1 & Item 2-3, Subparagraph 6, Article 10 of the Standards:

Not applicable.

VII. The Bank's Chairman, President, or any managers involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated enterprises in the last year:

None.

VIII. Transfer or pledge of shares owned by directors, supervisors, managers, and all parties subject to reporting under Article 11 of Regulations Governing the Ownership of Bank By Single Individuals or Stakeholders.

1. Transfer of shares owned by directors, supervisors, managers, and all parties subject to reporting under Article 11 of Regulations Governing the Ownership of Bank By Single Individuals or Stakeholders: See Attachment III.
2. Information of change in equity: None.
3. Information of equity pledge: None.

IX. Relationships characterized as spouse or second-degree relative or closer among top-ten shareholders. (Table 4-1)

Information of Related Parties of the top 10 shareholders

Baseline date: March 31, 2021

Name	Shares held by themselves		Shares held by spouses, minor children		Shareholding using other's name		Names and relationships of top-10 shareholders characterized as spouse or second-degree relative or closer, as defined in Statements of Financial Accounting Standards No. 6		Remarks
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			
Cathay Financial Holding Co., Ltd.	10,698,582,892	100%	-	-	-	-	-	-	-

X. Investments jointly held by the Bank, the Bank's Directors, Supervisors, President, Executive Vice Presidents, Senior Vice Presidents, heads of various departments and branches, and enterprises directly or indirectly controlled by the Bank, and disclosure of aggregate shareholding

Aggregate shareholding percentage

Baseline date: March 31, 2021 Unit: shares; %

Invested enterprise	Owned by the Bank		Owned by Directors, Supervisors, President, Executive Vice Presidents, Senior Vice Presidents, heads of various departments and branches, and enterprises directly or indirectly controlled by the Bank		Total Investment	
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding
Financial institutions						
Taiwan Depository and Clearing Corporation	659,949	0.17%	-	-	659,949	0.17%
Taipei Forex Inc.	800,000	4.04%	-	-	800,000	4.04%
Global Securities Finance Corporation	0	2.46%	145	0.00%	145	2.46%
Taiwan Futures Exchange	2,300,041	0.62%	-	-	2,300,041	0.62%
Financial Information Service Co., Ltd.	12,233,746	2.34%	-	-	12,233,746	2.34%
Taiwan Finance Corporation	126,813,700	24.57%	-	-	126,813,700	24.57%
IBF Securities Co., Ltd.	82,544,316	10.32%	-	-	82,544,316	10.32%
Taiwan Asset Management Corporation	61,200,000	5.79%	-	-	61,200,000	5.79%
Taiwan Financial Asset Service Corporation	10,000,000	5.88%	-	-	10,000,000	5.88%
Sunlight Asset Management Co., Ltd.	562,299	9.37%	-	-	562,299	9.37%
Visa	116,426	0.02%	1,200	0.00%	117,626	0.02%
Indovina Bank (Note)	-	50.00%	-	-	-	50.00%
Cathay United Bank (Cambodia) Corporation Limited	100,000,000	100.00%	-	-	100,000,000	100.00%
Taiwan Mobile Payment Company	2,400,000	4.00%	-	-	2,400,000	4.00%
Philippine Clearing House Corporation	21,000	1.69%	-	-	21,000	1.69%

Invested enterprise	Owned by the Bank		Owned by Directors, Supervisors, President, Executive Vice Presidents, Senior Vice Presidents, heads of various departments and branches, and enterprises directly or indirectly controlled by the Bank		Total Investment	
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding
Quantifeed Holdings Limited	2,829,225	7.80%	-	-	2,829,225	7.80%
Cathay United Bank (China) Co., Ltd. (Note)	-	100.00%	-	-	-	100.00%
Srisawad Corp PCL	63,127,254	4.60%	-	-	63,127,254	4.60%
Non-financial institutions						
An Feng Enterprise Co., Ltd.	450,000	15.00%	-	-	450,000	15.00%
Taiwan Real Estate Management Co., Ltd.	9,043,999	30.15%	-	-	9,043,999	30.15%
Chinese Products Promotion Center	18,500	4.87%	-	-	18,500	4.87%
CDIB Partners Investment Holding Corp	54,000,000	4.95%	-	-	54,000,000	4.95%
EasyCard Investment Holdings Co., Ltd.	5,107,918	4.91%	-	-	5,107,918	4.91%
Kaohsiung Rapid Transit Corporation	3,845,330	1.38%	-	-	3,845,330	1.38%
HanTech Venture Capital Corporation	7,091,512	12.95%	-	-	7,091,512	12.95%
Yu Hua Venture Capital Investment Co., Ltd.	292,692	5.00%	-	-	292,692	5.00%
Harbinger Venture Capital Corporation	6,636	3.35%	1	0.00%	6,637	3.35%
Victor Taichung Machinery Works Co., Ltd.	65,597	0.03%	-	-	65,597	0.03%
Alliance Digital Technology Co.	900,000	2.16%	-	-	900,000	2.16%

Note 1: Indovina Bank and Cathay United Bank (China) do not issue shares.

Note 2: Global Securities Finance Corporation passed a resolution during the 2020 annual general meeting to dissolve the company, and the baseline date for dissolution was set at June 30, 2020. The company is still in its liquidation stage, but the Bank had already surrendered its physical share certificates to the share transfer agent in December 2020 to facilitate distribution of residual assets.

Note 3: The Bank held VISA Class C common shares, and the Bank's managers held VISA Class A common shares. Each Class C common share is convertible into 4 Class A common shares.

Four. Capital Overview

I. Capital and Shares:

The Company has a total capital of NT\$106,985,828,920, issued in 10,698,582,892 shares of NT\$10 each. The share is entirely issued in common shares. The Bank has been a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd. since December 18, 2002, making Cathay Financial Holding Co., Ltd. the sole shareholder of the Company from that day onwards. A breakdown of issued share is presented below:

(I) Capital Stock Source

Baseline date: March 31, 2021 Unit: shares/\$

Date	Issue price	Registered Capital		Total Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Capital Source	Others
2003.10	10	4,318,240,663	\$43,182,406,630	4,318,240,663	\$43,182,406,630	-	-
2005.06	10	4,642,051,816	\$46,420,518,160	4,642,051,816	\$46,420,518,160	Capitalization of earnings NT\$ 3,238,111,530	Note 1
2006.11	10	4,868,941,336	\$48,689,413,360	4,868,941,336	\$48,689,413,360	Cash issue totaling NT\$ 2,268,895,200 for the merger of Lucky Bank	Note 2
2009.09	10	5,227,702,586	\$52,277,025,860	5,227,702,586	\$52,277,025,860	Capitalization of earnings NT\$ 3,587,612,500	Note 3
2013.08	10	6,142,471,362	\$61,424,713,620	6,142,471,362	\$61,424,713,620	Capitalization of earnings NT\$ 9,147,687,760	Note 4
2013.09	37	6,466,849,362	\$64,668,493,620	6,466,849,362	\$64,668,493,620	Private cash issue of NT\$ 12,001,986,000, which increased paid-up capital by NT\$ 3,243,780,000	Note 5
2014.06	10	6,711,276,198	\$67,112,761,980	6,711,276,198	\$67,112,761,980	Capitalization of earnings NT\$ 2,444,268,360	Note 6
2015.06	10	6,947,960,503	\$69,479,605,030	6,947,960,503	\$69,479,605,030	Capitalization of earnings NT\$ 2,366,843,050	Note 7
2016.06	10	7,209,981,464	\$72,099,814,640	7,209,981,464	\$72,099,814,640	Capitalization of earnings NT\$ 2,620,209,610	Note 8
2017.06	28	7,745,624,324	77,456,243,240	7,745,624,324	77,456,243,240	Private cash issue of NT\$ 14,998,000,080, which increased paid-up capital by NT\$ 5,356,428,600	Note 9
2017.06	10	7,860,405,965	78,604,059,650	7,860,405,965	78,604,059,650	Capitalization of earnings NT\$ 1,147,816,410	Note 10
2018.06	10	9,119,762,236	91,197,622,360	9,119,762,236	91,197,622,360	Capitalization of earnings NT\$ 12,593,562,710	Note 11
2019.06	10	9,665,835,208	96,658,352,080	9,665,835,208	96,658,352,080	Capitalization of earnings NT\$ 5,460,729,720	Note 12
2019.11	20	10,165,835,208	101,658,352,080	10,165,835,208	101,658,352,080	Private cash issue of NT\$ 10,000,000,000, which increased paid-up capital by NT\$ 5,000,000,000	Note 13
2020.06	10	10,698,582,892	106,985,828,920	10,698,582,892	106,985,828,920	Capitalization of earnings NT\$5,327,476,840	Note 14

Note 1: Approved by FSC under Letter No. Jin-Guan-Zheng-I-Zi No. 0940124410 dated June 24, 2005.
 Note 2: Approved by FSC under Letter No. Jin-Guan-Zheng-I-Zi No. 0950150920 dated November 15, 2006.
 Note 3: Approved by FSC under Letter No. Jin-Guan-Zheng-I-Zi No. 0980048422 dated September 22, 2009.
 Note 4: Approved by FSC under Letter No. Jin-Guan-Zheng-Fa-Zi No. 1020027960 dated July 24, 2013.
 Note 5: Approved by FSC under Letter No. Jin-Guan-Yin-Kong-Zi No. 10200250381 dated September 18, 2013.
 Note 6: Approved by FSC under Letter No. Jin-Guan-Zheng-Fa-Zi No. 1030021170 dated June 10, 2014.
 Note 7: Approved by FSC under Letter No. Jin-Guan-Zheng-Fa-Zi No. 1040022239 dated June 18, 2015.
 Note 8: Effected by FSC on June 22, 2016.
 Note 9: Approved by FSC under Letter No. Jin-Guan-Yin-Kong-Zi No. 10600114621 dated May 31, 2017.
 Note 10: Effected by FSC on June 13, 2017.
 Note 11: Effected by FSC on June 19, 2018.
 Note 12: Effected by FSC on June 21, 2019.
 Note 13: Approved by FSC under Letter No. Jin-Guan-Yin-Kong-Zi No. 10802216072 dated November 21, 2019.
 Note 14: Effected by FSC on June 29, 2020.

Unit: shares/\$

Share Type	Registered Capital			Remarks
	Outstanding shares	Un-issued shares	Total	
Common stocks	10,698,582,892	0	10,698,582,892	-

(II) Shareholder structure (Table 7)

Baseline date: March 31, 2021

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	—	1	—	—	—	1
Number of shares held	—	10,698,582,892	—	—	—	10,698,582,892
Ratio of shareholding	—	100%	—	—	—	100%

(III) Distribution of equity (Table 8)

1. Common shares (At NT\$10 par share)

Baseline date: March 31, 2021

Shareholding levels	Number of shareholders	Number of shares held	Ratio of shareholding
1 to 999	—	—	—
1,000 to 5,000	—	—	—
5,001 to 10,000	—	—	—
10,001 to 15,000	—	—	—
15,001 to 20,000	—	—	—
20,001 to 30,000	—	—	—
30,001 to 50,000	—	—	—
50,001 to 100,000	—	—	—
100,001 to 200,000	—	—	—
200,001 to 400,000	—	—	—
400,001 to 600,000	—	—	—
600,001 to 800,000	—	—	—
800,001 to 1,000,000	—	—	—
Over 1,000,001	1	10,698,582,892	100%
Total	1	10,698,582,892	100%

Note: The company is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.

2. Preferred shares: None.

(IV) List of major shareholders (Table 9)

Major Shareholders	Shares	Number of shares held	Ratio of shareholding
Cathay Financial Holding Co., Ltd.		10,698,582,892	100%

Note: The company is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.

(V) Market price, net worth, earnings, and dividends per share (Table 10)

Item \ Year (Note 8)			2019	2020	As of March 31, 2021
Market Price Per Share (Note 1)	Highest		-	-	-
	Lowest		-	-	-
	Average		-	-	-
Net Worth Per Share (Note 2)	Before payout		22.38	22.65	23.22
	After payout		21.39	Not yet resolved in a shareholder meeting	-
Earnings Per Share (Note 3)	Weighted Average No of Shares		10,165,835,000 shares	10,698,582,000 shares	10,698,582,000 shares
	Earnings Per Share		Before Adjustment: 2.25	2.04	0.59
			After Adjustment: 2.14		
Dividend Per Share	Cash Dividend		0.98	Not yet resolved in a shareholder meeting	-
	Stock Dividend	From Retained Earnings	0.52	Not yet resolved in a shareholder meeting	-
		From Special Reserve	-	-	-
	Accumulated Unpaid Dividend (Note 4)			-	-
ROI Analysis (Note 1)	Price/Earnings Ratio (Note 5)		-	-	-
	Price/Dividend Ratio (Note 6)		-	-	-
	Cash Dividend Yield (Note 7)		-	-	-

Note 1: The Bank became a subsidiary of Cathay Financial Holding Co., Ltd. on December 18, 2002 through a share exchange, and was no longer listed on the Taiwan Stock Exchange Corporation (TWSE) after the share exchange.

Note 2: Please use the number of the issuing shares in the year end as the base with the distribution decision resolved at the shareholders' meeting held in the following year.

Note 3: For retroactive adjustment made for stock dividends, both before and adjustments earnings per share should be disclosed.

Note 4: For securities issued with terms that entitle the holder to accumulate the unpaid dividend during the current year, for receiving in an earning-generating fiscal year, the accumulated unpaid amount shall also be disclosed.

Note 5: Price/Earnings Ratio = annual average market price per share / earnings per share.

Note 6: Price/Dividend Ratio = annual average market price per share / cash dividends per share.

Note 7: Cash Dividend Yield = cash dividends per share / annual average market price per share.

Note 8: 2019 - 2020 figures were prepared according to International Accounting Standards (IAS), whereas financial information up till March 31, 2021 was internally prepared and not reviewed by CPAs.

(VI) Dividend Policy and Implementation

1. Dividend Policy and Implementation:

Given the prevailing competitive environment, the Bank has adopted a residual dividend policy to accommodate business growth and capital adequacy requirements at the same time. The Bank will retain the amount of cash capital needed for operations by paying out stock dividends, and pay the remaining amount of proposed dividends in cash, subject to the maximum limit stipulated by law.

2. Details of 2020 dividends proposed for discussion in the upcoming shareholder meeting are as follows:

(1) Disposal of equity instruments at fair value through other comprehensive income: NT\$268,915,087

(2) Net fair value impact from disposal of investment property: NT\$65,430,752.

(3) Legal reserve: NT\$6,656,403,714

(4) Special reserve: NT\$392,312

(5) Distribution of cash dividends: NT\$15,532,000,979

(VII) Impacts of proposed stock dividends on the Bank's business performance and earnings per share in the upcoming shareholder meeting:

The Bank does not make public financial forecast and is unable to disclose predictive information such as net income and earnings per share, hence not applicable.

(VIII) Remuneration of Employees, Directors and Supervisors:

1. Percentage or range of employee/director/supervisor remuneration stated in the Articles of Incorporation:

According to the Bank's Articles of Incorporation, earnings concluded from a financial year are subject to employee remuneration of 0.05% and director/supervisor remuneration of no more than 0.1%. However, profits must first be taken to offset against cumulative losses if any.

2. Basis of calculation for employee/director/supervisor remuneration and share-based compensation for employees; and accounting treatments for any discrepancies from the amounts paid: None.

3. Remuneration resolved by the board of directors for 2020:

(1) Proposal was made to pay out employee remuneration of NT\$12,520,093 in cash, and NT\$6,000,000 for director and supervisor remuneration.

(2) Percentage of employee remuneration paid in shares, relative to net income and total employee remuneration shown in standalone financial statements: None.

4. The actual distribution of employee and director/supervisor remuneration for the previous fiscal year (with an indication of the number, value and stock price of the shares distributed) shall be declared. If there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, the discrepancy, its cause, and its status must also be listed:

There was no difference between the amount of employee, director and supervisor remuneration recognized on financial statements and the amount actually paid for 2020.

(IX) Buyback of own shares:

None.

II. Issuance of bank debentures

Type of bank debenture	2011 1st financial debenture issue	2011 2nd financial debenture issue	2012 1st financial debenture issue
Date of authority's approval and reference number	Letter No. Jin-Guan-Yin-Kong-Zi No. 10000048760 dated March 2, 2011 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10000048760 dated March 2, 2011 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10100108800 dated April 18, 2012
Date of issue	2011.3.30	2011.6.22	2012.6.6
Face value	NT\$10 million	NT\$10 million	NT\$10 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	NT\$	NT\$	NT\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	NT\$1.5 billion	NT\$2.5 billion	NT\$4.2 billion
Interest rate	1.72%	1.72%	1.65%
Duration	10 years Expiration date: March 30, 2021	10 years Expiration date: June 22, 2021	10 years Expiration date: June 6, 2022
Priority of repayment	Subordinated	Subordinated	Subordinated
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Cathay Securities (primary)	Cathay Securities (primary)	Cathay Securities (primary)
Certifying attorney	None	None	None
Certifying CPA	None	None	None
Certifying financial institutions	None	None	None
Repayment method	Repayment of principal on due date	Repayment of principal on due date	Repayment of principal on due date
Outstanding balance	NT\$1.5 billion	NT\$2.5 billion	NT\$4.2 billion
Paid-up capital in the previous year	NT\$52.277 billion	NT\$52.277 billion	NT\$52.277 billion
Audited net worth in the previous year	NT\$85.326 billion	NT\$87.376 billion	NT\$90.358 billion
Fulfillment conduct	Normal	Normal	Normal
Terms for redemption or early repayment	None	None	None
Terms and conditions for conversion	None	None	None
Restriction Clause	Subordinated	Subordinated	Subordinated
Planned use of fund	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing
Proposed amount of issuance plus outstanding balance as a % of audited net worth in the previous year	1.76	4.58	9.08
Whether regarded as eligible capital	Yes/Tier 2	Yes/Tier 2	Yes/Tier 2
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: February 9, 2011, twAA	Taiwan Ratings: February 9, 2011, twAA	Taiwan Ratings: May 30, 2012, twAA

Type of bank debenture	2012 2nd financial debenture issue	2013 1st financial debenture issue	2014 1st financial debenture issue
Date of authority's approval and reference number	Letter No. Jin-Guan-Yin-Kong-Zi No. 10100108800 dated April 18, 2012	Letter No. Jin-Guan-Yin-Kong-Zi No. 10200029320 dated February 19, 2013 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10300093700 dated April 8, 2014 by FSC
Date of issue	2012.8.7	2013.4.24	2014.05.19
Face value	NT\$10 million	NT\$10 million	NT\$10 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	NT\$	NT\$	NT\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	NT\$5.6 billion	NT\$9.9 billion (10 years, NT\$9.9 billion)	NT\$15 billion (7-year/10-year, NT\$3 billion/NT\$12 billion)
Interest rate	1.65%	1.70%	1.70%/1.85%
Duration	10 years Expiration date: August 7, 2022	10 years Expiration date: April 24, 2023	7-year/10-year Expiration date: May 19, 2021/ May 19, 2024
Priority of repayment	Subordinated	Subordinated	Subordinated
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Cathay Securities (primary)	Cathay Securities (primary)	Cathay Securities (primary)
Certifying attorney	None	None	None
Certifying CPA	None	None	None
Certifying financial institutions	None	None	None
Repayment method	Repayment of principal on due date	Repayment of principal on due date	Repayment of principal on due date
Outstanding balance	NT\$5.6 billion	NT\$9.9 billion	NT\$15 billion
Paid-up capital in the previous year	NT\$52.277 billion	NT\$52.277 billion	NT\$52.277 billion
Audited net worth in the previous year	NT\$90.358 billion	NT\$103.045 billion	NT\$122.11 billion
Fulfillment conduct	Normal	Normal	Normal
Terms for redemption or early repayment	None	None	None
Terms and conditions for conversion	None	None	None
Restriction Clause	Subordinated	Subordinated	Subordinated
Planned use of fund	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing
Proposed amount of issuance plus outstanding balance as a % of audited net worth in the previous year	15.27	26.23	31.69
Whether regarded as eligible capital	Yes/Tier 2	Yes/Tier 2	Yes/Tier 2
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: August 1, 2012, twAA	Taiwan Ratings: July 24, 2013, twAA-	Taiwan Ratings: May 8, 2014, twAA-

Type of bank debenture	2014 2nd financial debenture issue	2014 3rd financial debenture issue	2017 2nd financial debenture issue
Date of authority's approval and reference number	Letter No. Jin-Guan-Yin-Kong-Zi No. 10300254740 dated September 11, 2014 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10300254740 dated September 11, 2014 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10600042300 dated March 7 2017 by FSC
Date of issue	2014.10.08	2014.10.08	2017.4.18
Face value	NT\$1 million	NT\$1 million	NT\$10 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	US\$	US\$	NT\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	US\$660 million	US\$330 million	NT\$15.1 billion (7-year/10-year, NT\$2.4 billion/NT\$12.7 billion)
Interest rate	5.10%	4.00%	1.50%/1.85%
Duration	No maturity date	15 years Expiration date: October 8, 2029	7-year/10-year Expiration date: April 18, 2024/ April 18, 2027
Priority of repayment	Subordinated	Subordinated	Subordinated
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Cathay Securities, E.Sun Bank (primary)	Cathay Securities, E.Sun Bank (primary)	Yuanta Securities, MasterLink Securities, Taiwan Cooperative Securities, Cathay Securities
Certifying attorney	None	None	None
Certifying CPA	None	None	None
Certifying financial institutions	None	None	None
Repayment method	Redeemable at face value at the end of the 12th anniversary, subject to the authority's approval	Repayment of principal on due date	Repayment of principal on due date
Outstanding balance	US\$660 million	US\$330 million	NT\$15.1 billion
Paid-up capital in the previous year	NT\$52.277 billion	NT\$52.277 billion	NT\$72.1 billion
Audited net worth in the previous year	NT\$122.11 billion	NT\$122.11 billion	NT\$160.274 billion
Fulfillment conduct	Normal	Normal	Normal
Terms for redemption or early repayment	Redeemable at face value at the end of the 12th anniversary, subject to the authority's approval	None	None
Terms and conditions for conversion	None	None	None
Restriction Clause	Subordinated	Subordinated	Subordinated
Planned use of fund	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing
Proposed amount of issuance plus outstanding balance as a % of audited net worth in the previous year	48.18	56.42	58.91
Whether regarded as eligible capital	Yes. Tier 1 non-common share equity	Yes/Tier 2	Yes/Tier 2
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: September 30, 2014, twA	Taiwan Ratings: September 18, 2014, twAA-	Taiwan Ratings: September 29, 2016, twAA+

Type of bank debenture	2017 3rd financial debenture issue
Date of authority's approval and reference number	Letter No. Jin-Guan-Yin-Kong-Zi No. 10600042300 dated March 7 2017 by FSC
Date of issue	2017.11.24
Face value	NT\$1 million
Issuance & Listing	R.O.C.
Currency	US\$
Issue price	Issued at full face value
Total	US\$300 million
Interest rate	0.00% (internal rate of return: 4.10%)
Duration	Matures on November 24, 2047, unless the Bank exercises "issuer's right of recall"
Priority of repayment	Ordinary
Guaranteeing institution	None
Trustee	None
Underwriting institution	Self-underwritten
Certifying attorney	None
Certifying CPA	None
Certifying financial institutions	None
Repayment method	Bullet repayment at maturity, unless recalled by exercising "issuer's right of recall"
Outstanding balance	US\$300 million
Paid-up capital in the previous year	NT\$72.1 billion
Audited net worth in the previous year	NT\$160.274 billion
Fulfillment conduct	Normal
Terms for redemption or early repayment	Five years after the bond is issued, the Bank is entitled to recall on various dates specified in the Bond Recall/Repayment Chart
Terms and conditions for conversion	None
Restriction Clause	None
Planned use of fund	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing
Proposed amount of issuance plus outstanding balance as a % of audited net worth in the previous year	58.03
Whether regarded as eligible capital	No
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: October 23, 2017, twAA+

III. Issuance of preferred shares

The Bank issues shares entirely in the form of common share and no preferred share is issued.

IV. Issuance of Global Depositary Receipts

None.

V. Issuance of Employee Stock Option Plan

None.

VI. Restrictive New Employee Stock Option

None.

VII. Merger or acquisition of other financial institution

None.

VIII. Implementation of the Capital Utilization Plans:

(I) Plan details

In an attempt to increase capital adequacy ratio, reserve the capital needed for medium- and long-term lending and support business development of overseas branches, the Bank submitted a debt issuance plan to the authority on March 7, 2017 and received approval under Letter No. Jin-Guan-Yin-Kong-Zi No. 10600042300 from FSC for the issuance of ordinary and subordinated bank debentures at NT\$30 billion (or equivalent foreign currency) each. Ordinary bank debentures may be issued on a revolving basis for 10 years from the date of approval and are voided afterwards; subordinated bank debentures must be issued within one year after approval, and any unused limit afterwards is voided. The Bank currently has approximately NT\$21.4 billion (or equivalent foreign currency) of senior bond issuance limit remaining.

(1) Status of Securities in Private Placement: Not applicable.

(2) Plan(s) completed the most recent three years but without significant benefits as yet: None.

(II) Implementation Status

The Bank utilized US\$495 million (equivalent to NT\$14.1 billion) of the NT\$30 billion (or equivalent foreign currency) pre-approved ordinary bank debenture limit in 2017 to finance its long-term USD lending, which presented a lower treasury risk. US\$195 million (equivalent to NT\$5.5 billion) of the abovementioned USD bonds were recalled early in 2020; the remaining limits will be utilized depending on capital requirement and current market conditions.

The Bank utilized NT\$15.1 billion of the NT\$30 billion (or equivalent foreign currency) pre-approved subordinated bank debenture limit in 2017 to strengthen tier-2 capital. The remaining limit of NT\$14.9 billion had expired in March 2018. The Bank's capital adequacy ratio as of December 2020 was reported at 16.91%; future offerings of subordinated bank debenture may be planned depending on business growth and capital adequacy requirements.

- (1) Where capital is intended to acquire another company, expand or construct new property, plant or equipment, compare and explain potential effects on fixed asset balance, operating revenues, operating costs, operating profits etc.: Not applicable.
- (2) Where capital is intended to be invested into another company, explain impacts to the operations of the invested business and to the Bank's investment gains: Not applicable.
- (3) Where capital is intended to provide working capital or repay debts, compare and explain any increase/decrease in current assets, current liabilities, total liabilities, interest expense, operating revenues and earnings per share, and analyze the financial position: Not applicable.

Five. Overview of Operations

I. The content of business:

(I) Summary of main business activities by service category:

■ Consumer banking service

1. Deposit and remittance service

The Bank offers a variety of deposit solutions including omnibus deposit, self-service deposit and digital deposit to satisfy saving and cash flow needs of both individual and corporate customers. In addition, the Bank operates a network of physical and digital channels and automated service equipment that, with the support of a user-friendly cash flow system, satisfies customers' needs for payment and fund transfer.

2. Credit service

The Bank offers secured and unsecured consumer loans for individual customers, such as: adjustable-rate mortgage, revolving mortgage, government-subsidized mortgage etc.

■ Corporate banking service

1. Corporate finance

The Bank offers an extensive variety of corporate financing solutions to meet customers' funding requirements, such as the financing of working capital, capital expenditure, negotiable instrument, SME, creative industry, and innovation industry.

2. Strategic project lending

The Bank offers financing solution for special purposes such as SME assistance and project financing for returning Taiwanese enterprises.

3. Syndicated and structured loans

The Bank possesses the professional capacity to coordinate syndicated loans of high magnitude as a lead arranger, and satisfy corporate customers' needs for capital such as fixed asset purchase, performance bond for public construction or major project, acquisition financing, and infrastructure project financing.

4. Guarantee and acceptance service

Services in this category include tender bond guarantee, performance bond guarantee, prepayment guarantee, loan guarantee, promissory note guarantee, post-dated check guarantee, medium/long term debt guarantee, and bill acceptance.

5. Trade financing

The Bank offers a broad diversity of trade financing solutions including import/export service, supply chain financing, forfeiting and factoring to help customers optimize capital management and utilization.

6. Cash management

The Bank offers a diverse range of collection, payment and currency exchange services that can be integrated with global accounts to satisfy customers' needs for regional fund transfer.

7. Factoring and supply chain financing

Through debt transfer, the Bank accepts from corporate customers a set of accounts receivable for goods sold or services rendered, and provides banking services such as cash advance, receivables management and collection while assuming buyers' credit risk.

8. Foreign currency service

In terms of cash management, the Bank offers services including foreign currency deposit, multi-currency inward and outward remittance, clean bill collection and purchase, traveler's check, foreign currency cash, forward exchange, and other cross-border services with the support of overseas branches; electronic trading platforms are being optimized to cater for the above. In terms of credit service, the Bank offers foreign currency financing and foreign currency guarantee. As for import/export, the Bank provides import/export collection, import/export negotiation, L/C and international trade-related services.

■ Wealth management service

The Bank offers a diverse range of services from investment, insurance, trust planning, insurance planning to integrated wealth management solutions to help customers build a robust portfolio that addresses their every financial need and goal.

■ Trust service

1. Mutual fund and foreign securities service

Mutual funds and foreign securities are offered to satisfy investment needs of different customers.

2. Real estate trust

The Bank offers a variety of real estate-related trust solutions, such as real estate escrow trust, joint construction trust, urban renewal trust, and real estate inheritance trust.

3. Personal trust

The Bank offers a multitude of personal trust services including children's trust, retirement trust, insurance trust, foreign currency money trust, share ownership trust, dividend transfer trust, inheritance trust, and charity trust.

4. Corporate trust

For corporate customers, the Bank offers solutions such as employee welfare trust, escrow trust and electronic payment service trust that help enforce employees' benefits, consumer protection and security of equity transaction.

5. Custodian service

The Bank offers custodian service for investment trust funds, discretionary investment accounts, foreigners' investments, private equity funds, performance bonds, investment-linked insurance policies, and securities.

■ Credit card service

The Bank offers revolving credit, installment purchase, and cash advance services over the credit cards it issues, and constantly explores diverse, innovative, and convenient payment applications with cardholder-exclusive privileges, campaigns, and rewards. By digital applications, the Bank strives to create undisrupted processes and a financial ecosystem that satisfies all of customers' consumption needs. Through the use of scenario-based service, digitalized process, and AI-assisted customer sourcing, the Bank is able to segment customers more precisely and deliver better financial service experience overall.

■ Payment service

1. Transaction acquisition service

The Bank provides general transaction service (online/offline/installment purchase and reward points) for merchants, and works with a broad diversity of payment service providers to introduce integrated payment solutions (such as electronic payment, TW Pay, Alipay, and e-wallet linkage).

2. New payment service

The Bank cooperates with major merchants to offer mobile payment modules, integrate cash flow services into their digital channels, and help them develop membership systems through mobile payment for stronger customer attachment and broader financial applications.

3. Automated channels service

The Bank delivers a multitude of financial services (including but not limited to deposit, withdrawal, fund transfer, bill/tax payment and balance inquiry) over automated channels to satisfy customers' financial needs.

■ Digital banking service

1. B2C digital banking service: The Bank has adopted a mobility-oriented design focus and developed a versatile mobile platform to accommodate a broad variety of mobile networking scenarios given the ongoing mobility trend. This platform allows customers to seamlessly switch between APP and web versions of online banking service using SSO (Single Sign-On), where they can make inquiries, transact and apply for financial products entirely using mobile devices.

2. New digital banking service: The Bank continues to introduce innovative wealth management products and optimize APP design based on customers' needs, and uses KOKO as a means to source and manage relationship with young, tech-savvy customers. By going online, customers are given easier, more enjoyable and more immediate access to financial service.

■ Offshore banking service

The Bank provides a broad range of services for offshore individuals and corporate customers, including deposit, remittance, import/export trade, credit, cross-border syndicated loan, international factoring, and special purpose money trust for investment in foreign currency securities, structured instruments, derivatives etc. Not only is the Bank able to explore overseas customers and structure cross-border solutions through offshore branches, it also has the advantage to utilize platforms and services of other subsidiaries within the financial group to deliver more competitive service and enhance customers' attachment.

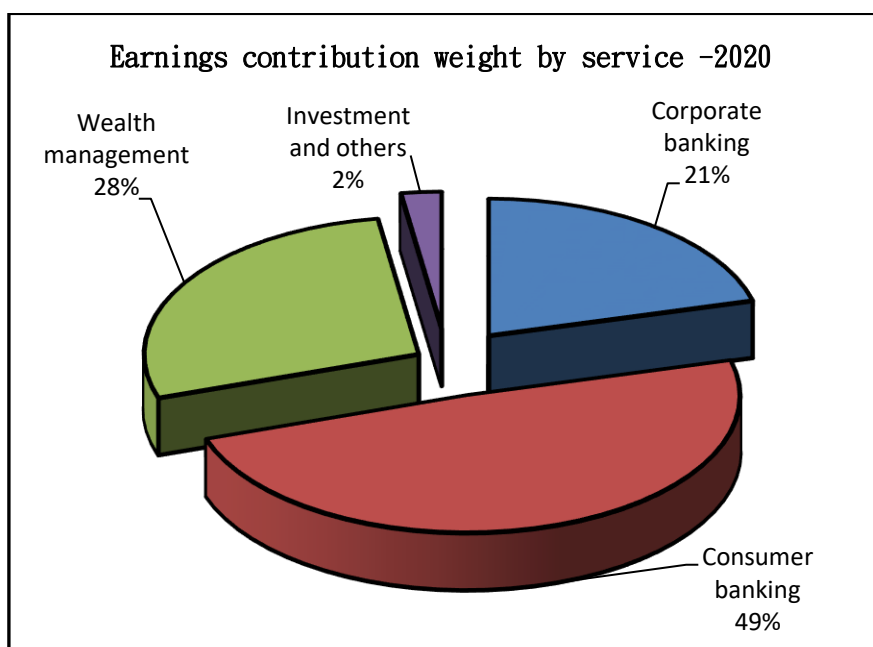
■ Overseas operations

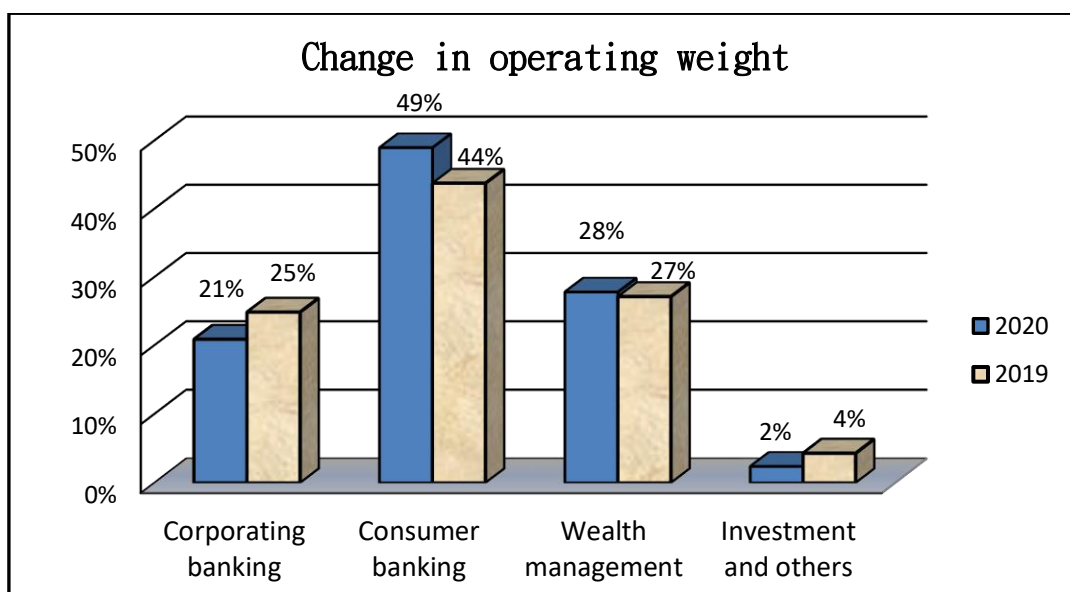
The Bank actively explores expansion in overseas markets. In the Southeast Asian market, relationships are formed with local and multinational businesses to secure syndicated lending (as a lead arranger or participating lender) opportunities, and efforts are being committed to expand existing products and services (such as treasury marketing, corporate Internet banking, global transactions, green project financing, and digital banking etc.). In the Greater China market, the Bank not only explores greater diversity of financial products and services denominated in RMB, but also focuses on strengthening cross-border connections.

■ Investment and treasury marketing

In terms of treasury marketing, the Bank offers new derivatives, designs financial products, and supports customers with quotation and consultation services. Promotional and compliance training are organized for various business activities and products.

(II) Revenue weight by business category:





(III) 2021 business plans

■ Consumer banking service

1. Enhance digital marketing and customer communication through the use of innovative technology and big data.
2. Continue development of digital financial services and promote smart banking features.
3. Apply data mining technology for relationship management with target customers, and enforce customer segment management at greater depth.
4. Enhance data analysis and associate services with customers' lifestyle scenarios and capital requirements through financial technology; share and integrate information with participants of different industries to create a loan ecosystem that satisfies customers' needs in a timely manner.
5. Capitalize on the extensive distribution channels of Cathay subsidiaries and coordinate group resources into providing all-round financial service for customers. Shift emphasis toward customers of high potential and products of high profit contribution for stronger customer attachment, higher customer contribution, and product penetration.
6. Provide customers with more convenient mobile payment tools and services through product optimization and new digital features. Attract potential customers through the use of digital marketing tools, and introduce cross-selling products and projects with enhanced product features for optimal customer experience.
7. Enhance deposit infrastructure and standardize online/offline service for consistent customer experience. Incorporate financial service into customers' routine activities for closer interaction between the Bank and its customers.

■ Corporate banking service

1. Enhance corporate credit assessment and post-lending management; improve overall asset quality through optimized customer risk management.
2. Continue to develop a corporate banking talent training system that comprises training courses, regular rotation, and promotion standards for more effective selection, assignment, development, and retention of comprehensive corporate banking sales talents.
3. Introduce innovative offerings of NTD and foreign currency structured deposits; raise competitiveness and market share by enriching the digital deposit platform with better quality and more convenient products and services.
4. Develop complete range of trade financing and cash management products from customers' perspective. Promote transaction-based banking services within the Greater China Region and Southeast Asia, and provide cross-border cash flow services to meet the needs of customers local and abroad.
5. Utilize media, advertising and marketing channels to promote deposit products and shape the Bank's visibility and reputation as a professional foreign currency service provider.
6. Develop the diversity of GTS (Global Transaction Service) product, and thereby entice customers into using Cathay accounts for daily operations. This control over customers' cash flow enables stronger loyalty and brings consistent income to the Bank.
7. Design solutions based on the scale and needs of corporate customers, and provide customers with a more efficient and suitable service.
8. Expand fundamental services such as deposit, loan, trade financing and Internet banking, and explore overseas trade financing and cross-border cash management in line with future financial deregulations. Integrate overseas branches into a cross-border service network that offers "innovative, robust, complete," and diverse solutions to overseas customers.
9. Provide new foreign currency services through digital channels, and satisfy remittance needs for a larger number of locals and foreigners.
10. Continually provide niche products such as working capital, trade financing, corporate investment, and cash management as well as customized services including project financing and capital market fundraising, while aiming to become customers' best business partner. Grow wealth management service with customers' satisfaction in mind and thereby improve overall performance.
11. Utilize product and channel advantages of the Bank and subsidiaries of the financial group, and integrate group resources to provide full range of financial services.

■ Wealth management service

1. The Bank offers a diverse range of services from investment, insurance, trust planning, and insurance planning to integrated wealth management solutions to help customers build a robust portfolio that addresses their every financial need and goal.
2. In light of the market's increasing volatility, the Bank will place greater emphasis on improving financial consultation skills across financial advisors, and promote a "pro-active" service mindset. By taking a pro-active approach towards learning customers' investment needs, the Bank hopes to provide customers with integrated wealth management solutions and actively assist them in the management and adjustment of customers' investment positions to bring value to wealth management service.
3. With the help of financial technology, the Bank aims to perfect end-to-end digital transaction process over the investment service platform; using digital channels, more precise and timely market information, investment strategies, and recommendations will be delivered to improve transaction service and experience with customers.
4. The low interest environment has had profound changes to the landscape of the insurance industry. As a response, the Bank will be shifting its focus back to the protection feature of insurance, and will support promotion efforts for both investment-linked and protection-oriented products to meet the diverse needs of customers across different segments.

■ Trust service

Utilize children's trust, insurance trust, inheritance trust, share ownership trust and real estate trust combined with other investment products as family wealth transfer solutions, and satisfy customers' needs to transfer wealth across generations.

■ Credit card service

1. A data-driven approach and end-to-end optimizations will be undertaken for customer relationship management, whereas internal and external resources will be combined into creating a customer experience-oriented digital platform that not only extends the Bank's competitive advantage and maximizes product/service revenues, but also supports an ecosystem of new businesses.
2. Improve competitiveness of credit card offerings, offer differentiated and optimal interest rates and pricing based on customers' risks, and attract customers with new digital experience as well as situational dialogs. Aim to satisfy customers' liquidity needs in a timely manner.
3. Utilize new data analytical tools to keep track of customers' online and offline activities, and apply machine learning algorithms to gain more in-depth knowledge and create value from the data obtained. Adopt data-as-a-service and incorporate data analysis into financial service scenarios while introducing one-stop financial services ahead of market.
4. Using data-driven forecast and real-time feedback, the Bank plans to interact with merchants on multiple dimensions and provide consumers with better experience, satisfaction, and flexibility for improved attachment and market share.

■ Payment service

1. Transaction acquisition: Create an environment that accepts diverse payment tools; develop automated services for improved customer experience; manage customers by segment and aim to raise market share and profitability.
2. New payment service: Engage merchants in innovative cash flow services; help partnered merchants explore business opportunities and introduce suitable financial applications depending on the characteristics of their members; support the payment ecosystem for the benefit of merchants, users, and the Bank.
3. Automated channels: Optimize the efficiency and user interface of automated equipment with customers' experience in mind; cooperate with distribution partners on service differentiation.

■ Digital banking service

1. Becoming customers' most dependent channel: Become the key service channel that customers may depend upon for transactions.
2. Improve customers' digital experience and penetration of digital service: Observe customers' needs from a user-centric perspective, and integrate online and offline channels to deliver seamless, optimal experience over the digital platform.
3. Creation of closely working digital ecosystem: Develop whole-channel experience through the use of API.
4. KOKO reform and relationship with young customers: Design products and services targeted at customers in the 20-35 age group, and create refreshing, satisfying experiences for the young generation.
5. Creation of Customer-sourcing and customer-oriented digital channels: Create digital pipelines, emphasize customer relationship management, and aim to increase the size of customers attracted and their profit contribution.

■ Overseas operations

Coordinate branches throughout the Greater China Region and ASEAN to secure the foundation for overseas development. Extend service through overseas branches and create service platforms through collaboration with local strategic partners. Grow customer relationship by offering greater product diversity as well as professional, quality and complete financial services to customers.

■ Investment and treasury marketing

1. Optimize system interfaces and processes with a customer experience-centric focus..
2. Expand product line in both depth and breadth for increased transaction with customers of all attributes.

(IV) Market analysis

1. Analysis of location of business, future market supply, demand and growth, and competition

(1) Supply

On top of the pandemic, domestic wealth management services are forced to undergo digital transformation due to the arrival of online-only banks, as they provide consumers with easier access to financial services without the constraint of time or space. Coupled with the fact that the domestic insurance market is intensively competitive with an oversupply of highly homogeneous products, the Company will place greater emphasis on delivering professional services in line with customers' needs.

(2) Demand and growth

The global financial environment is still under the effect of the pandemic, meaning that the low interest environment will persist for an extended time. As vaccines become available, the world will be looking forward to an economic recovery, and given the market's abundant liquidity supply, there has been a shift in preference towards risky assets. This increased demand for investments is favorable to the growth of wealth management services.

Due to restrictions of prevailing laws and the investment environment, the Company will focus on promoting the protective features of insurance. Meanwhile, customers' needs will have to be analyzed in greater detail and addressed with total asset allocation solutions in order to increase attachment, revenue contribution, and product penetration.

(3) Competitive advantage

Given the saturation and high degree of homogeneity within the domestic financial market, the Bank will be forming alliances and integrating resources with partners from different industries to develop innovative practices that are different from traditional banking. With a vast customer base and data analysis technologies, the Bank is able to take the initiative in offering investment solutions that meet customers' needs, and promote a healthy investment concept that emphasizes principal protection and asset appreciation. By assisting customers with total asset allocation and reducing volatility and risks of the markets they invest in, the Bank is able to earn customers' trust over time.

The Bank's overseas market expansion efforts have been largely focused on corporate financing and related products, such as: syndicated lending, trade financing and cross-border corporate Internet banking; all of which have been well-received by local corporate customers. Consumer behaviors have changed to the point where more than 60% of transactions in the target market are completed online, and the Bank offers a multitude of digital campaigns in the consumer banking segment, from iCare Benefit (a salary-based cash lending service), Finaxar Credit Line (FCL) (and automated personal loan service), and Cellcard (an innovative micro loan), that can take advantage of this development while at the same time realize its vision towards inclusive finance.

2. Future opportunities, threats, and response strategies

(1) Opportunities, threats, and response strategies in Taiwan

■ Opportunities

- ① The Bank has access to analytical talents and diversity of financial products both within and outside the financial group, and has had great success delivering digital financial services to customers using modern technologies and a digital platform in recent years. The ongoing pandemic, extreme volatility of the financial market, and investors' shift towards online trading have presented the Bank with the opportunity to further improve customer relations and experience by: offering accurate and timely market information and investment advice, optimizing online trading features, and delivering relevant, suitable, and useful financial services to customers.
- ② In addition to the existing online insurance platform, the Bank will continue improving its digital security service to provide customers with greater digital experience and added value.
- ③ Electronic payment services from leading companies such as Shopee, PX Mart, and Familymart are helpful to the growth of the credit card market as they contribute additional payment scenarios. Increasing percentage of non-cash payments works in favor of creating a payment ecosystem that benefits banks, merchants, and consumers, whereas development of a comprehensive consumption data model provides insight to customers' spending habits and precise marketing is applied to better satisfy customers' financial needs.
- ④ The credit card market continues to grow and consumers are already accustomed to paying with plastic currency. The spread of COVID-19 further compelled merchants to accept electronic payment and sell online, which creates opportunities of a stronger bond between banks, merchants, and consumers. Online transactions also provide abundant data that can be analyzed to explore customers' needs with greater precision.
- ⑤ Mobile payment activities continued to grow throughout Taiwan in 2020 due to new services introduced by electronic/third-party payment service providers and retail chains, which ultimately accelerate market maturity in competition.. Intensive competition among mobile payment service providers should persist in 2021, and through credit card/account linkage, the Bank expects to expand application and broaden the reach of its financial services.
- ⑥ The Bank operates a broad network of automated equipment with extensive customer coverage. Future deregulations will open up opportunities for financial service providers to grow.
- ⑦ Outlook of domestic consumption turns strong for 2021, and the central bank's expansionary monetary policy combined with relief and stimulus measures should provide adequate support for economic growth. However, conservative outlooks published by research institutions around the world coupled with uncertainties regarding the pandemic, the slowdown in

China's growth, and U.S.A.–China trade conflict, and geopolitical risks will all affect the strength of growth. The Bank continues to monitor credit risks and industry changes, and offers diverse financial services without compromising asset quality as a means to improve business performance.

■ Threats

- ① Some banks are offering new cards packaged with high rewards or privileges in an attempt to maintain market share and retain cardholders, which increases competition of the banking service. Meanwhile, credit cards are now used mostly as payment tools, and low utilization of the credit function caused a decline in profits.
- ② The market is saturated with payment solutions and competitors, and fast shifts in payment preference increases equipment acquisition cost.
- ③ Mobile payment services from competing platforms and incentives offered by payment service providers, financial institutions, and retail chains in an attempt to attract merchants and customers have made it more competitive and challenging to collaborate with payment service providers.
- ④ The financial market is already overwhelmed with information and homogeneous competition among peers; the arrival of online-only banks poses an even greater challenge to digital wealth management services.
- ⑤ The authorities have tightened supervision over guaranteed payment products and forced an increased in premiums that may adversely affect sales. It would be more challenging to develop new investment-linked products that meet customers' needs.
- ⑥ It is difficult for banks to enjoy excess profit margin due to saturation of the domestic financial market and the prevailing low-interest environment. Furthermore, given the rapid changes in financial products and the banking environment, banks have to constantly adjust and adapt, which presents major challenge to future operations.

■ Response measures

- ① With the support of big data analysis, the Bank will aim to introduce new products and campaigns that give consumers the option to choose depending on their needs and preferences, and in doing so improve marketing yields, customer satisfaction, and attachment.
- ② More attention will be directed towards digitalization of product and service offerings to deeply develop young digital group. For this category of customers, the Bank will emphasize on the relevance of service to customers' lifestyles, segment differentiation, innovation, and customers' overall experience and service satisfaction without the use of excessive rewards.
- ③ Make timely adjustments in response to the pandemic, and actively provide financial services with differentiated and identifiable innovations as means to raise brand image and competitiveness. Make early preparation for post-pandemic opportunities and avoid succumbing to price competition of the banking industry.

- ④ Continue collaboration with channel partners and assist them in managing member relations; strive to satisfy channel members' and the Bank's needs while at the same time explore innovative applications.
- ⑤ Continually provide financial advisors with new product knowledge as well as skills to help customers adjust investment strategies and build up a strong portfolio; actively monitor customers' existing investment positions and enhance risk management over customers' exposures.
- ⑥ Embrace the challenges of digitalized wealth management service with a "customer-centric" philosophy; design investment products and wealth management services with the goal of delivering the best end-to-end transaction experience for customers.
- ⑦ Integrating across devices, platforms and physical/virtual channels, provide digital cash flow service and enhance account collection/payment functions to become the customers' primary banker.
- ⑧ Make optimal use of existing customer base and physical channels, and intensify intra-group business referral in ways that improve the depth and breadth of relationship with top customers.
- ⑨ The financial industry remains highly competitive whereas the nation's first online-only bank is scheduled to begin its trial run in 2021. Given the ongoing changes in the business environment, banks are compelled to transform and adopt a higher level of digitalization and agility, which gives rise to higher demand for financial data analysts and strategy talents. In response, the Bank will continue its talent training efforts and strive to secure competitive advantage by exploring new applications for available information technologies.

(2) Opportunities, threats, and response strategies in overseas markets

■ Opportunities

The Bank's target markets still presents significant business opportunities given the upcoming infrastructures, high demographic dividend, strong growth potentials and favorable conditions.

■ Threats

Supervisory standards have tightened around the world, increasing overall compliance costs, whereas uncertainties regarding the pandemic, the US-China trade conflict and geopolitical risks will all affect the strength of growth.

■ Response measures

- ① The ongoing pandemic has reduced GDP growth across the Greater China Region and ASEAN members, and negatively impacted all professions and industries around the world. Face to this situation, The Bank takes advantage of its expansive global network by having overseas offices support, back up, and cooperate with each other for maximal synergy.
- ② The COVID-19 pandemic has profoundly changed people's working and spending habits. Faced with customers' desperate needs for financial

service, the Bank has responded with progressive digitalization and enforced “localization strategies” at offices where the pandemic is better controlled. By consolidating resources across non-life insurance, life insurance, banking, and other subsidiaries of the group, projects such as data-driven customer service, smart investment, automated process, and Equator Principles-compliant financing have been undertaken to enhance product development skills and satisfy customer’ needs with greater precision. By consistently delivering values and experiences above customers’ expectation, the Bank has secured its place as customers’ best overseas partner and the leading bank in Asia Pacific.

(V) Research and development of new financial instruments

1. Main financial instruments and business departments introduced in the last two years, and their current size and profitability up till the publication date of annual report:

(1) Deposits and loans

Item	End of 2020	End of 2019
Deposit balance	NT\$2,594 billion	NT\$2,310.7 billion
Mortgage (including: home equity loan) balance	NT\$784.2 billion	NT\$699 billion
Unsecured credit balance	NT\$100.6 billion	NT\$87.3 billion

- ① Deposit balance amounted to NT\$2,594 billion at the end of December 2020, up NT\$283.3 billion or 12% from the end of 2019. and NT\$1,815.6 billion of which were demand deposit while NT\$778.4 billion of which were time deposit.
- ② At the end of 2020, outstanding mortgage balance (including home equity loan) totaled NT\$784.2 billion, up NT\$85.2 billion or 12.19% from the end of 2019.
- ③ At the end of 2020, outstanding balance across personal loan products totaled NT\$100.6 billion, up NT\$13.3 billion or 15.23% from the end of 2019.

(2) Financey

Structured foreign currency deposit linked with foreign currency swap and forward exchange instruments (principal-protection) (January 2020).

2. R&D expenses and outcomes in the last two years, and future R&D plans:

(1) Research and development expenses in the last two years:

Unit: NT\$ thousand

Year	2021 estimate	2020	2019
Amount	844,888	547,265	459,218
Growth rate (%)	54.38%	19.17%	21.90%

(2) Research and development outcomes completed in 2020

Name of major project	Costs invested (NT\$ thousand)
Payment Hub	39,140
Summit system upgrade	24,345
Implementation of customer contribution system	21,669
Mobile corporate banking APP	15,412
Bank-wide upgrade of computer terminals	19,365
Upgrade of high usability network infrastructure at IT Center	30,870

(3) Future R&D plans and progress

March 31, 2021

Plan/project in the most recent year	Progress	Additional budget required (NT\$ thousand)	Estimated time of completion	Factors critical to the success of research and development
A-A implementation of front-end banking platform	In progress (61% incomplete)	62,020	2021/6/30	System integration and optimization
Introduction of group cloud banking application (CRC)	In progress (80% incomplete)	15,500	2021/6/30	System integration and optimization
Change Data Capture (CDC) for core banking system	In progress (66% incomplete)	24,200	2021/9/30	System integration and optimization
Introduction and implementation of cloud platform/structure	Planning in progress	3,360	2021/12/31	System integration and optimization
EAI implementation of the intermediary platform (TR)	In progress (81% incomplete)	5,520	2022/3/31	System integration and optimization
Application of fraud detection system	Planning in progress	76,910	2022/6/30	Effective communication with the departments in need
Implementation of integrated platform at branches	In progress (98% incomplete)	6,900	2022/12/31	Effective communication with the departments in need
Implementation of new private banking system for Singapore, Taiwan, and Hong Kong	In progress (80% incomplete)	386,786	2022	Effective communication with the departments in need
A-A implementation of NTD core banking system (Bancs)	In progress (83% incomplete)	106,348	2022	System integration and optimization

(VI) Long and short-term business plans

1. Short-term plan:

(1) Consumer banking

- ① Optimize the mortgage and personal credit process to support efficient services and digitalization.
- ② Apply big data analysis to identify target customers and trends for precision marketing.
- ③ Continue coordinating joint marketing efforts between group subsidiaries and expand customer base. Utilize the cash flow network to provide integrated financial products and services and optimize synergy.
- ④ Aim to expand customer base and revenue contribution particularly from high net worth individuals; introduce integrated solutions aimed at enhancing product attachment.
- ⑤ Optimize service interface and deliver good customer experience for enhanced relationship and performance.
- ⑥ Strengthen financial advisors with the abilities to understand customers' needs, analyze financial market trends, and recommend suitable investments to customers; it's the goal to an all-round financial consultation team and assist customers to establish diversified asset allocation.

(2) Corporate banking

Expand employee size and make fundamental adjustments such as business focus with sustainability in mind; solicit customers that offer good business potentials and grow relationship in terms of transaction volume and revenue contribution; make use of SME credit guarantee and financial assets for risk mitigation and introduce capital management practices that improve capital efficiency for the wholesale banking segment; increase cross-selling efforts and integrate information and cash flow applications for reduction in customer acquisition cost, better control of business opportunities, and sustained profitability and growth.

(3) Trust service

- ① Develop employee shareholding trust in line with upcoming deregulations and policy incentives as a service to corporate customers; cooperate with Cathay Life Insurance on the promotion of insurance trust and grow trust customers.
- ② Combine trust service with investment products to satisfy customers' needs for family wealth transfer solutions.

(4) Credit card service

- ① Enhance integration and profit management over credit card products, develop innovative combinations of product privilege and structure, and create a reward points ecosystem that generates synergies for the Bank.
- ② Create a financial service ecosystem through sharing and exchange of

resources with merchants. Begin small and expand collaborative scenarios upon successful testing; develop a mutually beneficial ecosystem that satisfies customers' diverse financial needs through sharing of data, technology, and marketing resources.

- ③ Develop collaborative models with merchants and optimize operating procedures; design a multi-privilege system through sharing of data and resources with merchants; create a reward points ecosystem that increases marketing yields and generates synergy for the entire bank.

(5) Payment service

- ① Transaction acquisition: Cooperate with a diverse range of payment service providers on the introduction of transaction acquisition service and payment tools; acquire customers through profit sharing in ways that help expand the Bank's transaction acquisition service.
- ② New payment: Incorporate innovative payment services, thereby allowing the Bank to introduce broader financial applications into its channels.
- ③ Automated channels: Cooperate with channel partners to provide customers with more comprehensive and convenient financial services.

(6) Digital banking

Continue enhancement of online and offline service integration; promote users' awareness towards security of digital channels and deliver optimal digital experience.

(7) Offshore banking

- ① Coordinate with offices in the Greater China Region and Southeast Asian regions for the development of localized services; expand product and service offerings (such as treasury marketing, corporate Internet banking, global transactions, project financing, digital banking, private banking etc.) to maximize yields from customer relationship.
- ② To raise productivity and financial health of overseas subsidiaries, Mainland subsidiaries participate actively in the local capital market and grow local businesses and continuing performance enhancement and digital transformation across all branches under the Cambodia subsidiary.
- ③ The Bank will aim to strengthen its financial fitness through ongoing balance sheet optimization and risk management, and increase the intensity of cross-selling efforts while maintaining proper balance between risk and profitability.

(8) Investments and financial products

- ① Strengthen end-to-end sales coordination system and explore potential customers.
- ② Develop online availability for derivative services.
- ③ Consolidate service capacity across channels toward improving service quality.

- ④ Examine and refine business processes for efficiency improvement and cost reduction.

2. Long-term plan:

(1) Consumer banking

- ① Adhere to a customer-centric mindset and optimize customers' lending experience in the digital channel, thereby ensuring quality customer experience across all channels.
- ② Utilize group resources and integrate marketing manpower, sales channels and product lines for synergy in business development.
- ③ Adopt the optimal asset/liability structure for improved capital efficiency and profitability.
- ④ Adhere to a customer-centric business approach and offer diverse financial services to accommodate customers' distinctive characteristics. Actively develop digital cash flow service for increased account utilization; aim to become customers' main banker.
- ⑤ Utilize group resources and integrate marketing resources and sales channels to create synergy in loan service.
- ⑥ Grow e-commerce service by integrating across devices, platforms and physical/virtual channels; provide digital cash flow service to bring banking service into customers' lifestyles and business operations, thereby expanding customer base and strengthening their attachment to the banking service.
- ⑦ Apply big data analysis to establish detailed knowledge on target customers' investment requirements, product preferences, risk attributes, as well as potential needs for product cancellation or maturity cash inflow; offer appropriate and matching investments accordingly to complement customers' asset allocation.
- ⑧ Apply "systematic post-investment management" practices on customers' investment positions; monitor changes in market trend and how they affect product return; track performance of products sold and apply micro risk management over customers' investment positions. Take the initiative to monitor the quality of customers' holding position and improve customers' wealth management experience with the Bank.
- ⑨ Take initiative in growing wealth management relationship with high net worth customers; offer diverse range of customized products and services and strive to offer robust asset allocation plans to the satisfaction of high net worth customers, thereby distinguishing from financial services offered by peers.

(2) Corporate banking

Adhere to the corporate sustainability strategy and provide sustainable banking services by enforcing ESG; enhance operating efficiency and create synergy through hardware/software implementation, use of digital tools, optimization of customer experience across channels, streamlining of service process, and

increasing product breadth and depth; adopt a flattened and lightened management structure to achieve medium- and long-term goals of the corporate banking segment.

(3) Trust service

Offer value-creating services, explore products needed by customers, and develop digital insurance which introduces financial technologies to grow the digital customer base.

(4) Credit card service

- ① Adopt data-driven customer segment management and end-to-end optimizations; extend products and services that are competitive and viable; offer differentiated services to satisfy the lifestyles and consumption needs of different customers for improved brand value and loyalty.
- ② Accumulate digital trail of customers' activities and increase data capacity; analyze customers' potential needs and offer services in line with expectation. Develop internal digital capacity and engage strategic partners from other industries in exchange of information; generate credit card income through broader perspectives, scenarios, and channels; provide one-stop lifestyle banking services with a customer-centric focus.
- ③ Connect merchants and customers through big data analysis and a flexible digital platform; create a lifestyle ecosystem where precision marketing can be applied to deliver differentiated services to customers of different segments and consumption needs, and thereby enhance brand value and loyalty.

(5) Payment service

- ① Transaction acquisition: Aim to increase market share, gain control over customers' cash flow, and develop suitable financial products for profit.
- ② New payment: Combine resources from channels and the Bank to create a mutually beneficial financial ecosystem.
- ③ Automated channels: Develop a robust financial service ecosystem featuring an innovative business model, and establish automated channels as the ideal frontline to offline services.

(6) Digital banking

Digital channel become the key service channel that customers depend upon for transactions, and evolve into a gateway for more advanced dealings with mass-market customers.

(7) Offshore banking

- ① Connect branches and partner platforms local and abroad to grow trade financing and cash management services within the boundaries permitted by law. Offer convenient financial services to customers' needs while at the same time improve accessibility of capital in ways that make Cathay United Bank the preferred bank to maintain a cross-border operations account.

- ② Develop a fully featured digital channel for deposit service and optimize customers' experience in virtual and physical channels; strengthen banking relationship with customers for increased volume of foreign currency deposits and currency exchange.
 - ③ Leverage Cathay Group's local and overseas offices and business partners into creating an integrated worldwide service platform; grow cross-border banking services in the Greater China Region and Southeast Asia through financial hubs such as Hong Kong and Singapore.
 - ④ Continue integration of local and overseas systems in ways that support the Bank's vision of becoming "the best financial institution in Asia Pacific"; help customers improve efficiency and availability of capital, and provide a more comprehensive range of financial services in line with needs.
 - ⑤ Monitor digital banking trends; explore and adopt innovative financial service models; enforce risk management and sustainable practices while pursuing service innovation and financial/business growth.
- (8) Investments and financial products
- ① Develop user-end product quotation system for enhanced service quality and efficiency.
 - ② Offer diverse product design services for improved sales and customer coverage.
 - ③ Enhance the risk management platform for tightened control over the risk of products sold.

II. Employee background, professional certification and education in the last two years:

March 31, 2021

Year		2019	2020	As of 3/31/2021
Number of employees	Managers	725	779	809
	General employees	9,860	9,737	9,700
	Total	10,585	10,516	10,509
Average Age		37.34 years old	38.52 years old	38.64 years old
Average years of services		8.60 years	9.71 years	9.78 years
Highest educational attainment	Doctorate	0.13%	0.14%	0.15%
	Master	19.12%	20.20%	20.32%
	University/college	76.63%	75.56%	75.23%
	High School	4.10%	4.09%	4.29%
	Below High School	0.02%	0.01%	0.01%
Professional certificates held by employees	Proficiency Test for Financial Planning Personnel	1,698	1,686	1,657
	Basic Proficiency Test for Junior Credit Personnel	3,574	3,558	3,516
	Basic Proficiency Test for Bank Internal Controls	7,315	7,145	6,954
	Basic Proficiency Test for Junior Foreign Exchange Personnel	2,967	2,974	2,936
	Qualification Exam for Personal Insurance Representative	6,870	6,633	6,475
	Qualification Exam for Non-Life Insurance Representative	6,891	6,690	6,527
	Proficiency Test for Trust Operations Personnel	6,493	6,469	6,304
	Qualification Exam for Investment-orientated Insurance Product Representative	3,329	3,333	3,252
	Real Estate Appraiser	2	2	2
	Taiwan Bar Exam	4	3	2
	Certified Public Accountant	8	8	7
	Certified Internal Auditors (CIA)	13	13	13
	Financial Risk Manager (FRM)	25	26	26
	Chartered Financial Analyst (CFA)	23	22	22
	Certified Anti-Money Laundering Specialist (CAMS)	27	38	37
	Certified Financial Service Auditor(CFSA)	7	8	8
	Project Management Professional (PMP)	58	63	62
	Certified Financial Planner (CFP)	187	198	203
	Certified Information Systems Auditor (CISA)	5	5	5

Note: The management refers to officers of manager grade and above.

III. Corporate responsibility and moral conduct

The Bank supports environmental sustainability and has always been a pioneer in green banking. Being the No. 1 green financing brand, the Bank fully supports green energy development and actively promotes greenhouse gas survey, ISO certification for energy and environmental management systems, and carbon footprint for personal unsecured lending services/products; these initiatives are duly enforced in various aspects of its operations.

The Bank was the first in the industry to contribute to the field of art, starting with the establishment of Culture and Charity Foundation of the Cathay United Bank in 1980 followed by the founding of Cathay United Art Center in 2000. Driven by its mission to “give back to society,” the Bank has since been active in charitable causes including offering of study aid, charity sponsorship, cultural/arts performance, and consignment charity. The Bank is highly committed in fulfilling corporate social responsibilities. It organizes charity events through Cathay United Bank Foundation, and a list of major events organized by the Foundation in 2020 is presented as follows:

1. “Elevated Tree Program— Grow A Big Tree From A Shoot” series:

① Elevated Tree Program Scholarship:

In April and October, the Foundation made 2 donations under the Elevated Tree Program totaling NT\$10 million. These donations were intended to cover tuition fees for students from financially disadvantaged families and those who fell victim to tragic events. Donations were made to 963 elementary and junior high schools in Miaoli County, Yunlin County, Chiayi County, Pingtung County, Taitung County, and Yilan County to a total of 7,432 beneficiaries.

② Donation of “charity coats” in collaboration with business:

Chairman Jin-Zhu Shen of Ever Shine Y&F and Chairman Shu-Li Yeh of Ever Shine I&F have always been valuable customers to Cathay United Bank and supported the Elevated Tree Program each year through action. In 2020, they donated 4,000 new winter coats to students in remote areas.

③ Love Without Barriers:

In order to fully preserve knowledge conveyed in “Elevated Tree Seminars,” the Bank published the 8th volume of “Love Without Barriers,” which features a collection of knowledge verbally communicated by experts and scholars of parental education. The 2020 publication was made solely in digital form as part of the Group’s paperless movement.

2. Art and cultural events:

① Art exhibitions at Cathay United Art Center:

Cathay United Art Center supports local arts development and hosts exhibitions of different themes each year where Taiwanese artists are free to create. The art center relocated to a new address in Xinyi District at the end of the previous year. The new venue offers more than 300 square meters of floor space, thereby allowing visitors to approach and admire the beauty of art comfortably up close. While many exhibitions were postponed in 2020 due to the pandemic, Cathay United Art Center still organized 9 exhibitions of

varying themes including oil painting, calligraphy, and sculpture, and three “Elevated Tree Program – Philanthropist Artists Exhibitions” where artists were invited to donate artworks and raise money for charity. Using art as a trigger for charitable actions, the art center hopes to inspire kindness and beauty in everyone.

② “Art Talk Lectures” held at Cathay United Art Center:

Driven by the mission to promote art education, Cathay United Art Center had been hosting free sessions of “Art Talk Lecture” at night. The number of sessions organized this year was reduced to 3 due to the pandemic, and during these three sessions, Director Chun-Lan Liu of Taoyuan Museum of Fine Arts was invited to speak on “The Three Lessons of Visual Art.” Through these free seminars, the art center hoped to provide the public with the opportunity to learn about arts and attract more people to art and cultural exhibitions.

③ Charity auction of specially designed calendar:

In 2020, Cathay United Art Center created a calendar that comprised artworks of 10 artists, including Hsien-Fa Su. With this calendar, the art center hoped to bring art into people’s lives and promote a sense of joy and warm atmosphere. The art center also introduced merchandise such as albums and art pillows to go with its “Elevated Tree Program – Philanthropist Artists Exhibitions,” and donated all proceeds to education for socially disadvantaged students, thereby promoting the beauty of social goodness..

3. Sponsored events:

“83rd Tai-Yang Arts Exhibition” by Tai-Yang Art Association; “44th Oil Painting Competition and Exhibition” by Republic of China Oil Painting Association; 2020 “Graduation Trip to Chiaming Lake” by Padan Village Elementary School; “Down Town Walks” by Down Syndrome Foundation of the R.O.C.; financial aid to Bunun Cultural and Education Foundation, and thereby maintain park operations for tourism income and employment opportunities for the Bunun people; a “Mid-autumn Charity Auction” with UBS to mobilize acts of decency and generate income for charity organizations, during which members of Down Syndrome Foundation of the R.O.C. and Yu-cheng Social Welfare Foundation were invited; and also sponsored the operating expenses of Leshan Corretional Center.

4. Charity events co-sponsored with group affiliates:

The Bank participated in “Cathay Scholarship,” “Teach For Taiwan (TFT),” “New Immigrant Offspring After-school Care,” “Giving Winter Warmth” and “Eden Charity Auction.” and was involved in the preparation of Cathay Charity Group annual report.

IV. Number of full-time non-managerial employees, mean and median salary of full-time non-managerial employee, and differences from the previous year

Unit: persons/NT\$ thousand

Year	2019	2020	Difference
Number of full-time non-managerial employees	9,860	9,737	-123
Mean salary of full-time non-managerial employees	1,225	1,234	9
Median salary of full-time non-managerial employees	1,025	1,038	13

V. Information System

Overview of main IT equipment used by the Bank:

(I) Key information system setup and maintenance:

1. Host:

- (1) Core system hardware: models of IBM Power System E980, S922 and S822
- (2) Core system software: IBM AIX as the operating system, Oracle DB and IBM DB2 for database
- (3) Credit card system hardware: IBM 2965-N01
- (4) Software of credit card server: IBM Z/OS, CICS TS, VTAM/NCP
- (5) FX hardware: IBM Power System E980 and S922
- (6) FX software: IBM OS/400 and DB2/400

2. Open system Windows and Linux platform:

(1) Hardware:

- ① The open system Windows and Linux platform server runs on multi-core servers manufactured by IBM, HP, LENOVO and DELL etc.
- ② Storage: EMC, IBM and HDS (Hitachi Data Systems) storage.

(2) Software:

- ① OS: Windows Server, Red Hat Enterprise Linux
- ② Database: MSSQL DB, Oracle DB, Hadoop, IBM DB2, Teradata

(II) Future development or procurement plans:

1. Host and server:

- (1) Upgrade to Windows 2012 operating system Windows 2019
- (2) Consolidation and upgrade of MS SQL database
- (3) Disk drive expansion

2. Network

- (1) IT Center network capacity expansion
- (2) Enhancement to network monitoring system, improvement of network and telephone service

3. Terminals equipments

- (1) Introduction of client cloud virtualization
- (2) Distribution of laptop to mobile users by segment

4. Information security

- (1) Introduction of EDR terminal detection and response system
- (2) Upgrade of web application firewall (WAF).
- (3) Replacement of the intrusion prevention system (IPS)
- (4) Replacement of gateway data leakage protection system
- (5) Enhancement of overseas IT maintenance and security framework

5. Introduction of server room smart monitoring for business units bank-wide

- (1) Recommendations have been made to apply tier-based management for server rooms/server racks used by the Bank (including branches, overseas subsidiaries, overseas branches and offices), and to outline specific practices for internal compliance.
- (2) Planning and implementation of automated server rack monitoring.

(III) Emergency backup and security

1. Emergency disaster recovery Measures

(1) Host

Use EMC SRDF and IBM PPRC remote DR solution; through the high-speed optical fiber de-multiplexer and DWDM, disk drive synchronizes local transaction data to remote DR center to ensure there is no data inconsistency.

(2) Open system Windows and Linux platform host

Storage Area Network (SAN) is being used for key servers to ensure in-time remote data backup and prevent disruption of key processes of the Bank.

(3) Network

For Internet system's DR, important routers and exchangers adopt center Load-Balance approach for implementation and are connected to remote DR center via DWDM to ensure client's connection quality.

2. Safety protection measures

In terms of security protection, all external systems, application mainframes, terminal and network equipment are being guarded by a tiered information security protection system that incorporates measures such as: advanced network firewall, network system firewall, intrusion detection, APT protection etc. DDoS defense and ISP clean pipe service have also been adopted to protect against

malicious attacks. Combined with the use of intelligent and automated information security monitoring system, the Bank is able to effectively protect and monitor its systems and networks against threats. In addition, the Bank also inspect and evaluate the computer system security structure at all times, which comprehensively inspect information security, internet control system, anti-virus and anti-hacking, and recovery plan. We continue to conduct the corresponding information security defense strengthening mechanism under the principle of concurrently attending security and convenience in order to reduce the risks of data leaking and external malicious intrusion threats. We comprehensively and efficiently improve the computer and internet security to protect customer's transaction service quality.

VI. Industrial Relations

(I) Employee welfare, retirement system and implementation, employment negotiation and protection of employees' interest:

1. Employee benefit measures:

Apart from mandatory coverage such as Labor Insurance and National Health Insurance, the Bank also arranges term life insurance and accident insurance and offers dependent medical insurance and wedding/funeral/childbirth subsidies to give employees the ultimate peace of mind throughout their employment. In terms of skill improvement, the Bank subsidizes employees in various activities from professional certification, English proficiency exam to training courses. For the creation of friendly and healthy workplace, the Bank has arranged a series of programs including maternity protection, healthcare, mental counseling, massage service, club activities, travel subsidy, jogging and weight loss to achieve its goal.

2. Pension system:

The Bank has implemented its retirement system in accordance with the Labor Standards Act and Labor Pension Act. The Bank engages an actuary to make relevant calculations for its pension fund, and makes monthly contributions to the labor pension fund account. The pension fund is reported on a regular basis. Following the implementation of Labor Pension Act (i.e. New Pension Scheme) on July 1, 2005, the Bank has been making monthly contributions equal to 6% of monthly salary for employees whom the New Pension Scheme is applicable. These contributions are credited into the employees' personal accounts held with the Bureau of Labor Insurance.

3. Employment negotiation and protection of employees' interests:

The Bank convenes regular labor-management meetings as required by Labor Standards Act. These meetings provide the opportunity to communicate with employees on welfare measures or management systems, or discuss material issues concerning employment and labor regulations. They are intended to promote interaction and communication between the employer and employees so that actions can be taken to maximize mutual interest between staff and the Bank. In addition, the Bank uses communication channels such as new recruits seminar, regional meeting and the feedback system to gather employees' suggestions, convey core value, and thereby achieve the above. These communication channels not only

provide employees with broader means to express opinions, but also enable the Bank to respond more promptly to the needs of individual staff and help them adapt to changes within the organization.

In terms of employee protection measures, the Bank has developed work rules in accordance with the Labor Standards Act and implemented with the authority's approval. The work rules not only protect employees' basic work rights, but also emphasize on the protection of female employees, employees of indigenous origin, and employees with disabilities. The Bank has created an employee assistance hotline (extension 8885 for the Head Office) and mailbox (8885@cathaybk.com.tw) in accordance with Employee Assistance Hotline Establishment Guidelines. All matters raised through the above grievance channels are kept strictly confidential with informants' identities protected. The Bank has dedicated personnel available to assist employees on various issues from personnel policy, staff management, interpersonal relationship, career planning, overtime, leave of absence, opinion feedback to sexual harassment prevention and complaint. Together, they bridge communication between managers and employees within the organization.

Overall, the Bank complies with labor regulations of the home country, respects employees' right to express opinions and develops management policies based on the above principles. There are also transparent channels in place to promote employees' awareness and protect their rightful interest.

- (II) Losses as a result of labor inspection and employment disputes in the last year up till the publication date of annual report (including violations against Labor Standards Act found during a labor inspection; explain the date of penalty, reference number, the laws violated, the violating action, and the nature of penalty). Please quantify the estimated losses and state any response actions, and state reasons if losses cannot be reasonably estimated:

No loss was suffered in the last year due to employment dispute.

VII. Important contracts and commitments

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
The assignment of performing lending assets	Chong Hing Bank Limited	2020/1/8	Total amount US\$25,000,000	None
	Bank Sinopac Co., Ltd.	2020/1/17	Total amount US\$50,000,000	
	Taiwan Cooperative Bank Offshore Banking Branch	2020/1/20	Total amount EUR\$11,000,000	
	Yuantan Commercial Bank Co., Ltd. / Union Bank of Taiwan	2020/2/10	Total amount US\$25,000,000/ US\$17,000,000	

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
The assignment of performing lending assets	Industrial and Commercial Bank of China Hong Kong Branch	2020/2/17	Total amount US\$30,000,000	None
	Taishin International Bank Hong Kong Branch	2020/3/2	Total amount US\$20,000,000	
	E.Sun Commercial Bank, Ltd. Hong Kong Branch	2020/3/23	Total amount US\$24,189,189.19	
	Taishin International Bank	2020/3/23	Total amount US\$24,189,189.19	
	Hongkong and Shanghai Banking Corporation Limited	2020/6/29	Total amount US\$24,725,723.81	
	Bank Sinopac Co., Ltd.	2020/7/6	Total amount US\$10,947,420	
	Chailease Finance Co., Ltd	2020/9/22	Total amount NT\$300,000,000	
	Bank Of Panshin ,Co., Ltd.	2020/10/29	Total amount US\$10,000,000	
	Bank Of Panshin ,Co., Ltd.	2020/11/26	Total amount US\$10,000,000	
	Natixis	2020/12/23	Total amount US\$10,000,000	
Investment agreement	Chongqing Ant Consumer Finance Co., Ltd. (Tentatively named)	2020/3/11	1.Volume: 10% of the shareholdings 2.Total monetary amount: RMB\$ 800 Million 3.Subsequent relevant procedures will beundertaken upon the approvals by thecompetent authorities.	

VIII. Securitized commodities approved under Financial Asset Securitization Act or Clauses of the Real Estate Securitization Act in the last year.

None in 2020.

Six. Financial Status

I. Summary balance sheet and statement of comprehensive income for the last five years

(I) Summary consolidated balance sheet

Unit: NT\$ thousand

Item	Year	Financial information for recent years (Note 1)				
		2020	2019	2018	2017	2016
Cash and cash equivalents, due from the Central Bank and call loans to banks		200,511,415	163,943,090	172,080,779	191,122,312	135,225,335
Financial assets at fair value through profit or loss		324,043,978	298,874,753	250,685,216	311,985,059	199,317,591
Financial assets at fair value through other comprehensive income		336,097,816	324,130,110	200,572,902	-	-
Investment in debt instruments measured at amortized cost		501,728,143	444,934,985	421,022,506	-	-
Financial assets available for sale		-	-	-	148,480,669	156,153,959
Derivative financial assets for hedging		-	-	-	-	-
Securities purchased under resale agreements		27,142,475	14,295,350	44,612,132	87,483,656	38,139,919
Receivable - net		99,813,146	100,888,023	85,978,726	76,980,817	80,268,406
Current income tax assets		38,817	-	-	-	-
Assets held for sale - net		-	-	-	-	-
Discount and Loans - net		1,661,295,961	1,553,150,906	1,595,323,251	1,434,558,167	1,437,530,908
Held to maturity financial assets		-	-	-	34,345,085	47,938,864
Investments measured by the equity method - net		1,863,169	1,776,839	1,768,874	1,744,047	1,708,349
Assets subject to restriction		-	-	-	-	-
Other financial assets - net		364	909	1,271	388,288,869	397,478,381
Property and equipment - net		25,330,466	25,774,420	25,440,564	24,873,298	24,898,412
Right-of-use asset - net		4,257,544	4,226,097	-	-	-
Investment property - net		646,445	857,504	1,439,686	1,547,372	1,554,600
Intangible assets - net		8,139,303	8,153,189	8,020,939	7,785,984	7,821,006
Deferred tax assets - net		4,407,980	3,864,923	1,872,542	2,223,266	1,410,010
Other assets		34,143,238	28,625,256	35,061,248	24,285,305	37,222,811
Total assets		3,229,460,260	2,973,496,354	2,843,880,636	2,735,703,906	2,566,668,551
Due to the Central Bank and banks		66,131,059	84,108,128	81,432,233	90,417,859	77,493,795

Item	Year	Financial information for recent years (Note 1)				
		2020	2019	2018	2017	2016
Fund borrowed from the Central Bank and other banks		1,076,000	-	-	-	-
Financial liabilities at fair value through profit or loss		115,614,629	106,770,939	103,407,778	87,407,651	88,136,984
Derivative financial liabilities for hedging		-	-	-	-	-
RP bill and bond liabilities		10,092,058	48,180,452	55,974,509	109,941,425	56,752,751
Payables		24,609,128	26,864,803	24,912,970	23,457,177	24,001,845
Current income tax liabilities		286,330	395,561	184,817	439,896	294,602
Liabilities directly related to assets pending for sale		-	-	-	-	-
Deposit and remittances		2,648,995,024	2,335,331,108	2,227,661,690	2,098,367,963	2,032,599,788
Financial debentures payable		53,800,000	53,900,000	55,600,000	63,350,000	51,900,000
Special stock liabilities		-	-	-	-	-
Other financial liabilities		39,748,324	65,604,222	76,509,334	66,057,646	61,566,809
Provisions		3,845,796	3,698,353	3,421,427	3,187,664	3,053,964
Lease liability		4,293,299	4,246,381	-	-	-
Deferred income tax liabilities		3,464,973	3,250,712	1,657,768	1,712,831	1,611,210
Other liabilities		10,848,019	9,250,515	7,311,083	9,056,227	9,288,867
Total Liabilities	Before distribution	2,982,804,639	2,741,601,174	2,638,073,609	2,553,396,339	2,406,700,615
	After distribution	(Note 3)	2,751,601,174	2,648,073,609	2,553,396,339	2,417,515,587
Equity attributable to owners of parent company		242,296,872	227,485,604	201,765,546	178,463,478	156,090,779
Capital stock	Before distribution	106,985,830	101,658,353	91,197,623	78,604,060	72,099,815
	After distribution	(Note 3)	106,985,830	96,658,353	91,197,623	73,247,631
Capital surplus		38,687,276	38,687,276	33,610,983	33,610,983	23,969,412
Retained earnings	Before distribution	88,733,278	81,794,948	75,580,519	67,103,367	59,763,752
	After distribution	(Note 3)	66,467,471	60,119,789	54,509,804	47,800,964
Other equities		7,890,488	5,345,027	1,376,421	(854,932)	257,800
Treasury stock		-	-	-	-	-
Non-controlled interests		4,358,749	4,409,576	4,041,481	3,844,089	3,877,157
Total equity	Before distribution	246,655,621	231,895,180	205,807,027	182,307,567	159,967,936
	After distribution	(Note 3)	221,895,180	195,807,027	182,307,567	149,152,964

Note 1: All financial information between 2016 and 2020 has been audited; no auditor-reviewed or audited financial information was available for 2021 as of the publication date of annual report.

Note 2: The Company did not conduct any revaluation of assets in 2016 to 2020.

Note 3: Post-dividend figures for 2020 were not specified as the Bank has yet to convene its shareholder meeting.

(II) Summary consolidated statement of comprehensive income

Unit: NT\$ thousand

Item	Year	Financial information for recent years (Note 1)				
		2020	2019	2018	2017	2016
Interest income		50,092,601	58,126,269	53,787,868	46,240,981	40,722,609
Less: Interest expenses		(14,869,483)	(21,680,489)	(20,390,612)	(16,540,184)	(14,812,568)
Net interest income		35,223,118	36,445,780	33,397,256	29,700,797	25,910,041
Net revenue other than interest		26,668,227	26,680,068	27,457,788	25,520,973	25,244,080
Net revenue		61,891,345	63,125,848	60,855,044	55,221,770	51,154,121
Bad debt expenses , commitment and guarantee liability provision		(3,382,467)	(2,852,780)	(5,031,541)	(3,494,144)	(4,455,361)
Operating expenses		(32,685,892)	(33,805,682)	(31,340,148)	(29,301,447)	(26,958,742)
Profit before income tax from continuing operations		25,822,986	26,467,386	24,483,355	22,426,179	19,740,018
Income tax (expense) benefit		(3,511,682)	(3,980,972)	(3,230,004)	(2,762,573)	(2,228,758)
Net profit this term of the units in continued business operation		22,311,304	22,486,414	21,253,351	19,663,606	17,511,260
Profit (loss) of the unit discontinued from business operation		-	-	-	-	-
Net profit (net loss) this term		22,311,304	22,486,414	21,253,351	19,663,606	17,511,260
Other comprehensive income (loss) (net amount after tax)		2,895,709	3,918,860	(671,291)	(1,283,203)	(3,793,150)
Total comprehensive income (loss)		25,207,013	26,405,274	20,582,060	18,380,403	13,718,110
Net profit attributable to the owner of parent company		21,853,667	21,822,653	21,020,332	19,302,403	17,211,700
Net profit belonging to non-controlling equity		457,637	663,761	233,019	361,203	299,560
Total amount of comprehensive profit (loss) attributable to the owner of parent company		24,811,268	25,643,765	20,103,126	18,189,671	13,504,825
Total amount of comprehensive profit (loss) belonging to non-controlling equity		395,745	761,509	478,934	190,732	213,285
Earnings Per Share		2.04	2.14	2.17	2.17	2.35

Note 1: All financial statements between 2016 and 2020 have been audited; no auditor-reviewed or audited financial information was available for 2021 as of the publication date of annual report.

Note 2: Business units whose operations have been discontinued are disclosed with their net amounts after income tax.

(III) Summary standalone balance sheet

Unit: NT\$ thousand

Item	Year	Financial information for recent years (Note 1)				
		2020	2019	2018	2017	2016
Cash and cash equivalents, due from the Central Bank and call loans to banks		189,474,475	159,935,997	169,358,457	180,202,438	124,793,752
Financial assets at fair value through profit or loss		320,798,792	294,191,635	246,407,565	309,972,777	196,166,871
Financial assets at fair value through other comprehensive income		304,618,288	293,510,005	180,253,805	-	-
Investment in debt instruments measured at amortized cost		501,266,786	443,835,161	419,828,413	-	-
Financial assets available for sale		-	-	-	142,212,975	151,932,723
Derivative financial assets for hedging		-	-	-	-	-
Securities purchased under resale agreements		18,338,416	9,780,448	40,462,461	85,388,175	36,466,540
Receivable - net		96,694,198	99,115,885	85,277,180	76,953,234	79,273,844
Current income tax assets		-	-	-	-	-
Assets held for sale - net		-	-	-	-	-
Discount and Loans - net		1,593,426,912	1,487,889,877	1,533,747,366	1,399,567,004	1,403,835,506
Held to maturity financial assets		-	-	-	31,853,543	42,894,957
Investments measured by equity method - net		25,777,352	25,617,511	25,501,114	9,017,435	7,877,956
Assets subject to restriction		-	-	-	-	-
Other financial assets - net		364	909	1,271	388,288,869	397,478,381
Property and equipment - net		24,174,666	24,554,606	24,755,100	24,262,267	24,208,305
Right-of-use asset - net		3,697,989	3,717,597	-	-	-
Investment properties - net		646,445	857,504	1,439,686	1,547,372	1,554,600
Intangible assets - net		7,635,738	7,628,450	7,509,044	7,398,865	7,413,407
Deferred tax assets - net		4,371,750	3,860,039	1,861,573	2,223,266	1,410,010
Other assets		30,472,784	28,401,262	34,418,482	23,704,316	36,538,491
Total assets		3,124,394,955	2,882,896,886	2,770,821,517	2,682,592,536	2,511,845,343
Due to the Central Bank and other banks		63,383,248	70,709,191	67,728,200	84,375,047	67,298,569
Fund borrowed from the Central Bank and other banks		1,076,000	-	-	-	-
Financial liabilities at fair value through profit or loss		114,386,759	106,531,886	102,960,537	87,305,126	88,060,416

Item	Year	Financial information for recent years (Note 1)				
		2020	2019	2018	2017	2016
Derivative financial liabilities for hedging		-	-	-	-	-
RP bill and bond liabilities		10,092,058	43,710,339	55,974,509	109,941,425	56,752,751
Payables		22,325,212	23,858,296	23,816,109	22,794,360	22,183,733
Current income tax liabilities		189,195	241,436	87,061	408,947	269,766
Liabilities directly related to assets pending for sale		-	-	-	-	-
Deposit and remittances		2,559,958,727	2,276,606,769	2,174,157,863	2,056,168,811	1,993,999,765
Bonds payable		53,800,000	53,900,000	55,600,000	63,350,000	51,900,000
Special stock liabilities		-	-	-	-	-
Other financial liabilities		35,331,092	60,218,085	76,509,334	66,057,646	61,566,809
Provisions		3,766,162	3,682,517	3,389,976	3,187,664	3,053,964
Lease liability		3,719,319	3,739,711	-	-	-
Deferred tax liabilities		3,330,151	3,046,972	1,645,038	1,580,152	1,552,030
Other liabilities		10,740,160	9,166,080	7,187,344	8,959,880	9,116,761
Total Liabilities	Before distribution	2,882,098,083	2,655,411,282	2,569,055,971	2,504,129,058	2,355,754,564
	After distribution	(Note 3)	2,665,411,282	2,579,055,971	2,504,129,058	2,366,569,536
Capital stock	Before distribution	106,985,830	101,658,353	91,197,623	78,604,060	72,099,815
	After distribution	(Note 3)	106,985,830	96,658,353	91,197,623	73,247,631
Capital surplus		38,687,276	38,687,276	33,610,983	33,610,983	23,969,412
Retained earnings	Before distribution	88,733,278	81,794,948	75,580,519	67,103,367	59,763,752
	After distribution	(Note 3)	66,467,471	60,119,789	54,509,804	47,800,964
Other equities		7,890,488	5,345,027	1,376,421	(854,932)	257,800
Treasury stock		-	-	-	-	-
Total equity	Before distribution	242,296,872	227,485,604	201,765,546	178,463,478	156,090,779
	After distribution	(Note 3)	217,485,604	191,765,546	178,463,478	145,275,807

Note 1: All financial information between 2016 and 2020 has been audited; no auditor-reviewed or audited financial information was available for 2021 as of the publication date of annual report.

Note 2: The Company did not conduct any revaluation of assets in 2016 to 2020.

Note 3: Post-dividend figures for 2020 were not specified as the Bank has yet to convene its shareholder meeting.

(IV) Summary standalone statement of comprehensive income

Unit: NT\$ thousand

Item	Year	Financial information for recent years (Note 1)				
		2020	2019	2018	2017	2016
Interest income		43,507,190	51,391,239	49,156,871	42,724,485	37,666,600
Less: Interest expenses		(11,398,019)	(18,742,159)	(18,330,503)	(15,037,732)	(13,558,911)
Net interest revenue		32,109,171	32,649,080	30,826,368	27,686,753	24,107,689
Net revenue other than interest		26,559,968	27,464,942	27,659,677	25,268,099	25,395,260
Net revenue		58,669,139	60,114,022	58,486,045	52,954,852	49,502,949
Bad debt expenses commitment and guarantee liability provision		(2,900,505)	(2,871,227)	(4,341,281)	(2,729,328)	(4,069,204)
Operating expenses		(30,746,967)	(31,940,142)	(30,118,732)	(28,399,121)	(26,166,045)
Net profit this term of the units in continued business operations		25,021,667	25,302,653	24,026,032	21,826,403	19,267,700
Income tax (expense) benefit		(3,168,000)	(3,480,000)	(3,005,700)	(2,524,000)	(2,056,000)
Net profit this term of the units in continued business operation		21,853,667	21,822,653	21,020,332	19,302,403	17,211,700
Profit (loss) of the unit discontinued from business operation		-	-	-	-	-
Net profit (net loss) this term		21,853,667	21,822,653	21,020,332	19,302,403	17,211,700
Other comprehensive income (loss) (net amount after tax)		2,957,601	3,821,112	(917,206)	(1,112,732)	(3,706,875)
Total comprehensive income (loss)		24,811,268	25,643,765	20,103,126	18,189,671	13,504,825
Earnings Per Share		2.04	2.14	2.17	2.17	2.35

Note 1: All financial statements between 2016 and 2020 have been audited; no auditor-reviewed or audited financial information was available for 2021 as of the publication date of annual report.

Note 2: Business units whose operations have been discontinued are disclosed with their net amounts after income tax.

II. Financial analysis for the most recent five years

Unit: %, NT\$ thousand

Analysis Item (Note 3)		Financial analysis for the most recent years									
		2020		2019		2018		2017		2016	
		Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Operational ability	Deposit to loan ratio (%)	62.93	62.47	66.58	65.52	71.34	70.66	68.42	68.33	70.62	70.63
	NPL ratio (%)	0.14	0.14	0.15	0.15	0.16	0.16	0.21	0.21	0.15	0.15
	Interest expense as a % of yearly average deposit balance	0.50	0.39	0.74	0.64	0.69	0.61	0.60	0.54	0.59	0.55
	Interest revenue as a % of yearly average loan balance	2.19	1.98	2.51	2.28	2.44	2.28	2.19	2.05	2.18	2.05
	Total assets turnover (times)	2.00	1.95	2.17	2.13	2.18	2.14	2.08	2.04	2.07	2.04
	Average revenues per employee	5,096	5,592	5,203	5,704	4,987	5,458	4,738	5,058	4,572	4,925
	Average earnings per employee	1,837	2,083	1,835	2,071	1,742	1,962	1,687	1,844	1,565	1,712
Profitability	Return on tier 1 capital (%)	10.94	11.24	12.18	12.38	12.44	12.76	12.78	12.73	12.10	12.08
	ROA (%)	0.72	0.73	0.77	0.77	0.76	0.77	0.74	0.74	0.71	0.71
	ROE (%)	9.32	9.30	10.27	10.17	10.86	10.96	11.49	11.54	11.06	11.14
	Net profit margin (%)	36.05	37.25	35.62	36.30	34.92	35.94	35.61	36.45	34.23	34.77
	Earnings Per Share (NTD)	2.04	2.04	2.14	2.14	2.30	2.30	2.53	2.53	2.35	2.35
Financial structure	Liabilities to total assets ratio (%)	92.36	92.24	92.20	92.11	92.76	92.72	93.34	93.35	93.77	93.79
	Property, plant, and equipment as a percentage of shareholders' equity	10.27	9.98	11.11	10.79	12.36	12.27	13.64	13.60	15.56	15.51
Growth rate (%)	Asset growth rate (%)	8.61	8.38	4.56	4.04	3.95	3.29	6.59	6.80	7.69	7.22
	Profitability growth rate (%)	-2.43	-1.11	8.10	5.31	9.17	10.08	13.61	13.28	-7.23	-8.31
Cash flows	Cash flow ratio (%)	27.32	23.79	-18.29	-21.26	-16.78	-10.81	25.81	26.01	-13.19	-14.62
	Net cash flow adequacy rate (%)	28.11	33.88	-246.17	-237.41	48.33	95.13	298.83	312.92	31.51	160.61
	Cash flow coverage ratio (%)	-23,845.86	12,518.83	-681.20	-644.39	-514.39	134.36	926.46	1,054.54	-544.13	-547.34
Liquidity reserve ratio		38.56	38.56	36.59	36.59	34.22	34.22	31.88	31.88	38.39	38.39
Outstanding secured loans to stakeholders		8,949,207	8,949,207	7,738,185	7,738,185	7,374,185	7,374,185	6,975,529	6,975,529	6,604,829	6,604,829

Outstanding secured loans to stakeholders as a percentage of total loan balance		0.54	0.54	0.51	0.51	0.47	0.47	0.49	0.49	0.46	0.46
Scale of operation	Market share of asset (%)	4.52	4.37	4.46	4.32	4.43	4.32	4.43	4.34	4.32	4.22
	Market share of net worth (%)	5.15	5.06	5.04	4.94	4.83	4.74	4.54	4.45	4.16	4.06
	Market share of deposits	5.53	5.35	5.35	5.20	5.33	5.18	5.02	5.04	5.14	5.06
	Market share of loans	5.45	5.22	5.45	5.22	5.85	5.63	5.41	5.57	5.80	5.77

Specify the reasons that caused the changes in the financial ratios in the last 2 years. (Analysis is not required for changes of less than 20%)

Standalone

1. [Asset growth rate] increased: Mainly attributed to a NT\$105.5 billion increase (about 7.09%) in “Discounts and loans” as of the end of 2020.
2. [Profit growth rate] decreased: Mainly attributed to a NT\$1.5 billion increase (about 32.84%) in “Loan loss expense and guarantee liability provision” in 2020 compared to 2019, which reduced net profit before tax.
3. [Cash flow ratio], [cash flow adequacy ratio], and [cash flow coverage ratio] decreased: Due to negative growth in net cash inflow (outflow) from operating activities in 2020 compared to 2019.

Consolidated:

1. [Interest expense as a % of yearly average deposit balance] decreased: Mainly due to a reduction in the market interest rate combined with a NT\$184.691 billion increase (about 8%) in deposit balance in 2020.
2. [Asset growth rate] increased: Mainly attributed to a NT\$108.1 billion increase (about 6.96%) in “Discounts and loans” as of the end of 2020.
3. [Profit growth rate] decreased: Mainly attributed to a NT\$2.7 billion increase in “Loan loss expense and guarantee liability provision” in 2020 compared to 2019, which reduced net profit before tax.
4. [Cash flow ratio], [cash flow adequacy ratio], and [cash flow coverage ratio] decreased: Due to negative growth in net cash inflow (outflow) from operating activities in 2020 compared to 2019.

* Companies that prepare standalone financial statements are also required to provide financial analysis on a standalone basis.

* Companies that prepare IFRS-compliant financial information for less than 5 years are also required to complete Table (2) below and report financial information using financial accounting standards of the R.O.C.

Note 1: Data from 2016 to 2020 have been audited and certified by the independent auditors.

Note 2: As of the publication date of this annual report, no financial information of 2021 had been audited or reviewed by CPAs.

Note 3: Formulas of various analyses are defined below:

1. Operational ability
 - (1) Deposit to loan ratio = total loan / total deposit
 - (2) NPL ratio = total non-performing loan / total loan
 - (3) Interest expense as a % of yearly average deposit balance = total interest expense on deposits / yearly average deposit balance
 - (4) Interest revenue as a % of yearly average loan balance = total interest revenue from loans / yearly average loan balance
 - (5) Total assets turnover = net profit/average total assets
 - (6) Revenues per employee (Note 7) = net revenue / total employees
 - (7) Average earnings per employee = corporate earnings / total number of employees
2. Profitability
 - (1) Return on tier 1 capital = profit before tax / average tier 1 capital.
 - (2) Return on assets = after-tax profit / average total assets.
 - (3) Return on equity = after-tax profit / average total shareholders' equity.
 - (4) Net profit margin = corporate earnings/net income

- (5) Earnings per share (EPS) = (attributable to shareholders' equity of the parent – preferred stock dividends) / weighed average quantity of outstanding shares. (Note 5)
3. Financial structure
 - (1) Debt to asset ratio = total liabilities / total assets.
 - (2) Property, plant, and equipment to equity ratio = net property, plant and equipment / net shareholders' equity.
 4. Growth rate (%)
 - (1) Asset growth rate = (total assets in current year – total assets in previous year) / total assets in previous year.
 - (2) Profitability growth rate = (earnings before taxation in current year – earnings before taxation in previous year) / earnings before taxation in previous year.
 5. Cash flows (Note 8)
 - (1) Cash flow ratio = net cash flow from operating activities / (interbank borrowing and overdraft + commercial papers payable + financial liability at fair value through income statement + RP bill and bond liabilities + accruals payable within one year).
 - (2) Net cash flow adequacy ratio = net cash flows from operating activities in the last five years / (capital expenditure + cash dividend) in the last five years.
 - (3) Cash flow coverage ratio = net cash flow from operation / net cash flow from investment.
 6. Liquidity reserve ratio = liquid assets mandated by The Central Bank / mandatory liquidity reserves.
 7. Scale of operation
 - (1) Market share of assets = total assets / total assets of all financial institutions eligible to perform deposit and loan related activities (Note 6)
 - (2) Market share of net worth = net worth / total net worth of all financial institutions eligible to perform deposit and loan related activities
 - (3) Market share of deposits = total deposit / total deposit of all financial institutions eligible to perform deposit and loan related activities
 - (4) Market share of loans = total loan / total loan of all financial institutions eligible to perform deposit and loan related activities

Note 4: Total liabilities are net of provisions for guarantees and accidental losses.

Note 5: Attention to the following is required when the aforementioned equations for the calculation of EPS are applied to assessment:

1. The weighted average quantity of outstanding common shares shall be used as the standard, not the quantity of outstanding shares at the end of the year.
2. In case of raising capital through issuing new shares or transactions of treasury stocks, calculate also the weighted average quantity of outstanding shares in the period of circulation.
3. In case of capitalization of retained earnings or capitalization of capital surplus into new shares, adjustment shall be made in retrospect to the size of capitalization for each instance when calculating the earnings per shares annually or semi-annually. The time of issuance can be neglected.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend declared in current period (whether paid or unpaid) shall be deducted from corporate earnings or as addition to earnings after taxation.
5. If the accumulated preferred shares are not accumulative in nature, dividend for preferred shares shall be deducted from corporate earnings, if any. In case of loss, no adjustment shall be made.

Note 6: Financial institutions eligible to perform deposit and loan-related activities include local banks, Taiwanese branches of Mainland banks, Taiwanese branches of foreign banks, credit cooperative associations, and credit departments of farmers / fishermen associations.

Note 7: Revenue refers to the sum of interest and non-interest revenues.

Note 8: The cash flow analysis takes into account the following:

1. Net cash flow from operating activities is taken from the amount of net cash flow from operating activities presented in the cash flow statement.
2. Capital expenditure refers to the amount of annual cash outflow for capital investments.
3. Cash dividends include cash dividends to both common shares and preferred shares.
4. Gross property, plant, and equipment refers to the amount before deducting accumulated depreciation.

Capital adequacy ratio

Unit: NT\$ thousand

Analysis Item			Year	Capital adequacy ratio for the most recent year									
				2020		2019		2018		2017		2016	
				Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Capital	Common share equity		212,526,568	204,572,808	193,317,039	186,226,591	173,805,139	166,969,563	151,860,690	149,392,107	145,012,403	142,855,418	
	Tier 1 non-common share equity		33,205,553	27,227,007	33,059,261	27,099,093	34,304,206	28,371,343	33,690,073	31,871,917	20,424,620	18,882,425	
	Tier 2 capital		58,452,827	45,000,995	61,447,606	48,554,797	64,789,659	51,801,638	68,268,776	64,210,868	55,891,566	52,872,412	
	Capital		304,184,948	276,800,810	287,823,906	261,880,481	272,899,004	247,142,544	253,819,539	245,474,892	221,328,589	214,610,255	
Risk weighted assets	Credit Risk	Standardized approach	1,513,501,089	1,393,921,824	1,546,548,347	1,458,022,891	1,525,409,836	1,445,220,093	1,373,772,064	1,315,254,831	1,390,674,252	1,333,208,675	
		Internal ratings based approach	0	0	-	-	-	-	-	-	-	-	
		Asset securitization	16,503,042	16,503,042	22,228,869	22,228,869	20,415,153	20,415,153	10,723,549	10,723,549	14,450,816	14,450,816	
	Operation Risk	Basic indicator approach	0	0	-	-	-	-	-	-	-	-	
		Standardized approach/ alternative standardized approach	123,362,753	116,505,060	97,006,726	92,046,240	90,566,602	86,475,368	83,373,850	80,117,028	80,755,109	78,301,308	
		Advanced measurement approach	0	0	-	-	-	-	-	-	-	-	
	Market Risk	Standardized approach	115,077,114	110,110,960	171,196,678	162,655,085	104,686,276	96,881,010	140,437,191	138,476,930	89,365,378	86,019,841	
		Internal model approach	0	0	-	-	-	-	-	-	-	-	
	Total risk weighted assets		1,768,443,998	1,637,040,886	1,836,980,620	1,734,953,085	1,741,077,867	1,648,991,624	1,608,306,654	1,544,572,338	1,575,245,555	1,511,980,640	
Capital adequacy ratio			17.20%	16.91%	15.67%	15.09%	15.67%	14.99%	15.78%	15.89%	14.05%	14.19%	
Tier 1 capital as a % of risky assets			13.90%	14.16%	12.32%	12.30%	11.95%	11.85%	11.54%	11.74%	10.50%	10.70%	
Common share equity as a % of risky assets			12.02%	12.50%	10.52%	10.73%	9.98%	10.13%	9.44%	9.67%	9.21%	9.45%	
Leverage ratio (Note 5)			7.14%	7.00%	7.18%	7.01%	6.81%	6.59%	6.27%	6.25%	5.99%	5.99%	
Reasons for changes in capital adequacy in the last two years. (Analysis is not required for changes of less than 20%)													
Standalone and Consolidated													
[Asset securitization] decreased: Mainly attributed to decreased positions of securitized and re-securitized assets.													
[Operational risk – standardized approach] increased: Mainly attributed to higher required capital for operational risk that FSC has imposed as a penalty for misconduct involving the Bank’s financial advisor.													
[Market risk – standardized approach] decreased: Mainly attributed to lower RWA from general market risk of interest rate and interest rate options calculated using the simplified approach. The Bank adopted the swap transaction advanced approach and the Swaption Delta Plus approach in 2020, which resulted in a lower amount of RWA being calculated using the simplified approach on general market risk of interest rates and interest rate options compared to 2019.													

- Note:
- All financial information from 2016 to 2020 has been verified by CPA.
 - Capital, risk-weighted assets and total risk exposure shown in this table have been calculated according to "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Calculation Explanation and Form for Bank Regulatory Capital and Risk-Weighted Assets."
 - Below are the formulas used for the calculations in this table:
 - Capital = common share equity + Tier 1 non-common share equity + Tier 2 capital.
 - Total risk weighted assets = credit risk weighted assets + required capital for (operational risk + market risk) × 12.5.
 - Capital adequacy ratio = capital / total risk weighted assets.
 - Tier 1 capital as a % of risk-weighted assets = (common share equity + other tier 1 capital that is not common share equity) / total risk-weighted assets.
 - Common share equity as a % of risk-weighted assets = common share equity / total risk-weighted assets.
 - Leverage ratio = net tier 1 capital / total risk exposure.
 - TWSE and TPEx-listed companies are also required to disclose financial information up to the quarter immediately preceding the publication date of annual report, and specify whether the financial information has been audited, auditor-reviewed, or neither.

III. Supervisors' Review Report

Supervisors' Review Report

We have reviewed the Bank's 2020 business report, consolidated financial statements (including standalone financial statements), and earnings appropriation proposal (for the period January 1 to December 31, 2020) compiled by the board of directors, and found no misstatements. We hereby issue this report in accordance with Article 219 of The Company Act for the readers' reference.

For

Cathay United Bank Co., Ltd.

Resident Supervisor: Yiao-Chiun Lai

March 10, 2021

Supervisors' Review Report

We have reviewed the Bank's 2020 business report, consolidated financial statements (including standalone financial statements), and earnings appropriation proposal (for the period January 1 to December 31, 2020) compiled by the board of directors, and found no misstatements. We hereby issue this report in accordance with Article 219 of The Company Act for the readers' reference.

For

Cathay United Bank Co., Ltd.

Supervisor: Chin-Hua Chiu

March 10, 2021

IV. Latest financial statements

See Attachment IV.

V. Latest audited standalone financial statements of the Bank

See Attachment V.

VI. Financial distress encountered by the Bank and affiliated enterprises in the last year up to the publication of the annual report, and impact on financial position if any:

None.

Seven. Review of financial position, business performance and risk issues

I. Analysis of Financial Status

Comparative analysis of financial position

Unit: NT\$ thousand

Item \ Year	2020	2019	Difference	
			Amount	Percentage (%)
Total assets	3,229,460,260	2,973,496,354	255,963,906	8.61%
Total liabilities	2,982,804,639	2,741,601,174	241,203,465	8.80%
Total shareholders' equity	246,655,621	231,895,180	14,760,441	6.37%

II. Analysis of Financial Performance

Unit: NT\$ thousand

Item \ Year	2020	2019	Change in amount	Variation (%)
Interest income	\$50,092,601	\$ 58,126,269	(\$8,033,668)	-13.82%
Interest expenses	(14,869,483)	(21,680,489)	6,811,006	-31.42%
Net interest revenue	35,223,118	36,445,780	(1,222,662)	-3.35%
Net revenue other than interest	26,668,227	26,680,068	(11,841)	-0.04%
Net revenue	61,891,345	63,125,848	(1,234,503)	-1.96%
Bad debts expense	(3,382,467)	(2,852,780)	(529,687)	18.57%
Operating expenses	(32,685,892)	(33,805,682)	1,119,790	-3.31%
Profit before income tax from continuing operations	25,822,986	26,467,386	(644,400)	-2.43%
Income tax expense	(3,511,682)	(3,980,972)	469,290	-11.79%
Net income from continuing operations	22,311,304	22,486,414	(175,110)	-0.78%
Net profit	\$22,311,304	\$ 22,486,414	(\$175,110)	-0.78%

III. Cash flows

1. Cash flow liquidity analysis for the last 2 years:

Item \ Year	2020	2019	Increase/decrease
Cash flow ratio (%)	27.32%	-18.29%	-249.37%
Net cash flow adequacy rate (%)	28.11%	-246.17%	-111.42%
Cash flow coverage ratio (%)	-23,845.86%	-681.20%	3,400.57%

2. Cash flow analysis of the year ahead:

Unit: NT\$ thousand

Cash balance at beginning ①	Projected net cash flow from operating activities in current period ②	Projected cash outflow in current period ③	Projected amount of cash surplus (deficit) ① + ② - ③	Remedy for cash deficit	
				Investment plan	Financing plan
140,544,781	14,149,919	39,505,762	115,188,939	-	-

IV. Major capital expenditures in the most recent year

None.

V. The investment Strategy in the most recent year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

The Bank has long been investing into financial and non-financial businesses in accordance with Article 74 of the Banking Act with the authority's approval, both out of business requirement and in support of the government's economic development plans. All investments into new businesses are assessed and licensed or approved according to internal or external procedures before proceeding.

Compliance, policy, and planning of investment projects are carried out in accordance with the Bank's business strategies and guidelines of the financial group. Since all investments are held long-term for dividend, fixed income and business growth, the Bank will continue monitoring performance and financial position and exercise proper supervision and management over its invested businesses.

VI. Risk management

(I) Qualitative and quantitative risk information by categories:

1. Credit risk management system and capital requirements.

Credit risk refers to the risk of counterparties (including businesses, individuals and financial institutions) becoming unable to fulfill contractual obligations, which includes credit risks arising from credit service, investment activities, financial products, and contracts.

Credit risk management system

2020

Item	Details
1. Credit risk strategies, goals, policies and procedures	(1) Strategies: Develop and maintain effective credit risk identification, measurement, assessment and monitoring systems in compliance with internal and external regulations, and execute in a manner that complements the Bank's business strategies. (2) Goals: Measure and control credit risks associated with business activities, and aim to maximize risk-adjusted profit and shareholders' value under tolerable risks. (3) Policy: The Bank adopts a credit risk management system that divides responsibilities among departments. The Bank develops organization-wide risk management culture and incorporates it into daily operations. Through dynamic analysis, the Bank constantly assesses risks and undertakes response measures to optimize asset quality while ensuring the integrity of its capital structure. (4) Procedures: The Bank complies with business-related regulations and implementation rules, and implements levels of approval authority to assess and review incoming cases for rigorous control of asset quality prior to lending. Through credit review and credit reporting, the Bank monitors credit conduct of its borrowers or counterparties over the period of loan or investment, and undertakes response measures at times deemed appropriate. Debt security measures are undertaken as soon as possible in the event of the borrower's or counterparty's default/overdue.
2. Credit risk management framework and organization	The board of directors is the ultimate decision maker for the Bank's credit risk strategies and major risk policies. The Bank has independent and specialized departments and functional teams to oversee management, planning, execution and control of credit risks associated with credit, investment and financial products.
3. Scope and features of credit risk reports and assessment systems	The credit risk reporting and assessment system covers credit approval procedures, limit management, credit rating, collateral information, regular credit review, and NPL management. In addition to making ongoing improvements to risk quantification technologies and risk assessment models, the Bank also refines its stress testing methodology for better control of asset quality, and takes precautionary measures as deemed necessary.

Item	Details
4. Credit risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	Borrowers and counterparties are regularly analyzed for credit risk profile and severity of losses in order to determine appropriate measures for risk avoidance or mitigation, including: rejection of service, conditional service, collateral or credit guarantee. With the help of systems such as interim credit review and collateral management, the Bank is able to monitor all types of mitigation tools used in business.
5. Methods for calculating capital requirements	Standardized approach

Exposure and accrued capital charge upon risk reduction under credit risk standardized approach

December 31, 2020; Unit: NT\$ thousand

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Accrued capital charge (Note)
Sovereigns	676,888,010	1,069,900
Non Central -Government Public Sector Entities	14,603,823	233,661
Banks (Multilateral Development Banks included)	251,841,619	8,796,062
Corporates(Securities firms and insurance companies included)	395,125,069	28,280,780
Retailed credit	213,048,068	12,431,432
Real estate exposure	1,148,215,329	53,221,480
Equity-securities investment	9,393,911	751,513
Investment in equity securities of mutual funds and venture capital investments	933,930	933,930
Other assets	73,767,946	4,843,581
Total	2,783,817,705	110,562,339

2. Policies, exposures, and capital requirements relating to securitized assets

The Bank invests into securitized assets, but does not serve as originator of any securitized asset. The Bank has “Fund Operation Authorization Guidelines, Cathay United Bank” in place to regulate application and authorization of investment limits for securitized assets. The Bank also has “Cathay United Bank Market Risk Limit Management Guidelines” in place to monitor securitized asset investments, manage market risks and guide calculation of required capital using the standard approach.

Asset securitization risk management system

2020

Item	Details
1. Management strategies and procedures relating to asset securitization	(1) The Bank invests into securitized assets, but does not serve as originator of any securitized asset. (2) The Bank has “Fund Operation Authorization Guidelines, Cathay United Bank” in place to regulate application and authorization of investment limits for securitized assets. (3) The Bank also has “Market Risk Limits Management Rules, Cathay United Bank” in place to monitor securitized asset investments and manage market risks.
2. Management framework and organization for securitized instruments	The Bank currently does not serve as originator; risks associated with securitized asset investments are managed by the parties and under the framework described below: (1) Board of directors (managing directors): Approves and supervises investment policies within the Bank. (2) Sales units: Responsible for execution of securitized asset transactions and post-investment management. (3) Market Risk Management Department: Consolidates information and monitors securitized asset investments throughout the Bank, and presents reports regularly to senior managers.
3. Scope and features of asset securitization risk reports and assessment system	The Market Risk Management Department makes daily reports to senior managers on changes such as holding position, valuation and limits. Reports are also made to the Risk Management Committee and board of directors on a regular basis.
4. Risk avoidance or mitigation policies relating to asset securitization, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	The Bank currently does not serve as originator for any securitized asset, and does not hedge its securitized asset exposures.
5. Methods for calculating capital requirements	Standardized approach

Involvement in asset securitization

December 31, 2020

Tranche	Total sum issued	Outstanding balance	Balance bought back
—	—	—	—

Risk exposure and capital requirements relating to asset securitization - by transaction type

December 31, 2020

Unit: NT\$ thousand

Bank's role \ Exposure category \ Book category		Asset category	Traditional					Umbrella		Total		
			Amount of exposure				Accrued capital charge (2)	Amount of exposure	Accrued capital charge (4)	Amount of exposure (5)=(1)+(3)	Accrued capital charge (6)=(2)+(4)	Required capital before securitization
			Retained or acquired	Liquidity facility	Credit enhancement	Subtotal (1)		Retained or acquired (3)				
Non-originating bank	Banking book	Mortgage-backed security	43,269,168			43,269,168	1,179,846			43,269,168	1,179,846	
		Commercial mortgage-backed securities (CMBS)	2,617,024			2,617,024	83,745			2,617,024	83,745	
		Leases and accounts receivable	708,153			708,153	56,652			708,153	56,652	
	Trading book								0	0		
									0	0		
	Subtotal		46,594,345			46,594,345	1,320,243			46,594,345	1,320,243	
Originating bank	Banking book	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	
	Trading book	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	
	Subtotal	-	-	-	-	-	-	-	-	-	-	-
Total		-	46,594,345	0	0	46,594,345	1,320,243	0	0	46,594,345	1,320,243	-

Guidelines:

1. For the “Asset category” field, classify securitized instruments by the underlying asset (e.g. credit card, home equity loan, auto loan) or the type of security invested (e.g. mortgage-backed security, CMBS, asset-backed security and collateralized debt obligation).
2. For banking book exposure, specify the amount of exposure after risk mitigation.
3. The “Liquidity facility” field should include exposure of both drawn and undrawn facilities.

Information on securitized instruments

I. List of securitized instruments held:

December 31, 2020

Unit: NT\$ thousand

Item (Note 1)	Account	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value
(1) RMBS	Financial assets at fair value through other comprehensive income	6,922,390	332,468	-248	7,254,610
(2) CMO	Financial assets at fair value through other comprehensive income	6,533,580	511,085	-505	7,044,160
(3) RMBS	Investment in debt instruments measured at amortized cost	5,389,411	153,859	-190	5,543,080
(3) CMO	Investment in debt instruments measured at amortized cost	26,039,918	5,559	-1,904	26,043,573
(4) CBO	Investment in debt instruments measured at amortized cost	705,809	3,912	-1,568	708,153

Note 1: This table contains domestic and foreign securitized instruments; they are presented according to the following classifications and accounts:

- (1) Mortgage-backed securities (MBS): includes beneficiary securities of securitized residential mortgages, residential mortgage-backed securities (RMBS), securitized commercial mortgages, commercial mortgage-backed securities (CMBS), collateralized mortgage obligations (CMO), and other real estate-backed securities.
- (2) Beneficiary securities or asset backed securities (ABS): includes beneficiary securities of corporate debt entitlements, collateralized loan obligation (CLO), securitized bonds, collateralized bond obligations (CBO), securitized credit card receivables or asset-backed securities thereof, securitized auto loan debt or asset-backed securities thereof, securitized consumer loans / cash card debt or asset backed securities thereof, securitized lease receivables or asset backed securities thereof, and other forms of securitized instrument or asset-backed securities.
- (3) Short-term beneficiary securities or short-term asset backed commercial paper (ABCP).
- (4) Collateralized debt obligation (CDO).
- (5) Securitized real estate properties: refers to beneficiary securities of real estate asset trust (REAT).
- (6) Notes and bonds issued by structured investment vehicles (SIV).
- (7) Other securitized instruments.

Note 2: This table contains beneficiary securities or asset backed securities held by the Bank as an originator.

II. (I) Disclosure on single securitized investment totaling more than NT\$300 million in cost (excluding situations where the Bank is the originating bank, and holds securitized assets solely for credit enhancement):

Unit: NT\$ thousand

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon rate	Credit rating (Note 3)	Interest and principal payment	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value	Attachment point (Note 4)	Content of the asset pool (Note 5)
FR_SD8004	FVOCI	USD	SPV(USA)	2019/7/8	2049/07/01	3%	AAA	Monthly interest payment and monthly prepayment according to schedule	2,887,173.83	49,414.40	48.59	1,294,106.93	n.a.	Prime Mortgage
FN_MA3834	FVOCI	USD	SPV(USA)	2019/10/28	2049/11/01	3%	AAA	Same as above	2,303,973.18	48,740.71	49.51	1,383,988.51	n.a.	Prime Mortgage
GNR_2020_58_AJ	FVOCI	USD	SPV(USA)	2020/4/13	2062/01/16	2.6%	AAA	Same as above	1,866,721.66	79,011.28	131.24	1,779,751.32	n.a.	Prime Mortgage
FN_MA3997	AC	USD	SPV(USA)	2020/3/6	2050/04/01	3%	AAA	Same as above	1,692,733.77	n.a.	40.02	1,087,963.25	n.a.	Prime Mortgage
G2_784923	AC	USD	SPV(USA)	2020/3/16	2050/02/20	3%	AAA	Same as above	1,534,647.18	n.a.	34.43	1,036,085.06	n.a.	Prime Mortgage
GNR_2020_84_WA	AC	USD	SPV(USA)	2020/5/27	2050/06/20	3.5%	AAA	Same as above	1,488,652.13	n.a.	106.07	1,437,652.25	n.a.	Prime Mortgage
G2_MA6646	AC	USD	SPV(USA)	2020/5/8	2050/05/20	3%	AAA	Same as above	1,477,070.75	n.a.	45.30	1,362,960.96	n.a.	Prime Mortgage
G2_MA6531	AC	USD	SPV(USA)	2020/3/6	2050/03/20	3%	AAA	Same as above	1,471,280.06	n.a.	34.82	1,047,818.20	n.a.	Prime Mortgage
FHR_5031_YZ	AC	USD	SPV(USA)	2020/9/21	2050/10/25	2.5%	AAA	Same as above	1,432,527.03	n.a.	101.79	1,359,744.53	n.a.	Prime Mortgage
FNR_2020_24_ZP	AC	USD	SPV(USA)	2020/3/13	2050/04/25	3%	AAA	Same as above	1,363,989.49	n.a.	49.72	427,576.17	n.a.	Prime Mortgage
GNR_2020_112_ZL	AC	USD	SPV(USA)	2020/8/12	2050/08/20	2%	AAA	Same as above	1,148,709.80	n.a.	82.57	1,120,083.60	n.a.	Prime Mortgage
FHR_3958_PZ	FVOCI	USD	SPV(USA)	2011/10/24	2041/11/15	4.5%	AAA	Same as above	1,147,485.84	23,606.23	12.13	164,262.84	n.a.	Prime Mortgage
FHR_4978_HP	FVOCI	USD	SPV(USA)	2020/4/23	2050/05/25	3.5%	AAA	Same as above	1,066,698.09	-455.05	67.09	822,134.73	n.a.	Prime Mortgage
FHR_5057_TZ	AC	USD	SPV(USA)	2020/11/17	2050/11/25	2%	AAA	Same as above	1,015,572.96	n.a.	74.98	1,013,468.41	n.a.	Prime Mortgage
FN_BO0961	FVOCI	USD	SPV(USA)	2019/7/12	2049/06/01	3.5%	AAA	Same as above	991,560.46	17,979.69	18.01	509,303.69	n.a.	Prime Mortgage
FN_MA3971	AC	USD	SPV(USA)	2020/3/9	2050/03/01	3%	AAA	Same as above	965,459.06	n.a.	20.38	555,721.73	n.a.	Prime Mortgage

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon rate	Credit rating (Note 3)	Interest and principal payment	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value	Attachment point (Note 4)	Content of the asset pool (Note 5)
FNR_2011_124_PZ	FVOCI	USD	SPV(USA)	2011/10/28	2041/12/25	4.5%	AAA	Same as above	950,797.23	20,641.31	9.48	104,905.37	n.a.	Prime Mortgage
FNR_2011_117_LZ	FVOCI	USD	SPV(USA)	2011/10/17	2041/11/25	4.5%	AAA	Same as above	947,079.43	426.66	10.14	125,144.89	n.a.	Prime Mortgage
FHR_3950_ZA	FVOCI	USD	SPV(USA)	2011/10/18	2041/11/15	4.5%	AAA	Same as above	937,919.84	20,670.07	8.76	118,603.89	n.a.	Prime Mortgage
GNR_2019_153_UZ	AC	USD	SPV(USA)	2019/12/12	2049/12/20	3.5%	AAA	Same as above	864,686.52	n.a.	23.73	321,637.26	n.a.	Prime Mortgage
FN_MA4209	FVOCI	USD	SPV(USA)	2020/11/9	2050/12/01	1.5%	AAA	Same as above	863,792.40	-341.16	28.72	861,367.98	n.a.	Prime Mortgage
GNR_2020_37_A	AC	USD	SPV(USA)	2020/2/17	2062/03/16	2.5%	AAA	Same as above	854,705.48	n.a.	74.81	757,502.08	n.a.	Prime Mortgage
FNR_2015_27_MZ	AC	USD	SPV(USA)	2015/5/13	2044/10/25	3.5%	AAA	Same as above	852,269.21	n.a.	11.97	162,241.13	n.a.	Prime Mortgage
FHR_5050_ZC	AC	USD	SPV(USA)	2020/11/9	2050/12/25	2%	AAA	Same as above	845,084.03	n.a.	62.40	844,508.46	n.a.	Prime Mortgage
FNR_2016_50_ZB	AC	USD	SPV(USA)	2016/6/21	2046/08/25	3%	AAA	Same as above	844,005.08	n.a.	9.33	59,522.40	n.a.	Prime Mortgage
FHR_4988_ZA	AC	USD	SPV(USA)	2020/6/5	2050/06/25	2.5%	AAA	Same as above	843,350.17	n.a.	43.37	539,072.84	n.a.	Prime Mortgage
FHR_5050_ZP	AC	USD	SPV(USA)	2020/11/4	2050/10/25	1.5%	AAA	Same as above	829,284.97	n.a.	61.19	822,177.13	n.a.	Prime Mortgage
FHR_3935_Z	FVOCI	USD	SPV(USA)	2011/10/14	2041/10/15	4.5%	AAA	Same as above	827,702.76	26,526.24	15.49	209,862.45	n.a.	Prime Mortgage
FHR_5035_JZ	AC	USD	SPV(USA)	2020/11/5	2050/10/25	2%	AAA	Same as above	806,225.40	n.a.	58.19	760,421.74	n.a.	Prime Mortgage
G2_MA6399	AC	USD	SPV(USA)	2020/3/6	2050/01/20	3%	AAA	Same as above	791,364.26	n.a.	15.04	452,530.86	n.a.	Prime Mortgage
FNR_2012_16_ZN	FVOCI	USD	SPV(USA)	2012/1/31	2042/03/25	4%	AAA	Same as above	772,408.52	19,385.05	8.13	110,114.84	n.a.	Prime Mortgage
FNR_2016_52_ZM	AC	USD	SPV(USA)	2016/6/30	2046/08/25	3%	AAA	Same as above	758,086.12	n.a.	15.38	190,565.54	n.a.	Prime Mortgage
FHR_4992_DZ	AC	USD	SPV(USA)	2020/6/5	2050/07/25	2.5%	AAA	Same as above	710,918.25	n.a.	51.32	687,417.59	n.a.	Prime Mortgage
FHR_5003_MZ	AC	USD	SPV(USA)	2020/6/23	2050/08/25	2.5%	AAA	Same as above	710,918.25	n.a.	50.10	649,340.43	n.a.	Prime Mortgage
FNR_2020_12_ZJ	AC	USD	SPV(USA)	2020/2/11	2050/03/25	3%	AAA	Same as above	669,567.49	n.a.	19.21	197,703.44	n.a.	Prime Mortgage

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon rate	Credit rating (Note 3)	Interest and principal payment	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value	Attachment point (Note 4)	Content of the asset pool (Note 5)
FHR_4886_ZM	FVOCI	USD	SPV(USA)	2019/4/25	2049/06/15	4%	AAA	Same as above	590,828.30	37,140.93	46.31	627,432.29	n.a.	Prime Mortgage
GNR_2020_5_CA	FVOCI	USD	SPV(USA)	2020/4/14	2049/12/20	3.5%	AAA	Same as above	589,325.89	2,621.09	38.45	521,113.71	n.a.	Prime Mortgage
FHR_4599_Z	AC	USD	SPV(USA)	2016/6/28	2046/07/15	3%	AAA	Same as above	577,502.67	n.a.	6.95	94,160.91	n.a.	Prime Mortgage
FN_BJ1662	FVOCI	USD	SPV(USA)	2019/3/21	2047/12/01	3.5%	AAA	Same as above	576,574.30	11,104.05	8.28	230,247.34	n.a.	Prime Mortgage
FN_BM5159	FVOCI	USD	SPV(USA)	2019/1/8	2046/12/01	3.5%	AAA	Same as above	571,496.31	16,855.04	9.59	275,318.25	n.a.	Prime Mortgage
FHR_3959_PZ	FVOCI	USD	SPV(USA)	2011/10/27	2041/11/15	4.5%	AAA	Same as above	569,480.74	25,791.88	13.97	189,171.21	n.a.	Prime Mortgage
FN_BH4101	FVOCI	USD	SPV(USA)	2019/1/17	2047/10/01	3.5%	AAA	Same as above	569,447.30	16,576.13	9.57	270,294.25	n.a.	Prime Mortgage
FN_BH9277	FVOCI	USD	SPV(USA)	2019/1/17	2048/02/01	3.5%	AAA	Same as above	569,447.30	17,437.32	10.11	284,336.90	n.a.	Prime Mortgage
FNR_2011_128_Z	FVOCI	USD	SPV(USA)	2011/10/25	2041/12/25	4.5%	AAA	Same as above	569,006.00	7,464.54	2.75	37,254.32	n.a.	Prime Mortgage
FHR_4995_QZ	AC	USD	SPV(USA)	2020/6/3	2050/07/25	2.5%	AAA	Same as above	568,734.60	n.a.	38.64	502,936.76	n.a.	Prime Mortgage
FNR_2020_50_KZ	AC	USD	SPV(USA)	2020/6/8	2050/07/25	2.5%	AAA	Same as above	568,556.43	n.a.	38.01	476,467.78	n.a.	Prime Mortgage
FNR_2016_53_ZA_1	AC	USD	SPV(USA)	2016/6/21	2046/08/25	3%	AAA	Same as above	564,728.37	n.a.	23.98	287,335.91	n.a.	Prime Mortgage
GNR_2020_46_AB	FVOCI	USD	SPV(USA)	2020/4/24	2050/02/20	3.5%	AAA	Same as above	553,248.85	650.39	29.64	401,693.50	n.a.	Prime Mortgage
FNR_2016_53_KZ	AC	USD	SPV(USA)	2016/7/7	2046/08/25	3%	AAA	Same as above	534,149.61	n.a.	26.62	318,626.83	n.a.	Prime Mortgage
FHR_5016_ZP	AC	USD	SPV(USA)	2020/9/3	2050/09/25	3%	AAA	Same as above	528,358.69	n.a.	36.39	489,240.57	n.a.	Prime Mortgage
FHR_5021_MZ	AC	USD	SPV(USA)	2020/9/11	2050/10/25	2%	AAA	Same as above	514,790.10	n.a.	35.83	470,516.12	n.a.	Prime Mortgage
GNR_2020_78_Z	AC	USD	SPV(USA)	2020/6/4	2050/06/20	2.5%	AAA	Same as above	504,689.92	n.a.	34.09	462,290.69	n.a.	Prime Mortgage
FHR_5009_ZH	AC	USD	SPV(USA)	2020/8/18	2050/05/25	3.5%	AAA	Same as above	490,246.33	n.a.	27.83	319,681.98	n.a.	Prime Mortgage
FHR_3752_JZ	FVOCI	USD	SPV(USA)	2011/10/12	2040/11/15	4.5%	AAA	Same as above	488,082.57	37,585.06	22.13	299,779.14	n.a.	Prime Mortgage

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon rate	Credit rating (Note 3)	Interest and principal payment	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value	Attachment point (Note 4)	Content of the asset pool (Note 5)
FHR_5023_ZE	AC	USD	SPV(USA)	2020/9/23	2050/10/25	2%	AAA	Same as above	484,982.88	n.a.	28.65	356,538.87	n.a.	Prime Mortgage
FHR_5000_ZN	AC	USD	SPV(USA)	2020/7/23	2050/06/25	3.5%	AAA	Same as above	459,322.42	n.a.	30.34	368,250.91	n.a.	Prime Mortgage
FHR_5051_ZY	AC	USD	SPV(USA)	2020/11/12	2050/11/25	2%	AAA	Same as above	457,088.22	n.a.	33.75	451,399.06	n.a.	Prime Mortgage
FNR_2016_48_YZ	AC	USD	SPV(USA)	2016/6/30	2046/08/25	3%	AAA	Same as above	456,422.64	n.a.	16.31	207,703.53	n.a.	Prime Mortgage
FNR_2016_55_ZA	AC	USD	SPV(USA)	2016/7/15	2046/07/25	3%	AAA	Same as above	450,086.27	n.a.	6.78	68,565.69	n.a.	Prime Mortgage
GNR_2020_46_JA	FVOCI	USD	SPV(USA)	2020/4/14	2050/04/20	3.5%	AAA	Same as above	445,459.77	1,691.47	18.35	248,697.31	n.a.	Prime Mortgage
GNR_2020_84_UA	AC	USD	SPV(USA)	2020/5/28	2050/06/20	3.5%	AAA	Same as above	444,724.80	n.a.	31.84	431,578.97	n.a.	Prime Mortgage
FN_BM3260	FVOCI	USD	SPV(USA)	2019/1/23	2048/01/01	3.5%	AAA	Same as above	427,135.59	18,807.23	8.16	232,693.22	n.a.	Prime Mortgage
FN_MA3238	FVOCI	USD	SPV(USA)	2019/1/10	2048/01/01	3.5%	AAA	Same as above	427,085.48	12,010.80	6.97	195,851.14	n.a.	Prime Mortgage
FHR_4943_MZ	AC	USD	SPV(USA)	2019/12/16	2050/01/25	3.5%	AAA	Same as above	427,085.48	n.a.	12.58	56,385.15	n.a.	Prime Mortgage
FHR_5011_PZ	AC	USD	SPV(USA)	2020/8/6	2050/09/25	2%	AAA	Same as above	420,772.43	n.a.	29.10	381,411.32	n.a.	Prime Mortgage
FHR_5059_DZ	AC	USD	SPV(USA)	2020/12/7	2051/01/25	2%	AAA	Same as above	418,235.07	n.a.	-	418,235.16	n.a.	Prime Mortgage
FNR_2020_31_HP	FVOCI	USD	SPV(USA)	2020/4/16	2050/05/25	3.5%	AAA	Same as above	416,323.71	1,792.24	28.62	368,176.22	n.a.	Prime Mortgage
FNR_2016_71_ZN	AC	USD	SPV(USA)	2016/8/23	2046/10/25	3%	AAA	Same as above	406,434.53	n.a.	29.00	349,837.86	n.a.	Prime Mortgage
GNR_2020_189_MZ	AC	USD	SPV(USA)	2020/12/10	2050/12/20	2%	AAA	Same as above	400,247.19	n.a.	-	400,247.27	n.a.	Prime Mortgage
FHR_5023_TZ	AC	USD	SPV(USA)	2020/9/25	2050/10/25	2%	AAA	Same as above	374,508.83	n.a.	27.03	355,877.42	n.a.	Prime Mortgage
FHR_5056_MZ	AC	USD	SPV(USA)	2020/11/12	2050/12/25	2%	AAA	Same as above	371,074.22	n.a.	27.40	367,782.89	n.a.	Prime Mortgage
FNR_2016_57_Z	AC	USD	SPV(USA)	2016/7/14	2046/08/25	3%	AAA	Same as above	368,628.42	n.a.	4.97	53,926.26	n.a.	Prime Mortgage
GNR_2020_65_ZE	AC	USD	SPV(USA)	2020/5/14	2050/05/20	3%	AAA	Same as above	355,056.53	n.a.	24.99	338,784.04	n.a.	Prime Mortgage

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon rate	Credit rating (Note 3)	Interest and principal payment	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value	Attachment point (Note 4)	Content of the asset pool (Note 5)
FNR_2019_38_ZC	AC	USD	SPV(USA)	2019/7/3	2049/07/25	3.75	AAA	Same as above	354,949.00	n.a.	8.56	88,252.35	n.a.	Prime Mortgage
FHR_4887_ZE	AC	USD	SPV(USA)	2019/5/9	2049/06/15	4%	AAA	Same as above	351,209.31	n.a.	3.11	42,136.01	n.a.	Prime Mortgage
GNR_2020_191_PZ	AC	USD	SPV(USA)	2020/12/9	2050/12/20	1.5%	AAA	Same as above	344,797.81	n.a.	-	344,798.35	n.a.	Prime Mortgage
GNR_2020_133_UZ	AC	USD	SPV(USA)	2020/10/6	2050/09/20	1.5%	AAA	Same as above	330,645.68	n.a.	24.46	331,891.11	n.a.	Prime Mortgage
FHR_5033_Z	AC	USD	SPV(USA)	2020/9/15	2050/10/25	2%	AAA	Same as above	327,391.51	n.a.	24.25	329,012.24	n.a.	Prime Mortgage
FNR_2020_85_GT	AC	USD	SPV(USA)	2020/11/20	2050/12/25	1.5%	AAA	Same as above	323,934.52	n.a.	23.90	323,922.02	n.a.	Prime Mortgage
FHR_5068_ZT	AC	USD	SPV(USA)	2020/12/16	2051/01/25	2%	AAA	Same as above	322,661.02	n.a.	-	322,661.07	n.a.	Prime Mortgage
GNR_2020_95_YZ	AC	USD	SPV(USA)	2020/7/16	2050/07/20	2.5%	AAA	Same as above	316,914.84	n.a.	23.33	316,337.99	n.a.	Prime Mortgage
FHR_5018_AZ	AC	USD	SPV(USA)	2020/9/29	2050/10/25	2%	AAA	Same as above	314,591.70	n.a.	19.79	239,797.60	n.a.	Prime Mortgage
FNR_2019_31_EZ	AC	USD	SPV(USA)	2019/6/10	2049/07/25	3.5%	AAA	Same as above	306,407.48	n.a.	5.79	50,787.82	n.a.	Prime Mortgage
GNR_2020_189_ZK	AC	USD	SPV(USA)	2020/12/11	2050/10/20	1.5%	AAA	Same as above	304,822.61	n.a.	-	304,823.03	n.a.	Prime Mortgage

Note 1: This table covers both domestic and foreign securitized instruments.

Note 2: Provide full names for different tranches of the same securitized instrument.

Note 3: Please provide the latest credit rating.

Note 4: The attachment point refers to the amount of tranches ranking inferior to the tranche held by the bank, as a percentage of total securitized instruments. For example, the Bank purchases Tranche A of a certain collateralized debt obligation (CDO). The tranches ranking behind Tranche A in terms of the repayment hierarchy are BBB and equity tranches. Tranches BBB and equity account for 12% of the CDO's issued value; thus the attachment point of Tranche A is 12%.

Note 5: The asset pool refers to the asset portfolio entrusted by the originating bank to its trustee, or transferred by the originating bank to a special purpose vehicle. Please specify asset types (indicating senior or subordinated repayment), details, face values denominated in original currencies, and transaction count in relation to the asset portfolio.

(II) Disclosure applicable to the Bank as an originating bank of any securitized instrument holding assets solely for credit enhancement: None.

(III) Disclosure applicable to the Bank for acting as the receiver of credit-impaired assets on securitized instruments: None.

III. Disclosure applicable to the Bank for acting as a provider of guarantee or liquidity financing to securitized instruments: None.

3. Operational risk management and the required capital.

Operational risk refers to the risk of loss attributed to inappropriate or failed internal process, personnel error, system malfunction, or external event. It includes legal risks but excludes strategy risks and reputation risks.

Operational risk management system

2020

Item	Details
1. Operational risk management strategy and procedures	The Bank has effective operational risk management framework and systems in place to manage banking operations, improve efficiency, reduce risk exposure, and secure assets. Apart from converting operational risk strategies into feasible policies and procedures, the Bank also conducts operational risk self-assessment, reports operational risk incidents, and uses key risk indicators to help identify, assess, and monitor risks: (1) Operational risk self-assessment: To identify risks associated with operational activities as well as the underlying cause, control methods and risk exposure, and thereby enable response plans. (2) Operational risk incident reporting: The reporting process is triggered whenever an operational risk incident occurs, so that the underlying cause can be identified, assessed, and discussed for improvement. (3) Key risk indicators: Develop indicators for the potential risks identified to facilitate evaluation of changes in exposure.
2. Operational risk management framework and organization	The board of directors is the Bank's ultimate decision-making authority in regards to operational risk management. The risk management framework has specialized units established to help plan and implement operational risk management system, assist departments in the establishment of standard operating procedures, and consolidate/analyze/monitor operational risks for the entire bank with reports made to the board of directors and senior management. The Internal Audit Department is responsible for auditing the appropriateness and implementation of operational risk management systems by all departments within the Bank.
3. Scope and features of operational risk reports and assessment systems	The Bank has implemented an operational risk incident database, and regularly enforces its operational risk self-assessment and key risk indicators. Operational risk self-assessments and key risk indicators are used to classify risk exposures into high, medium and low level. Response measures have been devised for the different levels of risk

Item	Details
	identified to enable effective monitoring and improve operational risk exposure. The operational risk event database is tracked, analyzed and reported regularly; procedure and system optimizations are proposed based on the analysis report.
4. Operational risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk avoidance and mitigation tools	The Bank conducts risk self-assessment prior to launching new financial products (including new business categories, products and service models). Depending on the extent and frequency of exposure impact, the Bank uses insurance and engages external parties to mitigate or transfer potential exposures. The Bank has business continuity policies and rules in place to address risk events that are likely to cause disruption to business operations. Drills are conducted from time to time to minimize possible losses and improve employees' response. Through regular monitoring, management reports and review on the use of tools, the Bank is able to ensure the effectiveness of its risk avoidance and mitigation tools.
5. Methods for calculating capital requirements	Standardized approach

Operational risk capital requirement

December 31, 2020; Unit: NT\$ thousand

Year	Gross Profit	Accrued capital charge
2018	56,253,822	
2019	55,918,890	
2020	53,030,397	
Total	165,203,109	9,320,405

Note: According to Letter Jin-Guan-Yin-Kong-Zi No. 1090140599, risk-weighted assets are calculated at 1.24 times the required capital.

4. Market risk management system and the required capital.

Market risk is defined as possibility of changes in the price or volatility of financial instruments that causes loss of value to the Bank's financial assets.

Market risk management system

2020

Item	Details
1. Market risk management strategies and procedures	The Bank adopts a number of risk management measures including: limit control, regular reporting, internal audit system, independent monitoring department and executive committees to effectively measure and control market risks associated with business activities, and to maximize risk-adjusted profit and shareholders' value under tolerable risks. The Bank has an internal market risk management unit that develops relevant guidelines and standards, executes market risk management, and prepares management information and reports regularly to accountable managers for effective management of market risk.
2. Market risk management framework and organization	The board of directors is the Bank's ultimate decision-making authority in regards to risk strategy and major risk policies. The Bank has a specialized market risk management unit that operates independently from the trading department, as well as an Asset and Liability Management Committee and a Risk Management Committee that are responsible for supervising market risks. The Market Risk Management Department or market risk limit controller within overseas branches are responsible for the identification, evaluation and control of market risk within the Bank, as well as executing routine management practices and ensuring the correctness and rationality of valuation principles, tools, methods and market information used in the assessment.
3. Coverage and features of the market risk reporting and assessment system	The market risk reporting and assessment system performs a number of functions including position valuation, limit control, gain/loss monitoring, position management and calculation, stress testing and scenario analysis, pricing model, qualitative/quantitative risk reporting and VaR analysis. Furthermore, the Bank continually develops a Basel-compliant quantitative market risk management model to ensure compliance with New Basel Capital Accords, and thereby connect financial supervisory practices with the rest of the world.
4. Market risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	Proprietary trading positions undertaken by the Trading Department are monitored with net positions and exposures calculated on a daily basis. For derivative trading positions, risk exposure is calculated using product sensitivity indicators after taking into consideration the effectiveness of hedging positions.
5. Methods for calculating capital requirements	Standardized approach

Market risk capital requirement

December 31, 2020; Unit: NT\$ thousand

Type of Risk	Accrued capital charge
Interest rate risk	5,500,241
Equity risk	2,368,305
Foreign exchange risk	901,460
Commodity risk	12,314
Options accounted using the simple method	26,558
Total	8,808,877

5. (1) Maturity analysis of NTD capital:

Maturity analysis of NTD capital for the Bank

December 31, 2020

Unit: NT\$ thousand

	Total	Balance until maturity					
		0 days – 10 days	11 days – 30 days	31 days – 90 days	91 days – 180 days	181 days – 1 year	Over 1 years
Primary funds inflow upon maturity	2,991,459,888	421,163,180	373,637,362	326,027,600	279,941,783	411,108,777	1,179,581,186
Primary funds outflow upon maturity	3,564,991,200	157,675,947	286,412,129	530,879,508	534,669,495	681,943,098	1,373,411,023
Gap	(573,531,312)	263,487,233	87,225,233	(204,851,908)	(254,727,712)	(270,834,321)	(193,829,837)

Note: Only NTD capital (excluding foreign currency) of the Head Office, local and offshore branches are included.

(2) Maturity analysis of USD capital:

Maturity analysis of USD capital for the Bank

December 31, 2020

Units: US\$ thousand

	Total	Balance until maturity				
		0 days – 30 days	31 days – 90 days	91 days – 180 days	181 days – 1 year	Over 1 years
Primary funds inflow upon maturity	65,536,230	21,926,788	15,635,019	8,800,757	9,094,993	10,078,673
Primary funds outflow upon maturity	70,572,687	20,713,751	18,347,814	10,820,543	11,798,356	8,892,223
Gap	(5,036,457)	1,213,037	(2,712,795)	(2,019,786)	(2,703,363)	1,186,450

Note: The Form contains the total amount of the Head Office, domestic branches and OBU in the U.S. US\$.

(3) Liquidity Risk:

Refers to the risk of being unable to obtain capital within reasonable time and price to finance additional assets or repay liabilities when due, and therefore giving rise to possibility of losses.

Liquidity risk management system

2020

Item	Details
1. Liquidity risk management strategies and procedures	(1) The Bank manages liquidity risk by placing stability at the top priority. For this reason, capital estimates are made conservatively and the Bank focuses on developing diversity and stability in its funding sources. Furthermore, uses of capital are balanced between safety and profitability, with steps taken to diversity liquidity risks. (2) Business units are required to notify the Finance and Accounting Department and Market Risk Management Department of any material changes in liquidity position, whether actual or anticipated; Asset & Liability Management Committee meetings can be convened on an ad-hoc basis to discuss responses first and seek board of directors' approval afterwards. (3) The Bank has liquidity risk tolerance limits and alert indicators in place to manage liquidity risks. The Bank adopts a quantitative management approach and prepares monthly liquidity management reports for view by Asset & Liability Management Committee.
2. Liquidity risk management organization and framework	(1) The Asset & Liability Management Committee is responsible for the strategic planning and supervision of liquidity risk management within the Bank. Routine funding and trading are executed by the Treasury Department. Factors that have an adverse effect on liquidity are to be analyzed and addressed with involvement from the Finance and Accounting Department and the Treasury Department in order to mitigate liquidity risk impacts upon occurrence of an unexpected event. (2) The Bank has a set of "Liquidity Risk Management Guidelines" available to manage liquidity position and liquidity risks, and support business risk management by maintaining solvency.

Item	Details
3. Scope and features of the liquidity risk reporting and assessment system	(1) Scope of liquidity risk assessment may include: highly liquid assets, funding diversity and stability, balance sheet indicators, other liquidity factors and liquidity stress tests. (2) The Bank manages liquidity risk by preparing “Liquidity Reserve Requirement Report,” “NTD Maturity Analysis Report,” “Liquidity Gap Analysis Report,” “Foreign Currency Liquidity Coverage Ratio Report,” and “Net Stable Funding Ratio Report” on a regular basis. These reports are used to monitor liquidity indicators and ensure that figures are within limit. (3) In addition to monitoring liquidity risk through monthly reports, the Bank also conducts quarterly liquidity stress tests as means to assess its debt servicing capabilities. Outcomes are reported to the board of directors every six months.
4. Capital strategies, including policies on source and maturity diversification, and whether a centralized or delegated capital management approach is adopted	(1) Deposit concentration is examined on a regular basis. The Bank prepares “NTD Maturity Analysis Report” on a monthly basis, and a “Foreign Currency Liquidity Gap Analysis” is prepared for any foreign currency that accounts for more than 5% of total liability. This report monitors negative gap in foreign currency assets and liabilities for each interval, and provides decision makers with an indication of how to diversify capital source and maturity. (2) Overseas branches are required to discuss capital plans with the Head Office based on asset/liability allocation and outcomes of liquidity and interest rate sensitivity analysis. Sourcing and use of capital shall comply with rules of the local authority and take into account factors such as safety and revenue potentials. Any mismatch in the maturity of assets and liabilities also have to be properly managed.
5. Liquidity risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	(1) The Bank has implemented “Business Crisis Response Measures and Management Guidelines” to prevent solvency and liquidity crises that may arise in relation to occurrences such as abnormal deposit withdrawal, substantial loss of capital or liquidity shortage. The Guidelines not only ensure timely and effective crisis handling, but also mitigate impact from major or sudden occurrences to the protection of deposit holders, investors,

Item	Details
	traders and market discipline. (2) The Asset and Liability Management Committee convened meetings to devise responses whenever liquidity reserve falls below a certain level.
6. Explanation to execution of stress testing	The Bank performs stress tests on liquidity risk at least on a quarterly basis to assess the Bank's debt-serving capacity should a liquidity crisis occur, and thereby measure and manage liquidity risks. Results of the stress test are reported to the board of directors every six months.
7. Summary of emergency liquidity response plan	(1) Source adequate cash support. (2) Balance sheet adjustment: recover funds or explore alternative sources of capital or funding channel. (3) Issue official statements to clarify facts. (4) Maintain order in the business lobby. (5) Prevent peers from over-drawing deposits, and contact foreign banking partners to secure existing credit facilities. (6) Take necessary legal actions against offenders for crises that arise as a result of fraud.

- (II) Impact on the Bank's financial standing and business operations due to changes in domestic or foreign policies and laws, and corresponding countermeasures to such changes:

Through compliance and internal control systems, the Bank continues to improve and optimize response to legal changes. Various measures have been put in place to ensure compliance with laws when performing financial service.

The following is a summary of key compliance-related actions undertaken during the year:

1. Bank-wide compliance risk management assessment

The Bank has adopted a compliance risk management and supervision framework, and conducts compliance risk assessments regularly for all business activities throughout the Bank with enhancement actions taken accordingly.

2. AML and CTF plans

The Bank has developed AML and CTF plans along with standard operating procedures based on applicable laws, risk assessment outcomes and business size. Both plans are being implemented to manage and reduce identified risks.

3. Continual enhancement of information security

The Bank follows information security roadmap of the parent company – Cathay Financial Holding as guiding principles and implements cybersecurity protections as part of internal control in line with industry trends, new technologies, cloud applications, laws and self-governing rules. The unit is also responsible for

maintaining certification with global cybersecurity standards (such as ISO 27001 and PCIDSS). Furthermore, the Bank engages external professional consultants and white hat hackers to perform security assessments and tests on a yearly basis, so that improvements can be made as necessary to enhance and keep cybersecurity protections up to date.

4. Promotion of Financial Information Security Action Plan

The Bank has devised a 4-year program in support of FSC's "Financial Information Security Action Plan" introduced on August 6, 2020. The action plan aims to strengthen the financial industry's protection against security threat, thereby ensuring the security, convenience, and continuity of services rendered. Out of the nine objectives to be completed by financial institution, the Bank has accomplished five of them, including adoption of international cybersecurity standards and obtaining certification, effectiveness assessment on cybersecurity governance, establishment of cybersecurity monitoring service center, encouragement to cybersecurity personnel for obtaining international certification, and assembly of emergency response team for cybersecurity incidents in coordination with the financial holding company.

5. Enforcement of supervisory measures for domestic systemically important banks (D-SIBs)

- (1) The Bank has also amended its "Business Crisis Response Measures and Management Guidelines" to include response measures when capital adequacy ratio falls short of requirement. The amended guidelines will be reported to the authority along with Pillar II in 2021 to complement the Bank's management efforts on capital adequacy.
- (2) The Bank calculates capital adequacy ratio and leverage ratio under stressed scenarios based on details of the "Stress Test Plan for Local Banks," the updated probabilities of default published by Joint Credit Information Center (JCIC), and the stress testing scenarios outlined in FSC's correspondence. Stress tests are conducted over a 2-year interval, and as a D-SIBs, the Bank would be required to propose response measures when submitting stress test results if it fails to meet the minimum capital requirements and annual additional capital requirements under stressed scenarios.

(III) Impact on the Bank's financial standing due to technological or industrial changes, and corresponding countermeasures:

1. The Bank has taken progressive steps to perfect its wholesale banking data infrastructure in recent years as part of its digitalization effort. An integrated visual platform has been developed to assist RMs in identifying business opportunities, overseeing risks, and improving internal operating efficiency. In the future, the Bank will continue adopting new analytical techniques to broaden applications of available data.
2. Mobile investment platforms introduced by online-only banks and Fintech companies present strong competition to the Bank. In response, the Bank will continue to perfect the end-to-end digital transaction process while at the same time upgrade its online banking webpage and App with investment-related features that not only empower customers, but promote good user experience as well. Meanwhile,

a wealth management service platform featuring data analysis technologies will be developed to gain accurate insight to customers' preference and investment needs. The platform will suggest products and investment strategies for individual customers, monitor risks of customers' positions, and recommend position adjustments in a timely manner to deliver a seamless, uninterrupted online to offline (O2O) investment customization service.

3. Digital technologies, insurance digital application, and electronic security are being introduced to physical channels to fully digitalize the sales process. With the support of automated system checks, customers are given access to a diverse range of financial services as well as faster and more simplified insurance application processes.
4. In light of the government's support for financial innovations (such as deregulation on new banking services) and Fintech development, the Bank not only plays an active role in policy-making, but will also work with partners from within and outside the group to develop innovative digital products and services. By providing customers an exceptional and unique experience, the digital channel has the potential to become users' main channel for various services offered by the Bank.
5. Growth of digital banking and electronic payment reduces people's dependency on cash. Together, they create a cashless environment and give rise to new payment channels that not only change customers' shopping needs and behaviors, but also enable gathering of transaction information for the creation of a banking environment that conforms with people's needs. This integration between payment service and mobile device allows merchants to develop new ways to interact with customers and presents banks with new profit models.
6. The Bank has taken progressive steps to perfect its wholesale banking data infrastructure in recent years as part of its digitalization effort. An integrated visual platform has been developed to assist RMs in identifying business opportunities, overseeing risks, and improving internal operating efficiency. In the future, the Bank will continue adopting new analytical techniques to broaden applications of available data.

(IV) Impact from a change of image and response measures:

1. Change of social responsibilities, image and other major events:

(1) Support for Cathay United Bank Foundation's "Elevated Tree Program"

- ① The Elevated Tree Program has long been caring for underprivileged children. The program escalated its promotion efforts last year, using videos, social media, and news coverage to convey the message of "changing the future through education" and to rally public support.
- ② The program won Social Inclusion Awards in the 2020 TCSA (The 13th Taiwan Corporate Sustainability Awards).

(2) Support for "2020 Cathay United Xucun Cup International Soccer Competition"

- ① The Bank has been sponsoring Xucun Cup for 4 consecutive years since 2017 with the hope of helping local teams secure a place in world's top 100.
- ② The Bank supports sports development for children in remote areas in ways that

improve its public image. Videos, printed advertisements, social media posts and news coverage are used to direct the public's attention to the issue.

(3) Sponsorship for National Geographic Channel's Earth Day Run

The Bank has been supporting the environmental protection values of this program for three consecutive years. Global warming was selected as the main theme this time round, which the Bank became a named sponsor of to promote its green, sustainable reputation in TV shows, advertisements, press conferences, and the actual run.

2. Awards:

- Won Best Use of Machine Learning from Retail Banker International
- Won Excellence in Employee Engagement from Retail Banker International
- Won Highly Commended: Best Application of Data Analytics from Retail Banker International
- Won Highly Commended: Best Innovation Programme from Retail Banker International
- Won Renewable Deal of the Year in Asia-Pacific from PFI (Project Finance International) Awards
- Won Best Private Bank – Taiwan Domestic from Asian Private Banker
- Won Best Deals (Financial Institutions/NBFIs) – Best Formosa Bond from The Asset
- Won Best Deals – Renewable Energy/Transition Energy from The Asset
- Won Best Customer Insight & Feedback Initiative from The Digital Banker
- Won Highly Acclaimed: Best Technology Implementation Front End from The Digital Banker
- Won Highly Acclaimed: Best Digital Customer Experience in Retail Banking from The Digital Banker
- Won Highly Acclaimed: Best Digital Bank for Customer Experience from The Digital Banker
- Won Best Retail Digital Payments Experience in Taiwan from The Asset
- Won “Best Wealth Management” in the Wealth Management Award organized by Wealth Magazine
- Won “Best Service” in the Wealth Management Award organized by Wealth Magazine
- Won Best Frictionless Customer Experience from The Asian Banker
- Won Taiwan Domestic Cash Management Bank of the Year from Asian Banking & Finance
- Won Best Service Provider-E-Solutions Partner in Taiwan from The Asset
- Won Best Self-Service Strategy of the year from Retail Banker International
- Won Best Use Online Banking of the year from Retail Banker International

- Won “Best Wealth Management Bank – 1st Place” in Business Today Magazine’s 14th Wealth Management Bank and Securities Evaluation
- Won “Best Wealth Management Image Bank – 1st Place” in Business Today Magazine’s 14th Wealth Management Bank and Securities Evaluation
- Won “Best Customer Satisfaction – 2nd Place” in Business Today Magazine’s 14th Wealth Management Bank and Securities Evaluation
- Won “Best Sustainable Development – 2nd Place” in Business Today Magazine’s 14th Wealth Management Bank and Securities Evaluation
- Won “Best Innovative Marketing – 3rd Place” in Business Today Magazine’s 14th Wealth Management Bank and Securities Evaluation
- Won “Best Intelligent Wealth Management – 3rd Place” in Business Today Magazine’s 14th Wealth Management Bank and Securities Evaluation
- Won Innovative Use of Technology in Customer Service_GOLD STEVIE® WINNER in The Stevie Awards
- Won Innovation in Human Resources Management, Planning & Practice_GOLD STEVIE® WINNER in The Stevie Awards
- Won Project Finance House in Taiwan from The Asset
- Won Renewable Energy Deal of the Year in Regional from The Asset
- Won Green Project of the Year in Asia Pacific from The Asset
- Won Renewable Energy Deal of the Year in Taiwan from The Asset
- Won Green Project of the Year in Asia Pacific from The Asset
- Won Green Loan of the Year in Taiwan from The Asset
- Won “Best Banking Service Image in Taiwan” in Wealth Magazine Finance Awards
- Won “Best Banking Service” in Wealth Magazine Finance Awards
- Won “Best Digital Banking Service” in Wealth Magazine Finance Awards
- Won Best New Product Launch of the Year from The Digital Banker
- Won Best Learning & Development Strategy_SILVER STEVIE® WINNERS in The Stevie Awards
- Won Best Results of a Learning Program _GOLD STEVIE® WINNER in The Stevie Awards
- Won Most Innovative Learning and Development Program _ GOLD STEVIE® WINNER in The Stevie Awards
- Won Learning/Training Team of the Year_GOLD STEVIE® WINNER in The Stevie Awards
- Won Achievement in Workforce Development and Learning_GOLD STEVIE® WINNER in The Stevie Awards
- Won Asian G3 Bond “Top Investment House in Taiwan” from The Asset
- Won Asian G3 Bond “Highly Commended – Most Astute Investor in Hong Kong”

from The Asset

- Won Asian G3 Bond “Highly Commended – Most Astute Investor in Singapore” from The Asset
- Won Best Private Bank, HNWIs – Taiwan from The Asset
- Won “Information Security Awards” during the Taiwan Corporate Sustainability Awards organized by TAISE
- Won “People Development Awards” during the Taiwan Corporate Sustainability Awards organized by TAISE
- Won “Social Inclusion Awards” during the Taiwan Corporate Sustainability Awards organized by TAISE
- Won “Creativity in Communication Awards” during the Taiwan Corporate Sustainability Awards organized by TAISE
- Won Bronze Prize in National Enterprise Environmental Protection Award
- Won “Best Chatbot Service” in the Best Bank in Fintech Services Awards organized by Global Views
- Won Best Syndicated Loan in Cambodia from The Asset
- Won Technical Innovation of the Year – At Organizations With 1,000 or More Employees_SILVER STEVIE® WINNERS in The Stevie Awards
- Won Customer Service Executive of the Year_Gold Stevie Winner in The Stevie Awards
- Won Customer Service Department of the Year_Silver Stevie Winner in The Stevie Awards
- Won Customer Service Team of the Year_Bronze Stevie Winner in The Stevie Awards
- Won Best Bond Advisor from The Asset
- Won “Best Green Project Financing” in the Elite Award organized by Taiwan Academy of Banking and Finance
- Won “Best ESG” in the Elite Award organized by Taiwan Academy of Banking and Finance
- Won “Best Trust Finance” in the Elite Award organized by Taiwan Academy of Banking and Finance

(V) Potential effects and risks associated with mergers and acquisitions and remedial action:

1. Bank merger: None.
2. Expected benefits of merger and acquisition:
 - (1) Creates synergy, increases market share and expands business presence and size.
 - (2) Enables centralized capital/resource allocation, back-end integration, shared use of premise and equipment, and employee productivity improvement that ultimately reduces operating cost and increases return on shareholders' equity.

- (3) Enables replication of exceptional management practices through a time-tested platform that improves overall performance.
- (4) Increases asset size and shareholders' equity; enables cross-industry integration and joint marketing that provides customers with one-stop access to diverse financial services.

3. Possible risks of merger and acquisition, and response measures:

- (1) Merger and acquisition may fail due to poor strategy, weak target, dishonest conduct, change of circumstances, or overprice.
- (2) Lack of proper integration in terms of organization, information system, corporate culture and human resource management will affect the result of merger and acquisition.
- (3) The Company will undertake rigorous reviews and carefully select its targets to avoid possible risks associated with mergers and acquisitions. Detailed assessments such as environmental change, capacity limit, competitiveness, competitors, industry, domestic/foreign economy, sensitivity analysis and M&A regulations will be performed during the planning stage. For any merger completed, the Company will commit efforts into enforcing its consolidation plan to maximize synergy.

(VI) Expected benefits of business office expansion, the potential risks involved, and response measures:

No new service location was established in 2020, and the Bank maintained a network of 165 branches but relocated 4 branches (Shalu, Baoqiao, Liujia, and Gongyi) to optimize distribution, satisfy customers' needs, and maximize overall profitability of the Bank.

(VII) Risk and response action from concentrated operations:

1. Internal operational control

Form of risk incident	Nature	Controls
Internal fraud	Losses incurred due to the attempt of at least one employee to commit fraud, embezzle corporate property, or avoid regulatory or internal requirements (excluding diversity/discrimination-related incidents).	Accountability system, increased employee benefits, lifestyle evaluation, and enhanced internal control system
Employment customs and workplace safety	Losses incurred due to violation of employment, health or safety regulations or agreements, or payment of compensation for personal injury, damage or discrimination.	Employee health checkup system, employee performance management system, employee care hotline, life insurance, and assembly of a Sexual Harassment Prevention and Complaints Review Committee

Personnel injury or property loss	Actual loss of asset caused by natural disaster or other incidents.	Enforcement of premise security, safety and drills, and property insurance
Service disruption and system malfunction	Losses caused by service disruption and system malfunction.	Off-site system backup plans and drills, business continuity plans, and drills
Execution, delivery, and procedure management	Losses incurred due to mishandling of transaction with a counterparty or seller, or due to negligence in procedural management.	Enforcement of professional training and job specialization

2. Assessment and monitoring of business development efforts

The Bank imposes concentration limits by country, industry, borrower group etc. and evaluates them on a regular basis to avoid excessive concentration when carrying out banking services. For every application submitted, both the business unit and the approver are required to examine utilization of the concentration limit and exercise concentration management of different aspects if appropriate. In terms of concentration monitoring, the Bank has adopted systematic practices to alert limit breach on a daily basis. Limit monitoring reports are presented to the Risk Management Committee on a regular basis to facilitate management of concentration risks. For overly concentrated assets, the Bank may choose to suspend certain business activities or reduce concentration through sale or securitization of excess assets.

(VIII) Effect and risk caused by the changes of the right to manage to the Bank, and the countermeasures thereof:

There had been no change of management in 2020.

(IX) Impacts, risks and response measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 1% ownership interest:

There had been no major transfer of ownership between shareholders in 2020.

(X) Major litigations, non-contentious cases, or administrative litigations involving the Bank or any director, supervisor, President, or major shareholder with more than 1% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to deposit holders or shareholders or security prices of the Bank. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report

As of December 31, 2020, the Bank had the following unresolved major litigation that arose in relation to normal business activities:

Lee & Li, Attorneys-at-Law (hereinafter, "Lee & Li") alleged that the embezzlement

case of Wei-Chieh Liu (a former employee of Lee & Li), which occurred in October 2003, was caused by the negligence of the Bank, and Lee & Li claimed damages from the Bank in the amount of approximately NT\$991,002,000. The case was brought to the court since July 2007, and Cathay United Bank won favorable decisions in both first instance and second instances. At present, the original second-instance judgment was reversed by the Supreme Court. Now the case is remanded to the Taiwan High Court for further review. The Bank and its attorney expect no material adverse impact on the Bank's financial position due to the above litigation.

(XI) Other material risks and corresponding measures:

None.

VII. Special Event Management

- (I) The Bank complies with Cathay FHC's "Incident Resolution Policy" and outlines the incident reporting and response procedures to be followed for the resolution of exceptional occurrences, and thereby minimize impact of major incidents on the Bank. If a major incident occurs, the Bank will have to take response measures in a timely manner, whereas the unit that is affected by the incident shall notify the line manager in the shortest time possible. If the incident raises any special concern that requires all units to be notified of its occurrence, the contact has to be made to prevent the incident from escalating.
- (II) The Bank has implemented "Emergency Credit Risk Incident Reporting Guidelines" to minimize the impacts that a major or unexpected credit incident (whether it involves a borrower or an investment project) may have on the Bank, and to establish proper reporting procedures.
- (III) Emergency response to disasters

The Bank has implemented a disaster recovery and rescue system and adopted measures and facilities to protect itself against major disasters. These systems and practices provide the Bank with the versatility to respond to major disasters in a manner that minimizes losses while maintaining capital flow, so that victims may receive relief and the society may quickly restore order and economic activities.

The term "disaster" may refer to natural disaster (natural occurrences such as Typhoon, earthquake, flood, fire, landslide, tidal wave, blizzard and volcano eruption), manmade disaster (manmade occurrences such as protest, strike, riot, war and act of terrorism), and other forms of major disaster (spread of disease, nuclear incident, explosion, communication/information system malfunction, damage of operating equipment and incidents caused by other factors).

The following actions are taken in response to disasters:

1. Disasters such as Typhoon, earthquake, flood, and fire are to be reported according to "Cathay United Bank Natural Disaster Reporting Guidelines"; all other disasters are to be announced and reported on a case-by-case basis.
2. Business hours during and after disaster are subject to the latest announcements of the authority, which are updated onto the Bank's portal.

3. The Bank has implemented the following emergency response measures to address situations where any of the abovementioned disasters causes damage or loss to Bank premise, operating equipment or key files (data), renders employees unable to perform duty, or renders business activities unsustainable to the extent that the Bank is compelled to rely on external support:

(1) Before incident:

- ① Assemble an Emergency Response Team
- ② Designate disaster contacts
- ③ Organize disaster prevention training and drill
- ④ Enhance facility safety maintenance and inspection
- ⑤ Identify source and extent of impact

(2) During/after incident (once the situation has stabilized):

- ① Initiate emergency contact
- ② Convene Emergency Response Team meeting
- ③ Confirm safety of employees and customers
- ④ Draft an announcement to customers
- ⑤ Assess damage and evaluate capital/resource requirements

(IV) Emergency response in the event of a strike:

The Bank has a “Business Continuity Plan for Strike” and a strike response team in place to coordinate internal departments for the resolution of such an incident. The team is responsible for making decisions and conducting analysis on any sudden occurrence that may affect the company, and undertaking effective measures. Any occurrence of emergency event has to be notified immediately to the team secretary, who then informs the convener and, depending on the current situation, escalates to the Chairman. The convener is required to host a team meeting as soon as possible after being notified, or instruct departments to undertake appropriate responses to prevent service disruption while protecting customers’ interest and the Bank’s reputation.

(V) Emergency response for liquidity risk:

The Bank may undertake the following methods to adjust assets and liabilities if its liquidity is compromised by an emergency event:

1. Sourcing of large-sum deposits: The Bank will focus on attracting deposits from corporate or major customers, or issue NCDs as a means of increasing capital inflow.
2. Terminate or borrow against deposits: The Bank may terminate or borrow against time deposits it has placed with other banks (net of amounts pledged to third parties) and to meet cash outflows.
3. Interbank borrowing: The Bank may borrow from financial peers it has good relationship with, or seek the authority’s assistance in sourcing capital from other financial peers.

4. Recover interbank lending: Interbank lending maturing on the current day may be recovered depending on the actual circumstances.
5. Recover capital from resale agreements: Capital will be recovered from resale bonds/notes undertaken in the money market, whether matured or not yet matured.
6. Repurchase agreements: The Bank will source capital by undertaking bond/note repurchase in the money market with financial peers or customers that the Banks has maintained sound business relationship with.
7. Sale of assets: The Bank currently holds a wide range of securities including government bonds, treasury bills, corporate bonds, bank debentures, commercial papers, and shares that can be sold at any time for liquidity (net of amounts charged by third parties).
8. Draw from central bank's discount window: The Bank may place securities held in possession, including government bonds, treasury bills, central bank time deposit or NCD, as collateral to borrow from the central bank, or apply for secured short-term loan to cover liquidity shortage.
9. Other funding methods that comply with laws or are consistent with market customs.

(VI) Disease prevention:

The Bank has “Communicable Disease Control and Reporting Guidelines” in place, and has developed “COVID-19 SOP” and “Levels of COVID-19 Response” specifically for COVID-19 to help identify the severity of epidemic so that proper disease controls can be adopted. The Bank adopts robust control and reporting practices for suspected and confirmed cases, and has preventive and recovery measures in place to respond to the disease.

(VII) Major incidents:

1. Occurrence of robbery, grand larceny, vandalism of office premise or equipment, threat or natural disaster are handled as follows:
 - (1) If the incident occurs during business hours, the manager or staff on-site (including non-bank collectors and cash transporters) shall quickly activate the security alarm and notify the police by dialing “110” or “119.” The incident must also be reported to the unit head immediately for escalation to senior officers and managers within the Head Office.
 - (2) If the incident occurs outside business hours, the staff on shift shall first contact the police by dialing “110” or “119” and then report to the unit head and senior officers at Head Office. For branches that adopt security system in place of shift arrangement, emergency incidents shall be reported according to the terms of the “Security Service Agreement” that the Bank has signed with the security service provider.
 - (3) Proper responses of personnel on site:
 - ① When under threat of armed robbers, employees must refrain from any attempt of resistance and should remain calm and take note of suspects' appearance, accent, age, hair, clothing, height, personal traits, tools and vehicles including

color and license registration. Activate alarm where possible.

- ② Evacuate personnel on site through emergency broadcast in the event of fire alarm or upon discovery of explosive, and assign employees to prevent entry by unrelated personnel. Do not attempt to remove or disarm explosive, and instead notify departments of relevant expertise.
 - ③ Injured personnel must be referred to the hospital for medical assistance.
 - ④ The scene should be properly maintained for police investigation.
 - ⑤ The unit head and Human Resource Department manager should accompany Bank staff in police questionings where possible.
 - ⑥ Natural disasters are to be reported according to the Bank's "Notes on Natural Disaster Report."
- (4) Business units that have weaknesses exposed through events such as robbery are required to conduct self-audit immediately according to "Financial Institution Crime Prevention Assessment." Assessment outcomes must be reported onto the "Audit Application System" within two days after self-audit.
2. In the event of fraud or major operational defect caused by lack of internal control:
- The employee suspected of fraud must be removed from current duties immediately; access to sensitive information and computer terminal must also be restricted/terminated.
3. Any inspection by the local authority that closed with adverse conclusions such as downgrade, "possibility of further action," "possibility of administrative penalty" or "significant financial inspection finding" must be reported according to "Cathay United Bank Notes on Handling of Major Incidents." The Internal Audit Office then has to notify directors, supervisors or the authority, and raise the issue for discussion during the upcoming board of directors meeting based on the materiality principles outlined in the Notes.
4. Each unit is required to develop an emergency contact system to ensure timely reporting across employees of different grades. A list of at least 3 always-available contact persons including the unit head and self-audit officer shall also be maintained on the "Audit Application System." Any changes to the list of contact persons must be updated within 3 days from the effective date of change.

VIII. Other Major Events

None.

Eight. Special Items

I. Information on Affiliates.

See Attachment VI and VII.

II. Private placement of securities and bank debentures during the last year up till the publication date of annual report.

None.

III. Holding or disposal of the Bank's shares by subsidiaries in the last year, up till the publication date of this annual report

None.

IV. Other important supplementary information.

None.

V. Occurrences of events defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the last year up till the publication date of annual report that had significant impact on shareholders' equity or security price.

None.

Appendix I

Cathay United Bank

Address and contact number of Head Office and global branches

Address and contact number of Head Office and global branches

Unit name	Address	Tel
Head Office	No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Treasury Department	2F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Financial Marketing Department	2F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Offshore Banking Unit (OBU)	3F., No. 65, Guanqian Rd., Zhongzheng Dist., Taipei City 10047, Taiwan (R.O.C.)	(02)2316-3555
Trust Department	2F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Direct Marketing Department	2F., No. 136, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02)2173-2899
Financial Service Department	3F., No. 35, Guangfu S. Rd., Songshan Dist., Taipei City 10563, Taiwan (R.O.C.)	(02)2171-2288
Private Banking Department	24F., No. 458, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02)2176-5068
Business Department	No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6677
Taipei Branch	3F., No. 77, Bo'ai Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02)2331-9595
Guanqian Branch	No. 65, Guanqian Rd., Zhongzheng Dist., Taipei City 10047, Taiwan (R.O.C.)	(02)2312-5555
Huashan Branch	No. 128, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City 10053, Taiwan (R.O.C.)	(02)2395-2121
Linyi Branch	No. 71, Sec. 2, Ren'ai Rd., Zhongzheng Dist., Taipei City 10062, Taiwan (R.O.C.)	(02)2397-0686
Nanmen Branch	No. 5, Sec. 2, Roosevelt Rd., Zhongzheng Dist., Taipei City 10093, Taiwan (R.O.C.)	(02)2322-2777
Datong Branch	No. 50, Sec. 2, Chongqing N. Rd., Datong Dist., Taipei City 10345, Taiwan (R.O.C.)	(02)2555-2468
Jiancheng Branch	No. 36, Nanjing W. Rd., Datong Dist., Taipei City 10352, Taiwan (R.O.C.)	(02)2555-1688
Guanghua Branch	No. 136, Songjiang Rd., Zhongshan Dist., Taipei City 10417, Taiwan (R.O.C.)	(02)2551-0168
Xinsheng Branch	No. 55, Sec. 1, Minsheng E. Rd., Zhongshan Dist., Taipei City 10451, Taiwan (R.O.C.)	(02)2562-1666
Zhongshan Branch	No. 47, Sec. 3, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10461, Taiwan (R.O.C.)	(02)2591-7585
Dajhih Branch	No. 589, Mingshui Rd., Zhongshan Dist., Taipei City 10466, Taiwan (R.O.C.)	(02)8509-7878
Songjian Branch	No. 328, Songjiang Rd., Zhongshan Dist., Taipei City 10468, Taiwan (R.O.C.)	(02)2563-9241
Minsheng Branch	No. 141, Sec. 2, Minsheng E. Rd., Zhongshan Dist., Taipei City 10483, Taiwan (R.O.C.)	(02)2506-5166

Unit name	Address	Tel
Jianguo Branch	No. 132, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02)2773-2200
Nanjing E. Rd. Branch	No. 132, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 10489, Taiwan (R.O.C.)	(02)2506-1333
Minquan Branch	No. 144, Sec. 3, Minquan E. Rd., Songshan Dist., Taipei City 10542, Taiwan (R.O.C.)	(02)2545-2155
Dunbei Branch	No. 236, Dunhua N. Rd., Songshan Dist., Taipei City 10548, Taiwan (R.O.C.)	(02)2713-9911
Zhonglun Branch	No. 182, Sec. 3, Bade Rd., Songshan Dist., Taipei City 10555, Taiwan (R.O.C.)	(02)2570-5080
Bade Branch	No. 656-1, Sec. 4, Bade Rd., Songshan Dist., Taipei City 10566, Taiwan (R.O.C.)	(02)3765-1188
Xisong Branch	No. 230, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10570, Taiwan (R.O.C.)	(02)2745-6199
Guangfu Branch	No. 99, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10571, Taiwan (R.O.C.)	(02)2765-4222
Sanmin Branch	No. 165-7, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City 10589, Taiwan (R.O.C.)	(02)2747-5688
Fuxing Branch	No. 248, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02)2721-0306
Chengdong Branch	No. 126, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02)2577-7300
Qingcheng Branch	No. 158, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 10596, Taiwan (R.O.C.)	(02)2545-5559
Yongping Branch	No. 199, Fuxing N. Rd., Songshan Dist., Taipei City 10596, Taiwan (R.O.C.)	(02)8712-5510
Heping Branch	No. 109, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City 10646, Taiwan (R.O.C.)	(02)2365-5627
Guting Branch	No. 149, Sec. 3, Roosevelt Rd., Da'an Dist., Taipei City 10647, Taiwan (R.O.C.)	(02)2363-2931
Dongmen Branch	No. 9, Sec. 3, Xinyi Rd., Da'an Dist., Taipei City 10657, Taiwan (R.O.C.)	(02)2703-8879
Xin'an Branch	No. 149, Sec. 3, Xinyi Rd., Da'an Dist., Taipei City 10658, Taiwan (R.O.C.)	(02)2325-5989
Dunhua Branch	No. 218, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10669, Taiwan (R.O.C.)	(02)2377-6999
Anhe Branch	No. 92, Sec. 2, Anhe Rd., Da'an Dist., Taipei City 10680, Taiwan (R.O.C.)	(02)2325-5007
Xinyi Branch	No. 32, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10683, Taiwan (R.O.C.)	(02)2705-2316
Da'an Branch	No. 33, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 10685, Taiwan (R.O.C.)	(02)2777-1795
Ren'ai Branch	No. 85, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 10688, Taiwan (R.O.C.)	(02)2752-5353

Unit name	Address	Tel
Dunnan Branch	No. 185, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 10690, Taiwan (R.O.C.)	(02)2740-8811
Zhongxiao Branch	No. 293, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 10696, Taiwan (R.O.C.)	(02)2772-1252
Zhongzheng Branch	No. 99, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City 10697, Taiwan (R.O.C.)	(02)2711-8168
Ximen Branch	No. 93, Sec. 2, Changsha St., Wanhua Dist., Taipei City 10846, Taiwan (R.O.C.)	(02)2381-3188
Wanhua Branch	No. 450, Wanda Rd., Wanhua Dist., Taipei City 10872, Taiwan (R.O.C.)	(02)2337-7101
Shihmao Branch	No. 456, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02)2720-9191
Songqin Branch	No. 106, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 11047, Taiwan (R.O.C.)	(02)8780-6669
Yongchun Branch	No. 687, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 11061, Taiwan (R.O.C.)	(02)8785-6868
Songshan Branch	No. 151, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 11070, Taiwan (R.O.C.)	(02)2763-3310
Wenchang Branch	No. 557, Guangfu S. Rd., Xinyi Dist., Taipei City 11074, Taiwan (R.O.C.)	(02)8789-7171
Zhongcheng Branch	No. 247, Sec. 2, Zhongcheng Rd., Shilin Dist., Taipei City 11153, Taiwan (R.O.C.)	(02)2873-6556
Tianmu Branch	No. 24, Tianmu W. Rd., Shilin Dist., Taipei City 11157, Taiwan (R.O.C.)	(02)2871-7040
Lanya Branch	No. 45, Dexing W. Rd., Shilin Dist., Taipei City 11158, Taiwan (R.O.C.)	(02)2835-5658
Shilin Branch	No. 197, Zhongzheng Rd., Shilin Dist., Taipei City 11163, Taiwan (R.O.C.)	(02)8861-4040
Beitou Branch	No. 150, Sec. 1, Zhongyang S. Rd., Beitou Dist., Taipei City 11263, Taiwan (R.O.C.)	(02)2896-0399
Shipai Branch	No. 188, Sec. 1, Shipai Rd., Beitou Dist., Taipei City 11271, Taiwan (R.O.C.)	(02)2828-6779
Wende Branch	No. 12, Ln. 174, Sec. 3, Chenggong Rd., Neihu Dist., Taipei City 11460, Taiwan (R.O.C.)	(02)8792-6189
Xinhu Branch	No. 111, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City 11490, Taiwan (R.O.C.)	(02)8791-7088
Donghu Branch	No. 452, Sec. 5, Chenggong Rd., Neihu Dist., Taipei City 11490, Taiwan (R.O.C.)	(02)2631-9986
Ruihu Branch	No. 292, Yangguang St., Neihu Dist., Taipei City 11491, Taiwan (R.O.C.)	(02)2658-0608
Neihu Branch	No. 310, Sec. 1, Neihu Rd., Neihu Dist., Taipei City 11493, Taiwan (R.O.C.)	(02)2659-6899
South Neihu Branch	No. 169, Xing'ai Rd., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02)8792-8068

Unit name	Address	Tel
Nangang Branch:	No. 66-3, Sanchong Rd., Nangang Dist., Taipei City 11502, Taiwan (R.O.C.)	(049)220-6686
Wenshan Branch	No. 94, Sec. 2, Muzha Rd., Wenshan Dist., Taipei City 11648, Taiwan (R.O.C.)	(02)8661-6262
Jingmei Branch	No. 285, Sec. 6, Roosevelt Rd., Wenshan Dist., Taipei City 11674, Taiwan (R.O.C.)	(02)2930-3088
Keelung Branch	No. 5, Zhong 1st Rd., Ren'ai Dist., Keelung City 20041, Taiwan (R.O.C.)	(02)2421-3898
Huajiang Branch	No. 43, Zhuangjing Rd., Banqiao Dist., New Taipei City 22042, Taiwan (R.O.C.)	(02)2254-3939
Banqiao Branch	No. 102, Zhongzheng Rd., Banqiao Dist., New Taipei City 22054, Taiwan (R.O.C.)	(02)2965-1811
Houpu Branch	No. 260, Chongqing Rd., Banqiao Dist., New Taipei City 22063, Taiwan (R.O.C.)	(02)2954-6688
Xinban Branch	No. 156, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 22065, Taiwan (R.O.C.)	(02)2951-8533
Bandong Branch	No. 216, Sec. 1, Sanmin Rd., Banqiao Dist., New Taipei City 22067, Taiwan (R.O.C.)	(02)8951-9355
Puqi Branch	No. 196, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City 22069, Taiwan (R.O.C.)	(02)2961-8700
Xizhi Branch	No. 196, Sec. 2, Datong Rd., Xizhi Dist., New Taipei City 22184, Taiwan (R.O.C.)	(02)2641-0666
Baoqiao Branch	No. 96, Baoqiao Rd., Xindian Dist., New Taipei City 23145, Taiwan (R.O.C.)	(02)2218-9339
Beixin Branch	No. 190, Zhongzheng Rd., Xindian Dist., New Taipei City 23146, Taiwan (R.O.C.)	(02)2917-3999
Xindian Branch	No. 542-4, Zhongzheng Rd., Xindian Dist., New Taipei City 23148, Taiwan (R.O.C.)	(02)2218-4881
Yonghe Branch	No. 15, Sec. 1, Yonghe Rd., Yonghe Dist., New Taipei City 23445, Taiwan (R.O.C.)	(02)2925-8861
Yongzhen Branch	No. 225, Sec. 1, Zhongshan Rd., Yonghe Dist., New Taipei City 23446, Taiwan (R.O.C.)	(02)2927-3300
Fuhe Branch	No. 353-1, Fuhe Rd., Yonghe Dist., New Taipei City 23450, Taiwan (R.O.C.)	(02)2924-1010
Liancheng Branch	No. 236, Liancheng Rd., Zhonghe Dist., New Taipei City 23553, Taiwan (R.O.C.)	(02)8228-6976
Zhonghe Branch	No. 296, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City 23557, Taiwan (R.O.C.)	(02)2242-2178
Shuanghe Branch	No. 102, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02)2244-7890
Xuefu Branch	No. 122, Sec. 1, Xuefu Rd., Tucheng Dist., New Taipei City 23657, Taiwan (R.O.C.)	(02)2266-8669
Tucheng Branch	No. 209, Sec. 2, Zhongyang Rd., Tucheng Dist., New Taipei City 23669, Taiwan (R.O.C.)	(02)2273-9911

Unit name	Address	Tel
Shulin Branch	No. 166, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City 23844, Taiwan (R.O.C.)	(02)2682-2988
Sanchong Branch	No. 29, Sec. 2, Chongyang Rd., Sanchong Dist., New Taipei City 24141, Taiwan (R.O.C.)	(02)2982-2101
Zhengyi Branch	No. 9, Sec. 2, Chongxin Rd., Sanchong Dist., New Taipei City 24147, Taiwan (R.O.C.)	(02)2982-3131
North Sanchong Branch	No. 111, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City 24152, Taiwan (R.O.C.)	(02)2286-1133
Erchong Branch	No. 4, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City 24159, Taiwan (R.O.C.)	(02)2278-9999
Chongxin Branch	No. 87, Sec. 4, Chongxin Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)	(02)2972-3329
Xinzhuang Branch	No. 245, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24243, Taiwan (R.O.C.)	(02)2996-8491
Xintai Branch	No. 387, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24243, Taiwan (R.O.C.)	(02)8201-0788
Xingfu Branch	No. 692, Xingfu Rd., Xinzhuang Dist., New Taipei City 24248, Taiwan (R.O.C.)	(02)8992-9911
Xinshu Branch	No. 499, Xinshu Rd., Xinzhuang Dist., New Taipei City 24262, Taiwan (R.O.C.)	(02)2208-0077
Danfeng Branch	No. 879-17, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24256, Taiwan (R.O.C.)	(02)2903-2500
Luzhou Branch	No. 79, Zhongzheng Rd., Luzhou Dist., New Taipei City 24757, Taiwan (R.O.C.)	(02)8282-5588
Tamsui Branch	No. 106, Zhongshan Rd., Tamsui Dist., New Taipei City 25151, Taiwan (R.O.C.)	(02)2620-5601
East Linkou Branch	No. 337, Sec. 1, Wenhua 3rd Rd., Linkou Dist., New Taipei City 24448, Taiwan (R.O.C.)	(02)2600-9177
Yilan Branch	No. 105, Sec. 1, Shennong Rd., Yilan City, Yilan County 26047, Taiwan (R.O.C.)	(03)935-8797
Zhucheng Branch	No. 150, Minzu Rd., East Dist., Hsinchu City 30043, Taiwan (R.O.C.)	(03)531-1122
Hsinchu Branch	No. 307, Beida Rd., North Dist., Hsinchu City 30044, Taiwan (R.O.C.)	(03)524-1111
Zhuke Branch	No. 369, Sec. 1, Guangfu Rd., East Dist., Hsinchu City 30074, Taiwan (R.O.C.)	(03)666-1666
Xiangshan Branch:	No. 582, Sec. 4, Zhonghua Rd., Xiangshan Dist., Hsinchu City 30094, Taiwan (R.O.C.)	(03)538-0388
Zhubei Branch	No. 87-1, Guangming 6th Rd., Zhubei City, Hsinchu County 30268, Taiwan (R.O.C.)	(03)657-0336
Liujia Branch	No. 301, Sec. 1, Wenxing Rd., Zhubei City, Hsinchu County 30272, Taiwan (R.O.C.)	(03)658-8178
Zhongli Branch	No. 11, Sec. 1, Zhongyang W. Rd., Zhongli Dist., Taoyuan City 32042, Taiwan (R.O.C.)	(03)422-4066

Unit name	Address	Tel
North Zhongli Branch	No. 129, Cihui 3rd St., Zhongli Dist., Taoyuan City 32085, Taiwan (R.O.C.)	(03)427-0355
Tongde Branch	No. 1125, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33045, Taiwan (R.O.C.)	(03)325-0567
North Taoyuan Branch	No. 448, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33047, Taiwan (R.O.C.)	(03)339-8855
Taoxing Branch	No. 469, Zhongshan Rd., Taoyuan Dist., Taoyuan City 33066, Taiwan (R.O.C.)	(03)335-6255
Taoyuan Branch	No. 170, Fuxing Rd., Taoyuan Dist., Taoyuan City 33066, Taiwan (R.O.C.)	(03)335-9955
Linkou Branch	No. 319, Wenhua 3rd Rd., Guishan Dist., Taoyuan City 33377, Taiwan (R.O.C.)	(03)327-1689
Danan Branch	No. 30, Jinhe Rd., Bade Dist., Taoyuan City 33461, Taiwan (R.O.C.)	(03)367-5777
Nankan Branch	No. 70, Zhongzheng Rd., Luzhu Dist., Taoyuan City 33858, Taiwan (R.O.C.)	(03)311-0355
Miaoli Branch	No. 408, Zhongzheng Rd., Miaoli City, Miaoli County 36043, Taiwan (R.O.C.)	(037)377-855
East Taichung Branch	No. 735, Jiancheng Rd., East Dist., Taichung City 40150, Taiwan (R.O.C.)	(04)2283-1666
Changping Branch	No. 36-1, Sec. 2, Changping Rd., Beitun Dist., Taichung City 40673, Taiwan (R.O.C.)	(04)2205-0867
West Taichung Branch	No. 185, Minquan Rd., West Dist., Taichung City 40341, Taiwan (R.O.C.)	(04)2220-8937
Taichung Branch	No. 148, Sec. 1, Ziyu Rd., West Dist., Taichung City 40342, Taiwan (R.O.C.)	(04)2223-1031
Gongyi Branch	No. 53, Sec. 2, Gongyi Rd., Nantun Dist., Taichung City 40861, Taiwan (R.O.C.)	(04)2320-5799
Nantun Branch	No. 1-128, Wuquan Rd., West Dist., Taichung City 40346, Taiwan (R.O.C.)	(04)2371-6663
Wuquan Branch	No. 530, Yingcai Rd., West Dist., Taichung City 40360, Taiwan (R.O.C.)	(04)2301-4000
Duxing Branch	No. 190, Wuquan Rd., North Dist., Taichung City 40446, Taiwan (R.O.C.)	(04)2205-5858
Jianxing Branch	No. 590, Jianxing Rd., North Dist., Taichung City 40459, Taiwan (R.O.C.)	(04)2205-0867
Chongde Branch	No. 128, Sec. 2, Chongde Rd., Beitun Dist., Taichung City 40653, Taiwan (R.O.C.)	(04)2238-9278
Fengjia Branch	No. 363-5, Sec. 2, Henan Rd., Xitun Dist., Taichung City 40744, Taiwan (R.O.C.)	(04)2706-7998
Xitun Branch	No. 219, Chaofu Rd., Xitun Dist., Taichung City 40757, Taiwan (R.O.C.)	(04)2371-6663
Shuinan Branch	No. 215, Sec. 2, Zhongqing Rd., Xitun Dist., Taichung City 40754, Taiwan (R.O.C.)	(04)2297-1718

Unit name	Address	Tel
Shizheng Branch	No. 31, Shizheng N. 3rd Rd., Xitun Dist., Taichung City 40756, Taiwan (R.O.C.)	(04)2251-9389
Zhonggang Branch	No. 600, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City 40759, Taiwan (R.O.C.)	(04)2313-5678
Wenxin Branch	No. 666, Sec. 2, Wuquan W. Rd., Nantun Dist., Taichung City 40869, Taiwan (R.O.C.)	(04)2381-3168
Taiping Branch	No. 142, Zhongxing E. Rd., Taiping Dist., Taichung City 41167, Taiwan (R.O.C.)	(04)2275-2979
Dali Branch	No. 259, Sec. 2, Guoguang Rd., Dali Dist., Taichung City 41266, Taiwan (R.O.C.)	(04)2406-5678
Fengyuan Branch	No. 199, Sanmin Rd., Fengyuan Dist., Taichung City 42061, Taiwan (R.O.C.)	(04)2528-8700
Tanzi Branch	No. 46, Sec. 3, Tanxing Rd., Tanzi Dist., Taichung City 42751, Taiwan (R.O.C.)	(04)2531-6666
Daya Branch	No. 125, Sec. 1, Minsheng Rd., Daya Dist., Taichung City 42866, Taiwan (R.O.C.)	(04)2569-1155
Shalu Branch	No. 476, Zhongshan Rd., Shalu Dist., Taichung City 43352, Taiwan (R.O.C.)	(04)2665-5959
Qingshui Branch	No. 170, Zhongshan Rd., Qingshui Dist., Taichung City 43654, Taiwan (R.O.C.)	(04)2623-5798
Dajia Branch	No. 222-1, Shuntian Rd., Dajia Dist., Taichung City 43741, Taiwan (R.O.C.)	(04)2686-0779
Zhangmei Branch	No. 136, Cixiu Rd., Changhua City, Changhua County 50059, Taiwan (R.O.C.)	(04)725-3424
Changhua Branch	No. 35, Huashan Rd., Changhua City, Changhua County 50063, Taiwan (R.O.C.)	(04)728-9288
Yuanlin Branch	No. 320, Sec. 2, Zhongshan Rd., Yuanlin City, Changhua County 51049, Taiwan (R.O.C.)	(04)832-4122
Nantou Branch	No. 13, Sanhe 3rd Rd., Nantou City, Nantou County 54057, Taiwan (R.O.C.)	(049)220-6686
Jiatai Branch	No. 242-1, Zhongshan Rd., East Dist., Chiayi City 60044, Taiwan (R.O.C.)	(05)223-2466
Chiayi Branch	No. 26, Minsheng N. Rd., West Dist., Chiayi City 60048, Taiwan (R.O.C.)	(05)227-5552
Douliu Branch	No. 89, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05)537-1321
Tainan Branch	No. 62, Sec. 1, Minsheng Rd., West Central Dist., Tainan City 70048, Taiwan (R.O.C.)	(06)228-0171
East Tainan Branch	No. 395, Sec. 1, Linsen Rd., East Dist., Tainan City 70151, Taiwan (R.O.C.)	(06)276-1166
Lin'an Branch	No. 17, Sec. 2, Lin'an Rd., North Dist., Tainan City 70458, Taiwan (R.O.C.)	(06)258-1736
Yongkang Branch	No. 423, Zhonghua Rd., Yongkang Dist., Tainan City 71079, Taiwan (R.O.C.)	(06)233-8077

Unit name	Address	Tel
Chenggong Branch	No. 1, Zhonghua Rd., Yongkang Dist., Tainan City 71084, Taiwan (R.O.C.)	(06)312-0266
Xinying Branch	No. 134, Zhongshan Rd., Xinying Dist., Tainan City 73065, Taiwan (R.O.C.)	(06)632-5556
Shanhua Branch	No. 349, Zhongshan Rd., Shanhua Dist., Tainan City 74157, Taiwan (R.O.C.)	(06)581-0607
Xinxing Branch	No. 55, Zhongzheng 3rd Rd., Xinxing Dist., Kaohsiung City 80054, Taiwan (R.O.C.)	(07)227-4171
Qianjin Branch	No. 148, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City 80147, Taiwan (R.O.C.)	(07)286-1720
Lingya Branch	No. 89, Linsen 2nd Rd., Lingya Dist., Kaohsiung City 80242, Taiwan (R.O.C.)	(07)333-8911
Siwei Branch	No. 7, Siwei 4th Rd., Lingya Dist., Kaohsiung City 80247, Taiwan (R.O.C.)	(07)331-9918
East Kaohsiung Branch	No. 72, Zhongzheng 2nd Rd., Lingya Dist., Kaohsiung City 80271, Taiwan (R.O.C.)	(07)224-1531
Mingcheng Branch	No. 637, Mingcheng 3rd Rd., Gushan Dist., Kaohsiung City 80453, Taiwan (R.O.C.)	(07)586-7888
Qianzhen Branch	No. 355, Baotai Rd., Qianzhen Dist., Kaohsiung City 80643, Taiwan (R.O.C.)	(07)726-0676
South Kaohsiung Branch	No. 385, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City 80658, Taiwan (R.O.C.)	(07)338-6656
Kaohsiung Branch	No. 366, Bo'ai 1st Rd., Sanmin Dist., Kaohsiung City 80757, Taiwan (R.O.C.)	(07)323-7711
Dachang Branch	No. 76, Dachang 2nd Rd., Sanmin Dist., Kaohsiung City 80780, Taiwan (R.O.C.)	(07)380-9339
Zuoying Branch	No. 366, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City 81358, Taiwan (R.O.C.)	(07)550-7366
Gangshan Branch	No. 28, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City 82065, Taiwan (R.O.C.)	(07)622-6678
Fengshan Branch	No. 203, Zhongshan W. Rd., Fengshan Dist., Kaohsiung City 83068, Taiwan (R.O.C.)	(07)742-6325
Pingtung Branch	No. 125, Zhongzheng Rd., Pingtung City, Pingtung County 90074, Taiwan (R.O.C.)	(08)733-0456
Taitung Branch	No. 258, Zhongshan Rd., Taitung City, Taitung County 95043, Taiwan (R.O.C.)	(089)352-211
Hualien Branch	No. 163, Minguo Rd., Hualien City, Hualien County 97049, Taiwan (R.O.C.)	(03)833-7168
Manila Branch	Unit 1, 15F, Tower 6789, No.6789 Ayala Avenue, Makati City, Metro Manila, Philippines, 1226.	+63-2-7751-1161
Hong Kong Branch	10F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	+852-2877-5488
Singapore Branch	8 Marina Boulevard #13-03 Marina Bay Financial Centre Tower 1 Singapore 018981	+65-6593-9280

Unit name	Address	Tel
Vientiane Capital Branch	No.40, Tut Mai Rd., Hatsady Village, Chanthabouly District, Vientiane Capital, Lao PDR	+856-21-255688
Labuan Branch	Unit 13F(2), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000, Labuan F. T., Malaysia	+60-87-452168
Kuala Lumpur Office	Unit 28-03, Level 28 Menara Public Bank 2, No. 78, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	+60-3-2070-6729
Chu Lai Branch, Vietnam	4F, NO.121 Hung Vuong Street., Tam Ky City, Quang Nam Province , Vietnam	+84-235-3813035~42
Bangkok Office, Thailand	No.388 Exchange Tower, 19 Floor Unit 1904, Sukhumvit Road, Klongtoey Subdistrict, Klongtoey District, Bangkok 10110, Thailand	+66-2258-6155
Hanoi Office	Unit No.506 on 5th floor, Hanoi Tower, 49 Hai Ba Trung street, Hoan Kiem district, Hanoi city, Vietnam	+84-24-3936-6566
HCMC Office	5F, 46-48 Pham Hong Thai Street, District 1, HCMC, Vietnam	+84-28-3825-8761~63
Yangon Branch	No. 3/A Corner of Bogyoke Aung San Road and 27th Street, Suite No. #21-07 to 10, Junction City Tower, Yangon, Myanmar	+95-01-9253386
Jakarta Office	Mayapada Tower 18-03 Jl. Jend. Sudirman Kav.28 Jakarta 12920	+62-21-2951-8572

Appendix II

Significant resolutions made in shareholder meetings and board of directors meetings

1. Significant resolutions made in 2020 shareholder meeting (executed on behalf by the board of directors):

Time/session	Major resolutions	Implementation Status
2020.03.11 4th meeting of the 16th board of directors	Reported the Bank's "2019 Private Cash Issue."	Announcements made according to resolution.
	Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involvement in competing businesses.	Announcements made according to resolution.
	Passed amendments to the Bank's "Articles of Incorporation."	Amendments and announcements made according to resolution.
2020.04.29 5th meeting of the 16th board of directors	Report of the Bank's "2019 Corporate Governance Report," "2020 Corporate Governance Plan," and "Internal Control Conference Minutes."	Presented to the board of directors on record.
	Report on the Bank's "2019 Business Report," "2019 Employee/Director/Supervisor Remuneration" and "2019 Supervisor Review Report."	Announcements made according to resolution.
	Acknowledged the Bank's "2019 Business Report," "2019 Consolidated and Standalone Financial Statements," and "2019 Earnings Appropriation."	Announcements made according to resolution.
	Passed the Bank's "earnings capitalization and capital-raising draft plan."	Capital raised as per resolution.
	Amendments to the Bank's "Articles of Incorporation."	Amendments and announcements made according to resolution.
	Passed removal of restrictions imposed against Independent Director Feng-Chiang Miao for involving in competing businesses.	Announcements made according to resolution.

2. Major board of directors resolutions in 2020:

(1) 3rd meeting of the 16th board of directors on January 20, 2020

- ◎ Amended the Bank's "Operation Outsourcing Guidelines."
- ◎ Passed the Bank's "2019 chief internal auditor performance evaluation" and "2019 performance bonus, special incentive, and long-term incentive for Chairman and Vice Chairman."

◎ Passed “personnel changes.”

(2) 4th meeting of the 16th board of directors on March 11, 2020

◎ Passed the Bank’s “2019 Business Report,” “2019 Employee/Director/Supervisor Remuneration,” “2019 Year-end Accounts,” “2019 Earnings Appropriation,” “2019 New Capital Proposal and New Capital Draft Plan,” “2019 Declaration of Internal Control System,” “2019 Declaration of Cybersecurity Implementation,” “2019 Declaration of AML/CTF Internal Control System,” “2019 Declaration of AML/CTF Special Audit,” “2019 Board of Directors Internal Performance Evaluation Outcome,” enforcement of “Fair Customer Treatment Evaluation for Financial Service Providers in 2019,” “2020 Operating Strategies,” and “2020 Key Business and Financial Goals.”

◎ Set the Bank’s “2020 Risk Tolerance,” “2020 Key Risk Indicators” and “Minimum Capital Adequacy Ratio, Tier 1 Capital Ratio and Common Share Equity Ratio Given 2020 Target Risk Appetite.”

◎ Amended the Bank’s “Standard Operating Procedures for Resolving Directors’ and Supervisors’ Requests,” “Board of Directors Conference Rules,” “Credit Policy,” “Capital Authorization Guidelines,” “Corporate Banking Credit Authorization Guidelines,” “Interbank Transaction Management Guidelines,” “Operational Risk Management Guidelines,” “Key Risk Indicator Management Guidelines,” “Credit Card Authorization Guidelines,” “Consumer Banking Credit Authorization Guidelines,” “Notes on Anti-money Laundering and Counter Terrorism Financing” and “Notes on AML/CTF for Insurance Agency Service.”

◎ Passed “relocation, rename, and continual operation of Xioushui Branch” and “curtailment of office premise at Bandong Branch.”

◎ Passed “personnel changes.”

(3) 5th meeting of the 16th board of directors on April 29, 2020

◎ Passed removal of restrictions imposed against Independent Director Feng-Chiang Miao for involving in competing businesses.

◎ Amendments to the Bank’s “Corporate Governance Guidelines.”

(4) 6th meeting of the 16th board of directors on May 14, 2020

◎ Passed the Bank’s “2020 first quarter financial statements,” “2020 audit plan (amendment),” and “2019 regulatory reporting for supervisory review process.”

◎ Amendments to the Bank’s “Credit Information Inquiry Control Guidelines,” “Derivative Guidelines,” and “Insurance Agency Sales Representative Compensation Guidelines.”

◎ Passed relocation, rename and continuing operation of Central Taichung Branch.

◎ Passed “re-organization” and “personnel changes.”

(5) 7th meeting of the 16th board of directors on August 20, 2020

◎ Passed the Bank’s “2020 first-half financial statements..”

◎ Amendments to the Bank’s “Professional Client and Professional Investor

Eligibility Principles,” “Policy on Credit and Non-credit Transactions with Stakeholders,” “Self-discipline Guidelines for Transaction with Watchlisted Parties,” “Cybersecurity Policy,” “Cloud Service Security Control Guidelines,” “Manager Performance Management and Development Policy,” “Manager Compensation Guidelines,” “Corporate Governance Guidelines,” “Independent Director Responsibilities Guidelines,” “Board of Directors and Functional Committee Performance Evaluation Principles,” “Money Laundering and Terrorism Financing Risk Appetite Management Guidelines,” “Money Laundering and Terrorism Financing Risk Appetite Statement,” “Industry Limit Management Guidelines,” “Single Party, Single Related Party, and Single Related Enterprise Credit Management Guidelines,” “Business Continuity Plan Guidelines,” “Treasury Limit Authorization Guidelines,” “Corporate Banking Credit Authorization Guidelines,” “Interbank Transaction Management Guidelines,” and “Collateral Management Guidelines.”

- ◎ Passed “request of transferee - Shun Yuan Asset Management Co., Ltd. to postpone payment and acceptance for debt entitlements over Chang Yi Enterprise Co., Ltd.”
- ◎ Passed relocation of Zhongshan Branch, Heping Branch, and Dunbei Branch.
- ◎ Passed “re-organization” and “personnel changes.”

(6) 8th meeting of the 16th board of directors on November 12, 2020

- ◎ Passed the Bank’s “2020 3-quarter Financial Statements,” “Reappointment of Financial Statement Auditors from 2020 4th Quarter,” and “2021 Audit Plan.”
- ◎ Amendments to the Bank’s “AML/CTF Risk Assessment Guidelines,” “AML/CTF Risk Assessment Methodology,” “Stakeholder Credit and Transaction Management Guidelines,” “Capital Authorization Guidelines,” and “Financial Asset Impairment Control Policy,” “Corporate Banking Credit Authorization Guidelines,” “Collateral Management Guidelines,” “Sales Representative Performance Evaluation and Compensation Guidelines,” “Financial Advisory System Implementation and Performance Evaluation Rules,” “Notes on Performance Evaluation for Consumer Banking and Insurance Marketing Specialists,” “Notes on Performance Evaluation for Consumer Banking and Insurance Sales Representatives,” and “Investment and Insurance Product Reward Guidelines.”
- ◎ Passed change of office address for the Bank’s Fengshan and Dajih Branches.
- ◎ Passed “personnel changes.”

3. Significant shareholder meeting resolutions (executed on behalf by board of directors) in 2021 up till publication of annual report:

None

4. Major board of directors resolutions made in 2021 up till the publication date of annual report:

(1) 9th meeting of the 16th board of directors on February 3, 2021

- ◎ Passed “2020 Board of Directors Internal Performance Assessment Outcome” and “Chief Internal Auditor’s 2020 Performance Assessment Outcome.”

- ◎ Passed allocation of 2020 performance bonus, special incentive, and long-term incentive for Chairman, Vice Chairman, and Chief Auditor.
- ◎ Passed reappointment of chief internal auditor for the Bank's concurrent involvements in banking and securities service.
- ◎ Amended "Overdue Loan, Hardcore Receivable and NPL Guidelines."
- ◎ Passed "personnel changes."

(2) 10th meeting of the 16th board of directors on March 10, 2021

- ◎ Passed the Bank's "2020 Business Report," "2020 Employee Remuneration," "2020 Director/Supervisor Remuneration," "2020 Financial Statements," "2020 Earnings Appropriation," "2020 Declaration of Internal Control System," "2020 Declaration of Information Security," "2020 Declaration of AML/CTF Internal Control system," "2020 Declaration of AML/CTF Special Audit," "2020 Compliance Risk Assessment Report," "Compliance Risk Appetite and Execution of Improvement Plan for the Previous Compliance Risk Assessment," "2021 Financial Service Provider Self-evaluation on Fair Customer Treatment Evaluation System and 2020 Second-half Compliance Report and Fair Customer Treatment Principles," "2021 Operating Strategies, Key Business and Financial Goals," "2021 Minimum Capital Adequacy Ratio Given the Target Appetite, Tier 1 Capital Ratio, and Common Share Equity Ratio," "Banking Book Interest Rate Risk Management Guidelines," "Liquidity Risk Management Guidelines," and "Market Risk Limits."
- ◎ Establishment of "2021 Operational Risk Tolerance," "2021 Key Operational Risk Indicators," "Emergency Response Plan for Abnormal ATM Performance During Consecutive Off Days of 3 Days and Longer," "Policy on Overseas Branches Seeking Assistance from Home Country Units for Information Delivery, Signature Verification, and Due Diligence," and "ESG and Climate Risk Management Guidelines."
- ◎ Amendments to "Internal Control System," "Risk Management Policy," "Emerging Risk Management Guidelines," "Capital Adequacy Ratio and Risk Appetite Guidelines," "Market Risk Management Guidelines," "Derivative Guidelines," "Treasury Limit Authorization Guidelines," "Capital Authorization Guidelines," "Corporate Banking Credit Authorization Guidelines," "Credit Card Authorization Guidelines," "Self-discipline Guidelines for Transaction with Watchlisted Parties," "Self-audit Guidelines," "Financial Advisory System Implementation and Performance Evaluation Guidelines," and "Private Banking Customer Relationship Manager System Implementation and Performance Evaluation Rules."
- ◎ Passed "curtailment of business premise at Fuxing Branch."
- ◎ Passed "personnel changes."

Appendix III

Transfer or pledge of shares owned by directors, supervisors, managers, and all parties subject to reporting under Article 11 of Regulations Governing the Ownership of Bank By Single Individuals or Stakeholders:

Change of common share equity in 2020 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Vice Chairman	Tzung-Han Tsai	10,000,000	—	Senior Vice President	Pi-Wei Hsu	(15,343)	—
Director	Tsung-Hsien Tsai	10,000,000	—	Senior Vice President	Chen-Te Kuo	(3,000)	—
Director	Wei-Hua Chou	15,000	—	Senior Vice President	Chun-An Chen	(1,000)	—
Senior Executive Vice President	Yu-Chin Cheng	18,000	—	Senior Vice President	Lung-San Fu	(6,453)	—
Executive Vice President	Chang-Li Tsao	(8,000)	—	Senior Vice President	Chih-Chi Peng	5,000	—
Senior Vice President	Hsiu-Chen Wu	(5,000)	—	Senior Vice President	Yu-Chi Yu	(2,017)	—
Senior Vice President	Kuo-Yang Wu	(5,000)	—	Senior Vice President	Chin-Ting Huang	(6,052)	—
Senior Vice President	Shih-Wei Li	3,000	—	Senior Vice President	Chien-Kuo Huang	(5,000)	—
Senior Vice President	Tung-Fa Li	5,000	—	Senior Vice President	Ming-Jen Yang	(5,000)	—
Senior Vice President	Jung-Hsi Li	(5,000)	—	Senior Vice President	Fei-Hsiang Yeh	(5,000)	—
Senior Vice President	Ming-Chi Li	(9,775)	—	Senior Vice President	Chan-Hao Yeh	(5,000)	—
Senior Vice President	Chien-Cheng Tsung	(3,000)	—	Senior Vice President	Chih-Hao Hsiung	(27,000)	—
Senior Vice President	Wen-Chang Lin	(6,000)	—	Senior Vice President	Jen-Ming Liu	(5,000)	—
Senior Vice President	Yi-Ching Lin	(5,000)	—	Senior Vice President	Hsi-Jen Liu	(6,000)	—
Senior Vice President	Ping-Tsang Lin	(5,000)	—	Senior Vice President	Shih-Jen Cheng	(1,000)	—
Senior Vice President	Chia-Tsung Lin	(6,000)	—	Senior Vice President	Chi-Wei Lu	(5,000)	—
Senior Vice President	Shu-Chun Chuang	(7,000)	—	—			

Change of Class-A preferred share equity in 2020 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Senior Vice President	Cheng-Tien Wu	(5,000)	—	Senior Vice President	Lung-San Fu	(70)	—
Senior Vice President	Hui-Ting Li	1,000	—	Senior Vice President	Yu-Chi Yu	(3,000)	—
Senior Vice President	Yi-Ching Lin	(1,000)	—	Senior Vice President	Ching-Sung Liu	(2,000)	—
Senior Vice President	Chen-Te Kuo	(4,000)	—	—			

Change of Class-B preferred share equity in 2020 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Executive Vice President	Chen-Tung Chang	(4,000)	—	Senior Vice President	Yu-Chi Yu	(2,000)	—
Senior Vice President	Shu-Chun Chuang	(3,000)	—	Senior Vice President	Hsiu-Chin Huang	(3,000)	—
Senior Vice President	Chen-Te Kuo	(3,000)	—	Senior Vice President	Ching-Sung Liu	(3,000)	—
Senior Vice President	Lung-San Fu	(58)	—	—			

Change of common share equity up till March 31, 2021 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Supervisor	Yiao-Chiun Lai	(18,000)	—	Senior Vice President	Chen-Te Kuo	(2,000)	—
Senior Executive Vice President	Yu-Chin Cheng	6,000	—	Senior Vice President	Chih-Chi Peng	(3,000)	—
Senior Vice President	Chun-Huan Chiang	(61,000)	—	Senior Vice President	Ching-Sung Liu	(5,000)	—
Senior Vice President	Ming-Hui Shih	236	—	—			

Change of Class-A preferred share equity up till March 31, 2021 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Senior Vice President	Hui-Ting Li	(3,000)	—	—			

Change of Class-B preferred share equity up till March 31, 2021 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Senior Vice President	Chan-Hao Yeh	(3,000)	—	Senior Vice President	Chi-Hao Cheng	(3,000)	—
Senior Vice President	Ching-Sung Liu	(140)	—	—			

Note 1: Shareholding refers to shares of Cathay Financial Holding Co., Ltd..

Appendix IV

**Cathay United Bank Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For The Years Ended
31 December 2020 and 2019
With Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CATHAY UNITED BANK CO., LTD.

By:

March 10, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholder
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 December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing 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 year ended December 31, 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 for the Company's consolidated financial statements for the year ended December 31, 2020 are as follows:

Impairment Assessment of Loans

The domestic loans of the Bank which amounted to \$1,510,492,015 thousand was 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 amount of impairment assessed on loans under the relevant regulations issued by the authorities is substantially larger than that assessed under IFRS 9, hence, we determined the impairment of the loans assessed under the relevant regulations prescribed by the authorities as a key audit matter.

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

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

1. We understood and tested the internal controls of impairment assessment of loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories to see if it complies with the relevant regulations issued by the authorities.
3. We performed the test on selected samples to ensure 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 of impairment loss by classifying the credit assets into their respective category to see if it complies 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 year ended December 31, 2020 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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the 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 year ended December 31, 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 audits resulting in this independent auditors' report are Cheng-Hung Kuo and Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2021

Notice to Readers

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

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	\$71,007,491	2	\$52,997,997	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 7, 44 and 45)	129,503,924	4	110,945,093	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	324,043,978	10	298,874,753	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 45 and 49)	336,097,816	10	324,130,110	11
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 45 and 49)	501,728,143	16	444,934,985	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	27,142,475	1	14,295,350	1
RECEIVABLES, NET (Notes 4, 13, 15 and 44)	99,813,146	3	100,888,023	3
CURRENT INCOME TAX ASSETS	38,817	-	-	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 44)	1,661,295,961	52	1,553,150,906	52
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 17)	1,863,169	-	1,776,839	-
OTHER FINANCIAL ASSETS, NET	364	-	909	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	25,330,466	1	25,774,420	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 19 and 44)	4,257,544	-	4,226,097	-
INVESTMENT PROPERTIES, NET (Notes 4 and 20)	646,445	-	857,504	-
INTANGIBLE ASSETS, NET (Notes 4 and 21)	8,139,303	-	8,153,189	-
DEFERRED TAX ASSETS (Notes 4 and 42)	4,407,980	-	3,864,923	-
OTHER ASSETS, NET (Notes 22 and 44)	<u>34,143,238</u>	<u>1</u>	<u>28,625,256</u>	<u>1</u>
TOTAL	<u>\$3,229,460,260</u>	<u>100</u>	<u>\$2,973,496,354</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	\$66,131,059	2	\$84,108,128	3
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	115,614,629	4	106,770,939	4
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 24)	10,092,058	-	48,180,452	2
PAYABLES (Notes 25 and 44)	24,609,128	1	26,864,803	1
CURRENT TAX LIABILITIES (Notes 4 and 42)	286,330	-	395,561	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	2,648,995,024	82	2,335,331,108	78
FINANCIAL DEBENTURES PAYABLE (Note 27)	53,800,000	2	53,900,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	39,748,324	1	65,604,222	2
PROVISIONS (Notes 4, 15 and 29)	3,845,796	-	3,698,353	-
LEASE LIABILITIES (Notes 4, 19 and 44)	4,293,299	-	4,246,381	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 42)	3,464,973	-	3,250,712	-
OTHER LIABILITIES (Notes 4, 31 and 44)	<u>10,848,019</u>	<u>-</u>	<u>9,250,515</u>	<u>-</u>
Total liabilities	<u>2,982,804,639</u>	<u>92</u>	<u>2,741,601,174</u>	<u>92</u>
EQUITY ATTRIBUTABLE TO OWNERS OF BANK (Note 32)				
Capital stock				
Common stock	<u>106,985,830</u>	<u>4</u>	<u>101,658,353</u>	<u>4</u>
Capital surplus	<u>38,687,276</u>	<u>1</u>	<u>38,687,276</u>	<u>1</u>
Retained earnings				
Legal reserve	64,526,043	2	57,935,811	2
Special reserve	2,084,653	-	2,183,978	-
Unappropriated earnings	<u>22,122,582</u>	<u>1</u>	<u>21,675,159</u>	<u>1</u>
Total retained earnings	<u>88,733,278</u>	<u>3</u>	<u>81,794,948</u>	<u>3</u>
Other equity	<u>7,890,488</u>	<u>-</u>	<u>5,345,027</u>	<u>-</u>
Total equity attributable to owners of parent	242,296,872	8	227,485,604	8
NON-CONTROLLING INTERESTS (Note 32)	<u>4,358,749</u>	<u>-</u>	<u>4,409,576</u>	<u>-</u>
Total equity	<u>246,655,621</u>	<u>8</u>	<u>231,895,180</u>	<u>8</u>
TOTAL	<u>\$3,229,460,260</u>	<u>100</u>	<u>\$2,973,496,354</u>	<u>100</u>

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Changes
	Amount	%	Amount	%	(%)
NET INTEREST REVENUE (Notes 4, 33 and 44)					
Interest income	\$50,092,601	81	\$58,126,269	92	(14)
Interest expense	(14,869,483)	(24)	(21,680,489)	(34)	(31)
Total net interest revenue	<u>35,223,118</u>	<u>57</u>	<u>36,445,780</u>	<u>58</u>	(3)
NET REVENUE OTHER THAN INTEREST					
Net service fee revenue (Notes 4, 34 and 44)	16,330,797	27	17,090,430	27	(4)
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 35 and 44)	4,095,029	7	5,703,706	9	(28)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4, 9 and 36)	4,539,337	7	2,093,576	3	117
Loss arising from derecognition of financial assets measured at amortised cost (Notes 4 and 10)	(380,136)	(1)	(38,960)	-	876
Foreign exchange gain (Note 4)	1,237,639	2	1,165,079	2	6
Impairment loss on assets (Notes 4, 5 and 37)	(123,711)	-	(18,623)	-	564
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 17)	113,775	-	91,103	-	25
Net other revenue other than interest income (Notes 4 and 44)	<u>855,497</u>	<u>1</u>	<u>593,757</u>	<u>1</u>	44
Total net revenue other than interest	<u>26,668,227</u>	<u>43</u>	<u>26,680,068</u>	<u>42</u>	-
NET REVENUE	<u>61,891,345</u>	<u>100</u>	<u>63,125,848</u>	<u>100</u>	(2)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 13, 14, 15 and 38)	<u>(3,382,467)</u>	<u>(5)</u>	<u>(2,852,780)</u>	<u>(4)</u>	19

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Changes
	Amount	%	Amount	%	(%)
TOTAL OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 39 and 44)	(\$16,845,281)	(27)	(\$16,881,873)	(27)	-
Depreciation and amortization expense (Notes 4, 18, 19, 21 and 40)	(3,426,827)	(6)	(2,965,515)	(5)	16
Other general and administrative expense (Notes 4, 41 and 44)	(12,413,784)	(20)	(13,958,294)	(22)	(11)
Total operating expenses	(32,685,892)	(53)	(33,805,682)	(54)	(3)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	25,822,986	42	26,467,386	42	(2)
INCOME TAX EXPENSE (Notes 4 and 42)	(3,511,682)	(6)	(3,980,972)	(6)	(12)
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	22,311,304	36	22,486,414	36	(1)
OTHER COMPREHENSIVE INCOME, NET OF TAX (Notes 4 and 32)					
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax					
Remeasurement of defined benefit plans	(238,096)	(1)	(433,779)	(1)	(45)
Property revaluation surplus	-	-	217,619	-	(100)
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	450,900	1	3,976,271	6	(89)
Change in fair value of financial liability attributable to change in credit risk of liability	464,755	1	(3,280,741)	(5)	114
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	(11,821)	-	6,452	-	(283)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 42)	(39,961)	-	288,371	1	(114)

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2020</u>		<u>2019</u>		<u>Changes</u>
	Amount	%	Amount	%	(%)
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	(\$656,858)	(1)	(\$911,361)	(2)	(28)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	50,756	-	(22,687)	-	324
Gains from investments in debt instruments measured at fair value through other comprehensive income	2,860,930	5	4,143,959	7	(31)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 42)	<u>15,104</u>	-	<u>(65,244)</u>	-	123
Other comprehensive income, net of tax	<u>2,895,709</u>	<u>5</u>	<u>3,918,860</u>	<u>6</u>	(26)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>\$25,207,013</u>	<u>41</u>	<u>\$26,405,274</u>	<u>42</u>	(5)
PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$21,853,667	35	\$21,822,653	35	-
Non-controlling interests	<u>457,637</u>	<u>1</u>	<u>663,761</u>	<u>1</u>	(31)
	<u>\$22,311,304</u>	<u>36</u>	<u>\$22,486,414</u>	<u>36</u>	(1)
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$24,811,268	40	\$25,643,765	41	(3)
Non-controlling interests	<u>395,745</u>	<u>1</u>	<u>761,509</u>	<u>1</u>	(48)
	<u>\$25,207,013</u>	<u>41</u>	<u>\$26,405,274</u>	<u>42</u>	(5)
EARNINGS PER SHARE (Note 43)					
Basic	<u>\$2.04</u>		<u>\$2.14</u>		

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank												
	Retained Earnings					Other Equity							
	Capital Stock Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Changes in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Losses on Remeasurements of Defined Benefit Plans	Property Revaluation Surplus	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	\$91,197,623	\$33,610,983	\$51,631,140	\$2,933,808	\$21,015,571	(\$1,008,735)	\$2,730,681	\$774,084	(\$1,369,428)	\$249,819	\$1,376,421	\$4,041,481	\$205,807,027
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 year ended December 31, 2019	-	-	-	-	21,822,653	-	-	-	-	-	-	663,761	22,486,414
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	=	=	=	=	=	(661,988)	7,246,044	(2,624,592)	(346,501)	208,149	3,821,112	97,748	3,918,860
Total comprehensive income (loss) for the year ended December 31, 2019	=	=	=	=	21,822,653	(661,988)	7,246,044	(2,624,592)	(346,501)	208,149	3,821,112	761,509	26,405,274
Issuance of ordinary shares for cash	5,000,000	5,000,000	-	-	-	-	-	-	-	-	-	-	10,000,000
Recognition of share-based payments granted by the parent company	-	76,293	-	-	-	-	-	-	-	-	-	-	76,293
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-393,414	(393,414)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	=	=	=	=	(147,494)	=	147,494	=	=	=	147,494	=	=
BALANCE AT DECEMBER 31, 2019	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 year ended December 31, 2020	-	-	-	-	21,853,667	-	-	-	-	-	-	457,637	22,311,304
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	=	=	=	=	=	(364,244)	3,144,183	371,803	(194,141)	=	2,957,601	(61,892)	2,895,709
Total comprehensive income (loss) for the year ended December 31, 2020	=	=	=	=	21,853,667	(364,244)	3,144,183	371,803	(194,141)	=	2,957,601	395,745	25,207,013
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(446,572)	(446,572)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	268,915	-	(268,915)	-	-	-	(268,915)	-	-
Others	=	=	=	(99,325)	242,550	=	=	=	=	(143,225)	(143,225)	=	=
BALANCE AT DECEMBER 31, 2020	\$106,985,830	\$38,687,276	\$64,526,043	\$2,084,653	\$22,122,582	(\$2,034,967)	\$12,999,487	(\$1,478,705)	(\$1,910,070)	\$314,743	\$7,890,488	\$4,358,749	\$246,655,621

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$25,822,986	\$26,467,386
Adjustments:		
Depreciation expense	2,910,789	2,509,883
Amortization expense	516,038	455,632
Expected credit loss/bad debt expense	3,382,467	2,852,780
Net gains on financial assets and liabilities at fair value through profit or loss	(4,095,029)	(5,703,706)
Interest expense	14,869,483	21,680,489
Net losses arising from derecognition of financial assets measured at amortised cost	380,136	38,960
Interest income	(50,092,601)	(58,126,269)
Dividend income	(992,098)	(994,684)
Compensation costs of share-based payments	-	76,293
Share of profit of associates and joint ventures accounted for using equity method	(113,775)	(91,103)
Losses on disposal of property and equipment	7,659	13,142
Gains on disposal of investment properties	(6,100)	(18,624)
Gains on disposal of investments	(3,547,239)	(1,098,892)
Impairment loss on financial assets	123,711	18,623
Loss on fair value adjustment of investment property	28,059	84,482
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(10,914,208)	(5,546,911)
Financial assets at fair value through profit or loss	54,321,733	8,708,317
Financial assets at fair value through other comprehensive income	(5,211,404)	(114,356,000)
Investments in debt instruments at amortised cost	(57,194,238)	(23,952,148)
Receivables	1,409,791	(18,347,498)
Discounts and loans	(111,255,509)	39,492,540
Other financial assets	551	366
Other assets	(6,523,019)	(2,225,264)
Deposits from the Central Bank and banks	(17,977,069)	2,675,895
Financial liabilities at fair value through profit or loss	(55,257,399)	(50,576,726)
Notes and bonds issued under repurchase agreement	(38,088,394)	(7,794,057)
Payables	(232,280)	(1,045,249)
Deposits and remittances	313,663,916	107,669,418
Other financial liabilities	(25,855,898)	(10,905,112)
Provisions	(167,584)	(192,900)
Other liabilities	<u>(553,707)</u>	<u>139,910</u>
Cash generated from (used in) operations	29,359,768	(88,091,027)
Interest received	51,375,654	63,187,286
Dividends received	1,009,877	985,537
Interest paid	(17,294,264)	(23,144,421)
Income tax paid	<u>(4,940,596)</u>	<u>(1,683,314)</u>
Net cash generated from (used in) operating activities	<u>59,510,439</u>	<u>(48,745,939)</u>

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(\$1,099,926)	(\$1,409,688)
Proceeds from disposal of property and equipment	11,634	10,476
Acquisition of intangible assets	(188,034)	(544,990)
Proceeds from disposal of investment properties	189,100	880,361
Other assets	771,283	8,152,868
Dividends received	<u>66,380</u>	<u>66,904</u>
Net cash (used in) generated from investing activities	<u>(249,563)</u>	<u>7,155,931</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	1,076,000	-
Repayments of financial debentures payable	(100,000)	(1,700,000)
Decrease in financial liabilities designated as at fair value through profit or loss	(11,289,165)	-
Repayments of the principal portion of lease liabilities	(1,607,946)	(1,226,706)
Other liabilities	2,139,275	1,800,424
Cash dividends paid	(10,446,572)	(10,393,414)
Share issuance for cash	=	<u>10,000,000</u>
Net cash used in financing activities	<u>(20,228,408)</u>	<u>(1,519,696)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(553,712)</u>	<u>(854,192)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,478,756	(43,963,896)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>113,515,093</u>	<u>157,478,989</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$151,993,849</u>	<u>\$113,515,093</u>

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	December 31	
	2020	2019
RECONCILIATIONS OF CASH AND CASH EQUIVALENTS REPORTED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THOSE REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2020 AND 2019		
Cash and cash equivalents reported in the statement of financial position	\$71,007,491	\$52,997,997
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	53,843,883	46,221,746
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>27,142,475</u>	<u>14,295,350</u>
Cash and cash equivalents at the end of the period	<u>\$151,993,849</u>	<u>\$113,515,093</u>

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

(Concluded)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. INFORMATION ON THE BUSINESS

Cathay United Bank Co., Ltd. (“the Bank”), originally named United World Chinese Commercial Bank (“UWCCB”), was established in December 1974 after obtaining approval from the Ministry of Finance, Republic of China (“ROC”) and officially started operations on May 20, 1975. The Bank is mainly engaged in the following operations: (1) all commercial banking operations authorized by the ROC Banking Act (“Banking Act”); (2) international banking business and related operations; (3) trust business; (4) 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 March 10, 2021.

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 a 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 clarify that 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 determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at 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. IFRSs endorsed by the FSC for application starting from 2021

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective for annual reporting periods beginning on or after January 1, 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

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.

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“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 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 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
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 will be 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” will be 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.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

Principles for preparing the consolidated financial statements

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

The accounting policies of the consolidated entities are same.

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

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

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

Entities included in the consolidated financial statements

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

Foreign Currencies

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

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

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

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

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

Current and Non-current Assets and Liabilities

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

Cash and Cash Equivalents

In the consolidated balance 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 resell agreements as reported in the consolidated balance sheets that correspond to the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows," as endorsed and issued into effect by the FSC.

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial asset at FVTPL

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

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

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

b) Financial assets at amortised cost

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

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

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

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

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

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

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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 amortised cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

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

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

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

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

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. The 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. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

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

Investments in Associates

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, 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 resell agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Property and Equipment

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

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

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

Investment Properties

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

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

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

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

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

Goodwill

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

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

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

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

Foreclosed Collateral

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

Intangible Assets (Excluding Goodwill)

a. Intangible assets acquired separately

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

b. Derecognition

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

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

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

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

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

Leasing

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

a. The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-

line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

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

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

b. The Company as lessee

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

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

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

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

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

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

Provisions

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Termination benefits

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

d. Employee preferential interest rate deposits

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

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

Income Tax

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

a. Current tax

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

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

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

b. Deferred tax

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 18,131,208	\$ 23,746,182
Checks for clearance	2,628,849	2,930,797
Due from banks	<u>50,269,827</u>	<u>26,325,206</u>
	71,029,884	53,002,185
Less: Allowance for impairment loss	<u>(22,393)</u>	<u>(4,188)</u>
	<u>\$ 71,007,491</u>	<u>\$ 52,997,997</u>

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

	December 31	
	2020	2019
Deposit reserves - general account	\$ 62,606,118	\$ 57,897,754
Deposit reserves - foreign currency account	13,110,851	6,890,818
Deposits in the Central Bank - general account	18,694,542	14,455,036
Call loans and overdrafts	<u>35,149,341</u>	<u>31,766,710</u>
	129,560,852	111,010,318
Less: Allowance for impairment loss	<u>(56,928)</u>	<u>(65,225)</u>
	<u>\$129,503,924</u>	<u>\$110,945,093</u>

The Bank

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

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These non-interest bearing reserves may be withdrawn at any time. As of December 31, 2020 and 2019, the balances of foreign-currency deposit reserves were \$4,687,385 thousand and \$2,099,097 thousand, respectively.

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

Indovina Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the State Bank of Vietnam were \$1,513,374 thousand and \$1,212,635 thousand as of December 31, 2020 and 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 \$835,669 thousand and \$1,259,294 thousand as of December 31, 2020 and 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 \$6,074,423 thousand and \$2,319,792 thousand as of December 31, 2020 and 2019, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>		
Treasury bills	\$ 7,256,547	\$ 9,912,981
Commercial paper	143,166,030	141,390,530
Government bonds	35,857,067	41,562,839
Corporate bonds	6,534,561	6,617,762
Financial debentures	9,881,522	8,724,915
Negotiable certificates of deposits	45,302,719	38,680,277
Stock investments	2,504,480	308,796
Fund beneficiary certificates	<u>323,148</u>	<u>288,747</u>
	<u>250,826,074</u>	<u>247,486,847</u>
Derivative financial instruments		
Foreign exchange forward contracts	30,834,966	18,280,727
Interest rate swaps	37,942,861	30,557,553
Options	2,868,014	1,947,083
Others	<u>1,572,063</u>	<u>602,543</u>
	<u>73,217,904</u>	<u>51,387,906</u>
	<u>\$324,043,978</u>	<u>\$298,874,753</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bonds	<u>\$ 44,204,582</u>	<u>\$ 57,604,294</u>
<u>Financial liabilities held for trading</u>		
Derivative financial instruments		
Foreign exchange forward contracts	35,328,699	19,006,155
Interest rate swaps	29,298,629	25,867,768
Options	5,255,052	3,753,962
Others	<u>1,527,667</u>	<u>538,760</u>
	<u>71,410,047</u>	<u>49,166,645</u>
	<u>\$115,614,629</u>	<u>\$106,770,939</u>

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

The contract amounts (nominal amounts) of derivative transactions for accommodating customers' needs and for managing the Company's exposure positions as of December 31, 2020 and 2019 were as follows:

(Unit: Thousands of U.S. Dollars)

	December 31	
	2020	2019
Foreign exchange forward contracts	\$ 89,966,338	\$ 85,742,506
Interest rate swaps	51,493,757	68,168,029
Options	6,653,564	6,704,612
Futures	1,128,050	1,398,149
Cross-currency swaps	2,281,884	1,396,786
Commodity exchange contracts	11,054	584

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

Financial Liabilities Designated as at Fair Value through Profit or Loss

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

In 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 years ended December 31, 2020 and 2019, such interest rate swaps were valued with a net gain of \$1,921,169 thousand and \$4,094,478 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Investments in equity instruments		
Domestic listed shares	\$ 11,088,165	\$ 12,547,311
Overseas stock investments	7,591,277	9,413,887
Domestic unlisted shares	<u>4,030,179</u>	<u>4,043,607</u>
	<u>22,709,621</u>	<u>26,004,805</u>
Investments in debt instruments		
Corporate bonds	100,005,665	45,974,087
Financial debentures	82,202,742	80,267,723
Asset-based securities	14,299,523	27,942,654
Negotiable certificates of deposit	39,411,018	70,253,313
Government bonds	<u>77,469,247</u>	<u>73,687,528</u>
	<u>313,388,195</u>	<u>298,125,305</u>
	<u>\$336,097,816</u>	<u>\$324,130,110</u>

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

In consideration of its investment strategy, the Company sold its investments in equity instruments at FVTOCI with the fair value of \$34,188,772 thousand and \$25,613,617 thousand during the years ended December 31, 2020 and 2019, respectively, and the related unrealized gain of \$268,915 thousand and unrealized loss of \$147,494 thousand were transferred from other equity to retained earnings, accordingly.

Dividends of \$992,098 thousand and \$994,684 thousand were recognized as income for the years ended December 31, 2020 and 2019, respectively. Those related to investments held as of December 31, 2020 and 2019 were \$803,011 thousand and \$609,463 thousand, respectively, and the remaining amounts were related to investments derecognized for the years ended December 31, 2020 and 2019.

As of December 31, 2020 and 2019, certain financial assets at FVTOCI were sold under repurchase agreements with notional amounts of \$9,074,539 thousand and \$35,649,054 thousand, respectively. The proceeds amounting to \$9,175,931 thousand and \$35,456,986 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$9,189,593 thousand and \$35,556,515 thousand before the end of June 2021 and June 2020, respectively.

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

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST

	December 31	
	2020	2019
Short-term bills	\$436,402,937	\$380,904,061
Government bonds	9,634,615	2,816,923
Corporate bonds	12,345,724	813,740
Financial debentures	11,093,242	18,140,531
Structured notes	-	3,436,962
Asset-based bonds	<u>32,298,469</u>	<u>38,850,385</u>
	501,774,987	444,962,602
Less: Allowance for impairment loss	<u>(46,844)</u>	<u>(27,617)</u>
	<u>\$501,728,143</u>	<u>\$444,934,985</u>

For the years ended December 31, 2020 and 2019, the Bank disposed of certain bonds in advance due to the expected increase in credit risk, and recognized the loss arising from derecognition of financial assets measured at amortised cost amounting to \$14,121 thousand and \$38,960 thousand, respectively.

As of December 31, 2020 and 2019, certain financial assets measured at amortised cost were sold under repurchase agreements with notional amounts of \$1,095,769 thousand and \$16,010,521 thousand, respectively. The proceeds amounting to \$916,127 thousand and \$12,723,466 thousand, respectively, record as notes and bonds sold under repurchase agreements and were repurchased for \$915,796 thousand and \$12,731,800 thousand prior before the end of January 2021 and March 2020, respectively.

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

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

December 31, 2020

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	\$305,805,098	\$501,774,987	\$807,580,085
Less: Allowance for impairment loss	(196,102)	(46,844)	(242,946)
Adjustment to fair value	<u>7,779,199</u>	<u>-</u>	<u>7,779,199</u>
	<u>\$313,388,195</u>	<u>\$501,728,143</u>	<u>\$815,116,338</u>

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	<u>3,833,019</u>	<u>-</u>	<u>3,833,019</u>
	<u>\$298,125,305</u>	<u>\$444,934,985</u>	<u>\$743,060,290</u>

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

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

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

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at December 31, 2020
Low credit risk	Low credit risk at the reporting date	12-month ECLs	\$807,580,085
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 the 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)	-

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 year ended December 31, 2020

	Credit Rating		
	Low Credit Risk (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	In Default (Lifetime ECLs - Credit-impaired)
Balance at the beginning of the period	\$ 126,283	\$ -	\$ -
New debt instruments purchased	138,202	-	-
Derecognition	(64,017)	-	-
Effect of exchange rates changes and others	<u>42,478</u>	<u>-</u>	<u>-</u>
Balance at the end of the period	<u>\$ 242,946</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2019

	Credit Rating		
	Low Credit Risk (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	In Default (Lifetime ECLs - Credit-impaired)
Balance at the beginning of the period	\$ 345,820	\$ -	\$ -
New debt instruments purchased	88,444	-	-
From performing to in default	(265,650)	-	265,650
Derecognition	(53,624)	-	(265,650)
Effect of exchange rates changes and others	<u>11,293</u>	<u>-</u>	<u>-</u>
Balance at the end of the period	<u>\$ 126,283</u>	<u>\$ -</u>	<u>\$ -</u>

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2020	2019
Foreign bonds	\$ 2,146,307	\$ 2,397,041
Corporate bonds	9,875,382	3,679,849
Government bonds	8,042,157	6,610,566
Financial debentures	<u>7,082,719</u>	<u>1,609,102</u>
	27,146,565	14,296,558
Less: Allowance for impairment loss	<u>(4,090)</u>	<u>(1,208)</u>
	<u>\$ 27,142,475</u>	<u>\$ 14,295,350</u>

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

13. RECEIVABLES, NET

	December 31	
	2020	2019
Notes and accounts receivables	\$ 87,142,453	\$ 89,486,906
Interest receivable	6,240,093	5,673,196
Acceptance	1,074,796	896,898
Factoring receivable	4,924,287	3,137,119
Others	<u>2,894,237</u>	<u>4,071,172</u>
	102,275,866	103,265,291
Less: Allowance for impairment loss	<u>(2,462,720)</u>	<u>(2,377,268)</u>
	<u>\$ 99,813,146</u>	<u>\$100,888,023</u>

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 year ended December 31, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 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	(684,673)	688,286	(3,613)	-
Transferred to credit-impaired financial assets	(79,655)	(52,326)	131,981	-
Transferred to 12-month ECLs	568,539	(561,659)	(6,880)	-
Derecognition of financial assets in the period	(58,344,185)	(999,160)	(281,202)	(59,624,547)
New financial assets purchased or originated	57,401,711	1,264,776	560,935	59,227,422
Written-off as bad debt expense	-	-	(507,788)	(507,788)
Effects of exchange rate changes and others	<u>(55,569)</u>	<u>(10,808)</u>	<u>(18,135)</u>	<u>(84,512)</u>
Balance at the end of the period	<u>\$ 98,245,219</u>	<u>\$ 1,889,559</u>	<u>\$ 2,141,088</u>	<u>\$ 102,275,866</u>

For the year ended December 31, 2019

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 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	(689,684)	695,281	(5,597)	-
Transferred to credit-impaired financial assets	(88,092)	(26,674)	114,766	-
Transferred to 12-month ECLs	508,568	(503,458)	(5,110)	-
Derecognition of financial assets in the period	(44,547,588)	(1,161,967)	(280,774)	(45,990,329)
New financial assets purchased or originated	60,392,240	897,899	489,655	61,779,794
Written-off as bad debt expense	-	-	(485,265)	(485,265)
Effects of exchange rate changes and others	<u>(93,206)</u>	<u>(1,620)</u>	<u>15,242</u>	<u>(79,584)</u>
Balance at the end of the period	<u>\$ 99,439,051</u>	<u>\$ 1,560,450</u>	<u>\$ 2,265,790</u>	<u>\$ 103,265,291</u>

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

For the year ended December 31, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 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	(3,266)	82,897	(2,541)	77,090	-	77,090
Transferred to credit-impaired financial assets	(424)	(1,960)	137,286	134,902	-	134,902
Transferred to 12-month ECLs	2,410	(60,040)	(4,923)	(62,553)	-	(62,553)
Derecognition of financial assets in the period	(172,285)	(75,138)	(50,415)	(297,838)	-	(297,838)
New financial assets purchased or originated	108,021	79,293	366,959	554,273	-	554,273
Differences of impairment loss under the regulations	-	-	-	-	9,790	9,790
Written-off as bad debt expense	-	-	(507,788)	(507,788)	-	(507,788)
Effects of exchange rate changes and others	<u>21,504</u>	<u>23,118</u>	<u>132,779</u>	<u>177,401</u>	<u>175</u>	<u>177,576</u>
Balance at the end of the period	<u>\$ 465,842</u>	<u>\$ 202,476</u>	<u>\$ 1,731,461</u>	<u>\$ 2,399,779</u>	<u>\$ 62,941</u>	<u>\$ 2,462,720</u>

For the year ended December 31, 2019

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 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	(2,703)	81,754	(3,647)	75,404	-	75,404
Transferred to credit-impaired financial assets	(448)	(1,989)	75,808	73,371	-	73,371
Transferred to 12-month ECLs	2,030	(45,301)	(3,207)	(46,478)	-	(46,478)
Derecognition of financial assets in the period	(90,495)	(56,968)	(231,366)	(378,829)	-	(378,829)
New financial assets purchased or originated	463,375	70,146	530,049	1,063,570	-	1,063,570
Differences of impairment loss under the regulations	-	-	-	-	2,501	2,501
Written-off as bad debt expense	-	-	(485,265)	(485,265)	-	(485,265)
Effects of exchange rate changes and others	12,101	(10,301)	9,240	11,040	5	11,045
Balance at the end of the period	<u>\$ 509,882</u>	<u>\$ 154,306</u>	<u>\$ 1,660,104</u>	<u>\$ 2,324,292</u>	<u>\$ 52,976</u>	<u>\$ 2,377,268</u>

14. DISCOUNTS AND LOANS, NET

	December 31	
	2020	2019
Discounts and overdrafts	\$ 1,557,418	\$ 1,695,073
Short-term loans	391,477,232	392,424,750
Medium-term loans	442,472,861	416,600,240
Long-term loans	850,038,811	765,622,224
Export negotiations	1,492,261	1,349,222
Overdue loans	<u>2,505,456</u>	<u>2,870,685</u>
	1,689,544,039	1,580,562,194
Less: Allowance for doubtful accounts	<u>(28,248,078)</u>	<u>(27,411,288)</u>
	<u>\$1,661,295,961</u>	<u>\$1,553,150,906</u>

As of December 31, 2020, the amount of the domestic loans of the Bank, and allowance for impairment loss were \$1,510,492,015 thousand and \$25,514,807 thousand, respectively.

As of December 31, 2020, the Bank disposed credit assets in order to increase debt recovery, and recognized the loss arising from the derecognition of credit assets measured at amortised cost amounting to \$366,015 thousand.

As of December 31, 2020 and 2019, the loan and credit balances of nonaccrual loans were \$2,505,456 thousand and \$2,870,685 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 year ended December 31, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 1,500,192,488	\$ 68,503,519	\$ 11,866,187	\$ 1,580,562,194
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(30,278,660)	30,498,003	(219,343)	-
Transferred to credit-impaired financial assets	(3,043,465)	(1,958,004)	5,001,469	-
Transferred to 12-month ECLs	28,137,390	(27,706,649)	(430,741)	-
Derecognition of financial assets in the period	(485,579,643)	(19,843,044)	(2,180,622)	(507,603,309)
New financial assets purchased or originated	613,987,045	7,257,947	1,449,076	622,694,068
Written-off as bad debt expense	-	-	(2,801,802)	(2,801,802)
Effects of exchange rate changes and others	(1,869,703)	(863,149)	(574,260)	(3,307,112)
Balance at the end of the period	<u>\$ 1,621,545,452</u>	<u>\$ 55,888,623</u>	<u>\$ 12,109,964</u>	<u>\$ 1,689,544,039</u>

For the year ended December 31, 2019

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 1,549,705,049	\$ 59,275,734	\$ 11,769,709	\$ 1,620,750,492
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(46,801,158)	46,990,289	(189,131)	-
Transferred to credit-impaired financial assets	(2,152,909)	(645,716)	2,798,625	-
Transferred to 12-month ECLs	25,845,990	(25,679,882)	(166,108)	-
Derecognition of financial assets in the period	(550,920,774)	(24,127,993)	(1,964,927)	(577,013,694)
New financial assets purchased or originated	526,341,874	13,219,914	1,486,650	541,048,438
Written-off as bad debt expense	-	-	(1,732,289)	(1,732,289)
Effects of exchange rate changes and others	(1,825,584)	(528,827)	(136,342)	(2,490,753)
Balance at the end of the period	<u>\$ 1,500,192,488</u>	<u>\$ 68,503,519</u>	<u>\$ 11,866,187</u>	<u>\$ 1,580,562,194</u>

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

For the year ended December 31, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 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	(91,442)	1,452,217	(67,261)	1,293,514	-	1,293,514
Transferred to credit-impaired financial assets	(12,336)	(42,058)	2,825,163	2,770,769	-	2,770,769
Transferred to 12-month ECLs	222,579	(876,008)	(81,627)	(735,056)	-	(735,056)
Derecognition of financial assets in the period	(1,222,368)	(459,634)	(396,735)	(2,078,737)	-	(2,078,737)
New financial assets purchased or originated	2,448,786	317,571	732,452	3,498,809	-	3,498,809
Differences of impairment loss under the regulations	-	-	-	-	(1,137,811)	(1,137,811)
Written-off as bad debt expense	-	-	(2,801,802)	(2,801,802)	-	(2,801,802)
Effects of exchange rate changes and others	544,996	(43,604)	(471,802)	29,590	(2,486)	27,104
Balance at the end of the period	<u>\$ 4,643,771</u>	<u>\$ 2,095,225</u>	<u>\$ 5,124,881</u>	<u>\$ 11,863,877</u>	<u>\$ 16,384,201</u>	<u>\$ 28,248,078</u>

For the year ended December 31, 2019

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 3,914,449	\$ 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	(204,305)	1,264,335	(31,674)	1,028,356	-	1,028,356
Transferred to credit-impaired financial assets	(29,036)	(31,906)	1,254,439	1,193,497	-	1,193,497
Transferred to 12-month ECL	67,091	(736,592)	(53,363)	(722,864)	-	(722,864)
Derecognition of financial assets in the period	(1,454,266)	(426,466)	(751,770)	(2,632,502)	-	(2,632,502)
New financial assets purchased or originated	1,471,924	398,566	1,535,468	3,405,958	-	3,405,958
Differences of impairment loss under the regulations	-	-	-	-	2,601,846	2,601,846
Written-off as bad debt expense	-	-	(1,732,289)	(1,732,289)	-	(1,732,289)
Effects of exchange rate changes and others	(1,012,301)	(388,517)	253,065	(1,147,753)	(10,202)	(1,157,955)
Balance at the end of the period	<u>\$ 2,753,556</u>	<u>\$ 1,746,741</u>	<u>\$ 5,386,493</u>	<u>\$ 9,886,790</u>	<u>\$ 17,524,498</u>	<u>\$ 27,411,288</u>

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

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

For the year ended December 31, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 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	(741)	23,349	(11)	22,597	-	22,597
Transferred to credit-impaired financial assets	(36)	(66)	7,288	7,186	-	7,186
Transferred to 12-month ECLs	6,792	(50,691)	(787)	(44,686)	-	(44,686)
Derecognition of financial assets in the period	(93,414)	(37,864)	(1,821)	(133,099)	-	(133,099)
New financial assets purchased or originated	138,181	17,561	2,163	157,905	-	157,905
Differences of impairment loss under the regulations	-	-	-	-	(341)	(341)
Effects of exchange rate changes and others	<u>50,859</u>	<u>7,129</u>	<u>(6,670)</u>	<u>51,318</u>	<u>-</u>	<u>51,318</u>
Balance at the end of the period	<u>\$ 294,502</u>	<u>\$ 55,062</u>	<u>\$ 5,663</u>	<u>\$ 355,227</u>	<u>\$ 130,717</u>	<u>\$ 485,944</u>

For the year ended December 31, 2019

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 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	(18,254)	107,038	(72)	88,712	-	88,712
Transferred to credit-impaired financial assets	(50)	(73)	8,694	8,571	-	8,571
Transferred to 12-month ECLs	2,843	(36,618)	(664)	(34,439)	-	(34,439)
Derecognition of financial assets in the period	(112,336)	(25,362)	(1,836)	(139,534)	-	(139,534)
New financial assets purchased or originated	100,858	24,064	1,682	126,604	-	126,604
Differences of impairment loss under the regulations	-	-	-	-	59,731	59,731
Effects of exchange rate changes and others	<u>(32,172)</u>	<u>(46,941)</u>	<u>(7,421)</u>	<u>(86,534)</u>	<u>-</u>	<u>(86,534)</u>
Balance at the end of the period	<u>\$ 192,861</u>	<u>\$ 95,644</u>	<u>\$ 5,501</u>	<u>\$ 294,006</u>	<u>\$ 131,058</u>	<u>\$ 425,064</u>

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 (%)		Description
			December 31		
			2020	2019	
The Bank	Indovina Bank Limited (Indovina Bank) (Note 1)	Bank business	50	50	Incorporated in Vietnam on November 21, 1990
	Cathay United Bank (Cambodia) Corporation Limited (CUBC Bank) (Note 2)	Bank business	100	100	SBC Bank was incorporated in Cambodia on July 5, 1993, and renamed as CUBC as of January 14, 2014
	Cathay United Bank (China) Co., Ltd. (CUBCN Bank) (Note 3)	Bank business	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. Please refer to Table 4 for the relevant investment information.

17. INVESTMENTS MEASURED BY EQUITY METHOD, NET

	December 31	
	2020	2019
<u>Associates that are not individually material</u>		
Taiwan Real-estate Management Corp.	\$ 97,567	\$ 100,958
Taiwan Finance Corp.	<u>1,765,602</u>	<u>1,675,881</u>
	<u>\$ 1,863,169</u>	<u>\$ 1,776,839</u>

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

	For the Year Ended December 31	
	2020	2019
The Bank's share of		
Current net profit	\$ 113,775	\$ 91,103
Current other comprehensive income	<u>38,935</u>	<u>(16,235)</u>
Current comprehensive income	<u>\$ 152,710</u>	<u>\$ 74,868</u>

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

18. PROPERTY AND EQUIPMENT, NET

For the year ended December 31, 2020

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
<u>Cost</u>								
Balance at the beginning of the period	\$ 15,699,923	\$ 10,229,180	\$ 4,989,377	\$ 116,199	\$ 7,875,242	\$ 261,194	\$ 414,969	\$ 39,586,084
Additions	-	-	415,852	4,836	203,068	373	475,797	1,099,926
Disposals	-	-	(321,359)	(4,453)	(484,798)	-	-	(810,610)
Reclassification	-	-	141,049	2,631	295,636	20,968	(565,090)	(104,806)
Others (Note)	(2,400)	-	-	-	-	-	-	(2,400)
Exchange differences	(30,237)	(17,551)	(25,223)	(6,217)	(11,023)	(2,436)	(1,170)	(93,857)
Balance at the end of the period	<u>15,667,286</u>	<u>10,211,629</u>	<u>5,199,696</u>	<u>112,996</u>	<u>7,878,125</u>	<u>280,099</u>	<u>324,506</u>	<u>39,674,337</u>
<u>Accumulated depreciation and impairment</u>								
Balance at the beginning of the period	-	4,517,098	3,128,964	76,940	5,955,250	133,412	-	13,811,664
Depreciation	-	213,437	624,803	10,053	488,966	25,836	-	1,363,095
Disposals	-	-	(319,680)	(4,453)	(467,184)	-	-	(791,317)
Exchange differences	-	(6,413)	(19,536)	(4,239)	(7,975)	(1,408)	-	(39,571)
Balance at the end of the period	<u>-</u>	<u>4,724,122</u>	<u>3,414,551</u>	<u>78,301</u>	<u>5,969,057</u>	<u>157,840</u>	<u>-</u>	<u>14,343,871</u>
<u>Net</u>								
Balance at the end of the period	<u>\$ 15,667,286</u>	<u>\$ 5,487,507</u>	<u>\$ 1,785,145</u>	<u>\$ 34,695</u>	<u>\$ 1,909,068</u>	<u>\$ 122,259</u>	<u>\$ 324,506</u>	<u>\$ 25,330,466</u>

For the year ended December 31, 2019

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
<u>Cost</u>								
Balance at the beginning of the period	\$ 15,379,376	\$ 10,311,364	\$ 4,875,823	\$ 109,873	\$ 7,712,030	\$ 63,049	\$ 489,005	\$ 38,940,520
Additions	-	-	531,717	10,599	248,472	826	618,074	1,409,688
Disposals	-	(1,758)	(517,498)	(12,205)	(397,796)	(1,439)	-	(930,696)
Reclassification	336,788	(73,548)	114,952	10,366	316,618	206,700	(689,037)	222,839
Others (Note)	(2,400)	-	-	-	-	-	-	(2,400)
Exchange differences	(13,841)	(6,878)	(15,617)	(2,434)	(4,082)	(7,942)	(3,073)	(53,867)
Balance at the end of the period	<u>15,699,923</u>	<u>10,229,180</u>	<u>4,989,377</u>	<u>116,199</u>	<u>7,875,242</u>	<u>261,194</u>	<u>414,969</u>	<u>39,586,084</u>
<u>Accumulated depreciation and impairment</u>								
Balance at the beginning of the period	-	4,355,181	3,103,465	81,073	5,934,810	25,427	-	13,499,956
Depreciation	-	207,152	561,214	8,064	499,019	9,433	-	1,284,882
Disposals	-	(1,758)	(509,546)	(11,853)	(382,568)	(1,353)	-	(907,078)
Reclassification	-	(41,113)	2,369	1,242	(91,207)	86,935	-	(41,774)
Exchange differences	-	(2,364)	(28,538)	(1,586)	(4,804)	12,970	-	(24,322)
Balance at the end of the period	<u>-</u>	<u>4,517,098</u>	<u>3,128,964</u>	<u>76,940</u>	<u>5,955,250</u>	<u>133,412</u>	<u>-</u>	<u>13,811,664</u>
<u>Net</u>								
Balance at the end of the period	<u>\$ 15,699,923</u>	<u>\$ 5,712,082</u>	<u>\$ 1,860,413</u>	<u>\$ 39,259</u>	<u>\$ 1,919,992</u>	<u>\$ 127,782</u>	<u>\$ 414,969</u>	<u>\$ 25,774,420</u>

Note: The urban renewal demolition and resettlement compensation fees.

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

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

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

19. LEASE AGREEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount of right-of-use assets		
Land and buildings	\$ 4,217,497	\$ 4,182,603
Equipment	5,135	3,082
Transportation equipment	<u>34,912</u>	<u>40,412</u>
	<u>\$ 4,257,544</u>	<u>\$ 4,226,097</u>
	For the Year Ended December 31	
	2020	2019
Additions of right-of-use assets	<u>\$ 1,635,953</u>	<u>\$ 1,131,171</u>
Depreciation expense of right-of-use assets		
Land and buildings	\$ 1,518,601	\$ 1,198,208
Equipment	1,657	1,364
Transportation equipment	<u>27,436</u>	<u>25,429</u>
	<u>\$ 1,547,694</u>	<u>\$ 1,225,001</u>

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount of lease liabilities	<u>\$ 4,293,299</u>	<u>\$ 4,246,381</u>

The discount rate intervals of lease liabilities are as follows:

	December 31	
	2020	2019
Land and buildings	0.33%-4.68%	0.35%-5.22%
Equipment	0.70%-4.15%	0.70%-4.15%
Transportation equipment	0.67%-4.43%	0.70%-5.38%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Short-term rental expense	\$ 547,294	\$ 778,845
Low value assets rental expense	\$ 407,522	\$ 370,687
Variable lease payment expense not included in measurable lease liabilities	\$ 373	\$ 460
Gross cash outflow for leases	\$ 2,563,135	\$ 2,376,698

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

20. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
January 1, 2020	\$ 721,204	\$ 136,300	\$ 857,504
Disposal	(124,662)	(58,338)	(183,000)
Loss on fair value adjustment	<u>(22,356)</u>	<u>(5,703)</u>	<u>(28,059)</u>
December 31, 2020	<u>\$ 574,186</u>	<u>\$ 72,259</u>	<u>\$ 646,445</u>
January 1, 2019	\$ 1,311,785	\$ 127,901	\$ 1,439,686
Transfer from property and equipment	283,729	80,308	364,037
Disposal	(797,667)	(64,070)	(861,737)
Loss on fair value adjustment	<u>(76,643)</u>	<u>(7,839)</u>	<u>(84,482)</u>
December 31, 2019	<u>\$ 721,204</u>	<u>\$ 136,300</u>	<u>\$ 857,504</u>

- a. As of December 31, 2020 and 2019, no investment property was pledged.
- b. Some of the Bank's properties are held for earning rental income or for capital appreciation, while some are for self-use. When the part held for self-use is less than 5% of the individual real estate, the real estate is classified as investment properties.
- c. The fair values of the Bank's investment properties were based on the valuations carried out by qualified real estate appraisers in Taiwan in accordance with the "Regulations on Real Estate Appraisal". The valuation dates were December 31, 2020 and 2019, respectively.

Appraiser Office	December 31	
	2020	2019
REPro KnightFrank Real Estate Appraiser Firm	Xiang-Yi, Hsu; 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 the comparison approach and the income approach.

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

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

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

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

The main inputs used are as follows:

	December 31	
	2020	2019
Direct capitalization rates	1.93%-3.79%	1.98%-5.76%
Overall capital interest rate	0.67%-1.93%	0.76%-2.89%

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

Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2020	2019
Generating rental income	\$ -	\$ -
Not generating rental income	<u>3,747</u>	<u>5,088</u>
	<u>\$ 3,747</u>	<u>\$ 5,088</u>

21. INTANGIBLE ASSETS, NET

For the year ended December 31, 2020

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at the beginning of the period	\$ 2,816,530	\$ 6,991,316	-	\$ 9,807,846
Additions	188,034	-	-	188,034
Disposal	(367,143)	-	-	(367,143)
Reclassification	333,866	-	-	333,866
Exchange differences	<u>(8,135)</u>	<u>(16,892)</u>	<u>-</u>	<u>(25,027)</u>
Balance at the end of the period	<u>2,963,152</u>	<u>6,974,424</u>	<u>-</u>	<u>9,937,576</u>
<u>Accumulated amortization and impairment</u>				
Balance at the beginning of the period	1,654,657	-	-	1,654,657
Amortization	516,038	-	-	516,038
Disposal	(367,143)	-	-	(367,143)
Exchange differences	<u>(5,279)</u>	<u>-</u>	<u>-</u>	<u>(5,279)</u>
Balance at the end of the period	<u>1,798,273</u>	<u>-</u>	<u>-</u>	<u>1,798,273</u>
<u>Net</u>				
Balance at the end of the period	<u>\$ 1,164,879</u>	<u>\$ 6,974,424</u>	<u>\$ -</u>	<u>\$ 8,139,303</u>

For the year ended December 31, 2019

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at the beginning of the period	\$ 2,434,377	\$ 6,997,944	\$ 22,170	\$ 9,454,491
Additions	541,113	-	3,877	544,990
Disposal	(227,080)	-	-	(227,080)
Reclassification	81,747	-	(26,145)	55,602
Exchange differences	<u>(13,627)</u>	<u>(6,628)</u>	<u>98</u>	<u>(20,157)</u>
Balance at the end of the period	<u>2,816,530</u>	<u>6,991,316</u>	<u>-</u>	<u>9,807,846</u>

(Continued)

	Computer Software	Goodwill	Others	Total
<u>Accumulated amortization and impairment</u>				
Balance at the beginning of the period	\$ 1,433,552	\$ -	\$ -	\$ 1,433,552
Amortization	455,632	-	-	455,632
Disposal	(227,080)	-	-	(227,080)
Exchange differences	<u>(7,447)</u>	<u>-</u>	<u>-</u>	<u>(7,447)</u>
Balance at the end of the period	<u>1,654,657</u>	<u>-</u>	<u>-</u>	<u>1,654,657</u>
<u>Net</u>				
Balance at the end of the period	<u>\$ 1,161,873</u>	<u>\$ 6,991,316</u>	<u>\$ -</u>	<u>\$ 8,153,189</u> (Concluded)

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

	December 31	
	2020	2019
Prepayments	\$ 781,952	\$ 871,053
Temporary payments and suspense accounts	6,743,215	259,245
Interbank clearing funds	8,430,953	8,499,483
Refundable deposits, net	17,584,406	18,283,158
Operating deposits, net	519,925	592,456
Others	<u>82,787</u>	<u>119,861</u>
	<u>\$ 34,143,238</u>	<u>\$ 28,625,256</u>

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2020	2019
Call loans from banks	\$ 26,749,817	\$ 42,890,945
Due to Chunghwa Post Co., Ltd.	17,709,405	17,709,405
Banks overdrafts	805,234	461,623
Deposits from the Central Bank and banks	<u>20,866,603</u>	<u>23,046,155</u>
	<u>\$ 66,131,059</u>	<u>\$ 84,108,128</u>

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2020	2019
Asset-based securities	\$ 346,892	\$ 6,317,892
Corporate bonds	1,879,800	4,825,574
Government bonds	3,095,548	12,102,396
Financial debentures	<u>4,769,818</u>	<u>24,934,590</u>
	<u>\$ 10,092,058</u>	<u>\$ 48,180,452</u>

25. PAYABLES

	December 31	
	2020	2019
Accounts payable	\$ 3,123,202	\$ 3,494,933
Accrued expenses	8,274,384	8,731,588
Payable on bonds trade settle	2,853,035	1,347,019
Interest payable	3,715,605	4,705,505
Receipts under custody	493,791	823,815
Banker's acceptances	1,077,140	902,894
Others	<u>5,071,971</u>	<u>6,859,049</u>
	<u>\$ 24,609,128</u>	<u>\$ 26,864,803</u>

26. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Checking deposits	\$ 16,127,434	\$ 15,020,465
Demand deposits	723,242,979	532,155,747
Demand savings deposits	1,102,957,219	931,589,893
Time deposits	437,102,128	469,560,296
Time savings deposits	359,917,919	382,673,168
Negotiable certificates of deposits	7,516,122	2,931,000
Outward remittances and remittances payable	<u>2,131,223</u>	<u>1,400,539</u>
	<u>\$2,648,995,024</u>	<u>\$2,335,331,108</u>

27. FINANCIAL DEBENTURES PAYABLE

	December 31	
	2020	2019
1st issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	\$ 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
1st issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	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
1st issue of subordinated financial debentures in 2013; fixed rate at 1.55%; maturity: April 2020	-	100,000
1st issue of subordinated financial debentures in 2013; fixed rate at 1.7%; maturity: April 2023	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
1st issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.5%; maturity: April 2024	<u>2,400,000</u>	<u>2,400,000</u>
	<u>\$ 53,800,000</u>	<u>\$ 53,900,000</u>

28. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Principal of structured products	<u>\$ 39,748,324</u>	<u>\$ 65,604,222</u>

29. PROVISIONS

	December 31	
	2020	2019
Reserve for employee benefits		
Defined benefit plan	\$ 2,700,919	\$ 2,619,553
Retired employees' preferential interest rate deposits	586,625	620,011
Reserve for losses on guarantees	188,932	163,312
Reserve for finance commitments	291,609	255,433
Other operating reserve	72,308	33,725
Other reserve - letter of credit	<u>5,403</u>	<u>6,319</u>
	<u>\$ 3,845,796</u>	<u>\$ 3,698,353</u>

30. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

For the years ended December 31, 2020 and 2019, the Company recognized expenses of \$413,783 thousand and \$401,391 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. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Bank had no right to influence the investment policy and strategy.

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 5,757,635	\$ 5,655,806
Fair value of plan assets	<u>(3,056,716)</u>	<u>(3,036,253)</u>
Net defined benefit liabilities	<u>\$ 2,700,919</u>	<u>\$ 2,619,553</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	\$ 5,296,875	\$(2,895,831)	\$ 2,401,044
Service cost			
Current service cost	155,274	-	155,274
Net interest expense (income)	<u>50,532</u>	<u>(28,621)</u>	<u>21,911</u>
Recognized in profit or loss	<u>205,806</u>	<u>(28,621)</u>	<u>177,185</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(76,572)	(76,572)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial (gain) loss			
Changes in financial assumptions	\$ 150,928	\$ -	\$ 150,928
Experience adjustments	<u>265,101</u>	<u>-</u>	<u>265,101</u>
Recognized in other comprehensive income	<u>416,029</u>	<u>(76,572)</u>	<u>339,457</u>
Contributions from the employer	-	(298,149)	(298,149)
Benefits paid	(262,920)	262,920	-
Effects of exchange rate change	<u>16</u>	<u>-</u>	<u>16</u>
Balance at December 31, 2019	<u>5,655,806</u>	<u>(3,036,253)</u>	<u>2,619,553</u>
Service cost			
Current service cost	159,633	-	159,633
Net interest expense (income)	<u>40,033</u>	<u>(22,135)</u>	<u>17,898</u>
Recognized in profit or loss	<u>199,666</u>	<u>(22,135)</u>	<u>177,531</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(87,098)	(87,098)
Actuarial (gain) loss			
Changes in financial assumptions	218,379	-	218,379
Experience adjustments	<u>73,183</u>	<u>-</u>	<u>73,183</u>
Recognized in other comprehensive income	<u>291,562</u>	<u>(87,098)</u>	<u>204,464</u>
Contributions from the employer	-	(300,624)	(300,624)
Benefits paid	(389,394)	389,394	-
Effects of exchange rate change	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Balance at December 31, 2020	<u>\$ 5,757,635</u>	<u>\$(3,056,716)</u>	<u>\$ 2,700,919</u> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate(s)	0.35%	0.72%
Expected rate(s) of salary increase	2.00%	2.00%

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

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	<u>\$(143,798)</u>	<u>\$(144,147)</u>
0.25% decrease	<u>\$ 149,550</u>	<u>\$ 155,453</u>
Expected rate(s) of salary increase		
0.5% increase	<u>\$ 287,597</u>	<u>\$ 299,600</u>
0.5% decrease	<u>\$(270,341)</u>	<u>\$(282,641)</u>

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

	December 31	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 300,079</u>	<u>\$ 297,480</u>
Average duration of the defined benefit obligation	10.2 years	10.6 years

c. Employee' preferential interest deposit rate plan

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 586,625	\$ 620,011
Fair value of plan assets	<u> -</u>	<u> -</u>
Net defined benefit liabilities	<u>\$ 586,625</u>	<u>\$ 620,011</u>

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

	Present Value of the Defined Benefit Obligation
Balance at January 1, 2019	<u>\$ 595,751</u>
Net interest expense (income)	<u>22,043</u>
Recognized in profit or loss	<u>22,043</u>
Remeasurement	
Experience adjustments	<u>94,322</u>
Recognized in other comprehensive income	<u>94,322</u>
Benefits paid	<u>(92,105)</u>
Balance at December 31, 2019	<u>620,011</u>
Net interest expense (income)	<u>22,921</u>
Recognized in profit or loss	<u>22,921</u>
Remeasurement	
Experience adjustments	111,362
Changes in financial assumptions	<u>(77,728)</u>
Recognized in other comprehensive income	<u>33,634</u>
Benefits paid	<u>(89,941)</u>
Balance at December 31, 2020	<u>\$ 586,625</u>

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

	December 31	
	2020	2019
Discount rate(s)	4.00%	4.00%
Return on deposits	2.00%	2.00%
Withdrawal rate of post-employment preferential rate deposits	1.00%	1.00%

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

	December 31	
	2020	2019
Discount rate(s)		
0.5% increase	<u>\$ (28,158)</u>	<u>\$ (29,761)</u>
0.5% decrease	<u>\$ 30,505</u>	<u>\$ 32,241</u>
Mortality rate(s)		
Adjusted to 105%	<u>\$ (5,866)</u>	<u>\$ (6,200)</u>
Adjusted to 95%	<u>\$ 6,453</u>	<u>\$ 6,200</u>
Excess interest rate of employee preferential interest rate deposits		
0.5% increase	<u>\$ 149,157</u>	<u>\$ 145,083</u>
0.5% decrease	<u>\$(149,157)</u>	<u>\$(145,083)</u>

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

	December 31	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 89,723</u>	<u>\$ 93,999</u>
Average duration of the defined benefit obligation	10.3 years	10.4 years

31. OTHER LIABILITIES

	December 31	
	2020	2019
Advance receipts	\$ 326,255	\$ 554,785
Temporary receipts and suspense accounts	1,762,353	2,065,820
Guarantee deposits received	7,357,957	5,218,681
Contract liabilities	1,401,104	1,411,216
Others	<u>350</u>	<u>13</u>
	<u>\$ 10,848,019</u>	<u>\$ 9,250,515</u>

32. EQUITY

a. Capital stock

Common stock

	December 31	
	2020	2019
Number of authorized shares (in thousands)	<u>10,698,583</u>	<u>10,165,835</u>
Amount of authorized shares	<u>\$106,985,830</u>	<u>\$101,658,353</u>
Number of shares issued and fully paid (in thousands)	<u>10,698,583</u>	<u>10,165,835</u>
Amount of shares issued	<u>\$106,985,830</u>	<u>\$101,658,353</u>

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 total funds raised from the stock issuance was \$10,000,000 thousand, and the issuance 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 a 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

	December 31	
	2020	2019
Capital surplus from the merger	\$ 10,949,303	\$ 10,949,303
Additional paid-in capital	27,648,873	27,648,873
Others	<u>89,100</u>	<u>89,100</u>
	<u>\$ 38,687,276</u>	<u>\$ 38,687,276</u>

On August 15, 2019, Cathay Financial Holdings’ board of directors resolved to increase and had increased its capital in cash and retained 10% of the shares from the capital increase for subscription by employees of the parent company and its subsidiaries in accordance with the law. 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 had already set aside a legal reserve in compliance with the Banking Act, the restrictions stipulated above shall not apply.

d. Special reserve

According to Rule No. 1030006415 issued by the FSC, on the first-time adoption of the fair value model for investment properties, the Bank should appropriate as special reserve an amount equivalent to the amount of the net increase in fair value transferred to retained earnings. In the subsequent fair value measurement of investment properties, the incremental fair value of investment properties is recognized in profit or loss and the same amount is appropriated from retained earnings to the special reserve. For any subsequent reversal of accumulated incremental fair value of investment properties upon disposal of investment properties, the reversed amount can be distributed accordingly.

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

The changes in the special reserve of the Bank for the years ended December 31, 2020 and 2019 were as follows:

	Investment Properties	Others	Total
Balance at January 1, 2020	\$ 1,625,296	\$ 558,682	\$ 2,183,978
Decrease	<u>(99,325)</u>	<u>-</u>	<u>(99,325)</u>
Balance at December 31, 2020	<u>\$ 1,525,971</u>	<u>\$ 558,682</u>	<u>\$ 2,084,653</u>
Balance at January 1, 2019	\$ 1,625,296	\$ 1,308,512	\$ 2,933,808
Decrease	<u>-</u>	<u>(749,830)</u>	<u>(749,830)</u>
Balance at December 31, 2019	<u>\$ 1,625,296</u>	<u>\$ 558,682</u>	<u>\$ 2,183,978</u>

e. Retained earnings and dividends policy

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

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

The appropriations of earnings for 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

The appropriation of earnings for 2020 had been proposed by the Bank's board of directors on March 10, 2021; the amounts were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 6,656,004	
Cash dividends	15,532,001	\$ 1.45

The appropriation of earnings for 2020 is subject to the resolution of the shareholder in the shareholder's meeting.

f. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Balance at the beginning of the period	<u>\$(1,670,723)</u>	<u>\$(1,008,735)</u>
Exchange differences generated from translating the net assets of foreign operations	(455,306)	(827,484)
Tax effects	<u>91,062</u>	<u>165,496</u>
Other comprehensive income	<u>(364,244)</u>	<u>(661,988)</u>
Balance at the end of the period	<u>\$(2,034,967)</u>	<u>\$(1,670,723)</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at the beginning of the period	<u>\$ 10,124,219</u>	<u>\$ 2,730,681</u>
Recognized for the period		
Unrealized gains (losses)		
Debt instruments	6,185,445	5,161,336
Equity instruments	450,900	3,976,271
Net remeasurement of loss allowance	83,064	(100,110)
Share from subsidiaries and associates accounted for using equity method	42,599	(16,757)
Reclassification adjustments		
Disposal of investment in debt instruments	(3,547,239)	(1,098,892)
Tax effect	<u>(70,586)</u>	<u>(675,804)</u>
Other comprehensive income	<u>3,144,183</u>	<u>7,246,044</u>
Accumulated unrealized gain on equity instruments transferred to retained earnings due to disposal	<u>(268,915)</u>	<u>147,494</u>
Balance at the end of the period	<u>\$ 12,999,487</u>	<u>\$ 10,124,219</u>

3) Remeasurement of the defined benefit plans

	For the Year Ended December 31	
	2020	2019
Balance at the beginning of the period	<u>\$(1,715,929)</u>	<u>\$(1,369,428)</u>
Recognized for the period	(238,096)	(433,779)
Share from associates accounted for using equity method	(3,664)	522
Tax effect	<u>47,619</u>	<u>86,756</u>
Other comprehensive income	<u>(194,141)</u>	<u>(346,501)</u>
Balance at the end of the period	<u>\$(1,910,070)</u>	<u>\$(1,715,929)</u>

4) Property revaluation surplus

	For the Year Ended December 31	
	2020	2019
Balance at the beginning of the period	<u>\$ 457,968</u>	<u>\$ 249,819</u>
Gains on property revaluation	-	217,619
Tax effect	<u>-</u>	<u>(9,470)</u>
Other comprehensive income	<u>-</u>	<u>208,149</u>
Transferred to retained earnings	<u>(143,225)</u>	<u>-</u>
Balance at the end of the period	<u>\$ 314,743</u>	<u>\$ 457,968</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at the beginning of the period	<u>\$(1,850,508)</u>	<u>\$ 774,084</u>
Change in fair value attributed to changes in credit risk	464,755	(3,280,741)
Tax effect	<u>(92,952)</u>	<u>656,149</u>
Other comprehensive income	<u>371,803</u>	<u>(2,624,592)</u>
Balance at the end of the period	<u>\$(1,478,705)</u>	<u>\$(1,850,508)</u>

g. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at the beginning of the period	\$ 4,409,576	\$ 4,041,481
Net income attributable to non-controlling interests	457,637	663,761
Exchange differences on translating the financial statements of foreign operations	(201,552)	(83,877)
Change in non-controlling interests	(446,572)	(393,414)
Gains from investments in debt instruments measured at fair value through other comprehensive income	<u>139,660</u>	<u>181,625</u>
Balance at the end of the period	<u>\$ 4,358,749</u>	<u>\$ 4,409,576</u>

33. NET INTEREST REVENUE

	For the Year Ended December 31	
	2020	2019
Interest income		
Discounts and loans	\$ 36,026,986	\$ 40,813,171
Investment securities	9,389,845	11,645,953
Revolving credit	2,365,579	2,350,482
Due from banks and call loans to banks	2,044,790	2,500,888
Others	<u>265,401</u>	<u>815,775</u>
	<u>50,092,601</u>	<u>58,126,269</u>
Interest expense		
Deposits	11,401,362	15,115,327
Financial debentures	944,863	965,302
Structured products	1,039,517	2,303,842
Due to the Central Bank and other banks	1,120,124	2,147,608
Notes and bonds issued under repurchase agreements	281,139	999,143
Others	<u>82,478</u>	<u>149,267</u>
	<u>14,869,483</u>	<u>21,680,489</u>
	<u>\$ 35,223,118</u>	<u>\$ 36,445,780</u>

34. NET SERVICE FEE REVENUE

	For the Year Ended December 31	
	2020	2019
Service fee income		
Credit card business	\$ 6,645,426	\$ 7,879,902
Trust business	4,344,895	3,627,966
Loan business	866,831	1,130,327
Cross-selling marketing	5,586,266	6,116,820
Others	<u>2,958,340</u>	<u>2,853,622</u>
	<u>20,401,758</u>	<u>21,608,637</u>
Service fee expenses		
Credit card business	2,647,435	3,230,870
Others	<u>1,423,526</u>	<u>1,287,337</u>
	<u>4,070,961</u>	<u>4,518,207</u>
	<u>\$ 16,330,797</u>	<u>\$ 17,090,430</u>

The Bank is also engaged in the business of online payment services. For the years ended December 31, 2020 and 2019, service fee revenue was \$413 thousand and \$505 thousand, respectively, and the revenue and other income resulting from the funds collected were both zero.

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

	For the Year Ended December 31	
	2020	2019
Stock	\$ 193,338	\$ 136,198
Short-term bills	931,704	1,122,993
Fund beneficiary certificates	(61,323)	36,483
Investments in debt instruments	(2,126,268)	(3,933,623)
Derivative financial instruments	<u>5,157,578</u>	<u>8,341,655</u>
	<u>\$ 4,095,029</u>	<u>\$ 5,703,706</u>
Realized gain (loss)		
Gain on disposal	\$ 2,283,092	\$ 5,398,045
Interest income	1,838,013	1,701,126
Dividend income	2,806	14,137
Interest expense	(1,381,740)	(2,250,265)
Unrealized gain		
Valuation gain	<u>1,352,858</u>	<u>840,663</u>
	<u>\$ 4,095,029</u>	<u>\$ 5,703,706</u>

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

	For the Year Ended December 31	
	2020	2019
Net gain on disposal - debt instruments	\$ 3,547,239	\$ 1,098,892
Dividend income	<u>992,098</u>	<u>994,684</u>
	<u>\$ 4,539,337</u>	<u>\$ 2,093,576</u>

37. IMPAIRMENT LOSS ON ASSETS

	For the Year Ended December 31	
	2020	2019
Debt instruments at FVTOCI	\$ 102,767	\$ 17,914
Debt instruments at amortised cost	<u>20,944</u>	<u>709</u>
	<u>\$ 123,711</u>	<u>\$ 18,623</u>

38. BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION

	For the Year Ended December 31	
	2020	2019
Discounts and loans	\$ 3,110,454	\$ 2,679,804
Receivables	168,607	103,990
Guarantee liability provisions	26,714	14,077
Financial commitment provisions	40,196	22,994
Others	<u>36,496</u>	<u>31,915</u>
	<u>\$ 3,382,467</u>	<u>\$ 2,852,780</u>

39. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2020	2019
Salaries	\$ 14,873,238	\$ 14,920,396
Insurance	1,045,610	1,043,524
Post-employment benefits	626,205	612,481
Remuneration of directors	9,050	9,130
Others	<u>291,178</u>	<u>296,342</u>
	<u>\$ 16,845,281</u>	<u>\$ 16,881,873</u>

For the years ended December 31, 2020 and 2019, the average number of the Company's employees was 12,101 and 12,076, including 19 and 18 non-executive directors, respectively.

As of December 31, 2020 and 2019, the number of employees of the Company was 12,145 and 12,133, 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).

Employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Bank's board of directors on March 10, 2021 and March 11, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Employees' compensation	<u>\$ 12,520</u>	<u>\$ 12,661</u>
Remuneration of directors	<u>\$ 6,000</u>	<u>\$ 6,000</u>

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

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 Year Ended December 31	
	2020	2019
Depreciation expense		
Property and equipment	\$ 1,363,095	\$ 1,284,882
Right-of-use assets	1,547,694	1,225,001
Amortization expense		
Intangible assets	<u>516,038</u>	<u>455,632</u>
	<u>\$ 3,426,827</u>	<u>\$ 2,965,515</u>

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2020	2019
Rental expenses	\$ 955,189	\$ 1,149,992
Tax expenses	2,202,003	2,291,678
Product promotion expenses	3,250,064	4,371,659
Insurance expenses	773,554	731,117
Others	<u>5,232,974</u>	<u>5,413,848</u>
	<u>\$ 12,413,784</u>	<u>\$ 13,958,294</u>

42. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the period	\$ 3,323,141	\$ 3,682,546
Adjustment for prior year	101,309	235,138
Deferred tax		
In respect of the period	(256,450)	(437,684)
Income tax of overseas subsidiaries	<u>343,682</u>	<u>500,972</u>
Income tax expense recognized in profit or loss	<u>\$ 3,511,682</u>	<u>\$ 3,980,972</u>

Reconciliations of accounting profit and income tax expense/average effective tax rate and the applicable tax rate were as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	<u>\$ 25,822,986</u>	<u>\$ 26,467,386</u>
Income tax expense calculated at the statutory rate	\$ 5,164,597	\$ 5,293,477
Nondeductible expenses in determining taxable income	6,580	1,933
Tax-exempt income	(1,766,317)	(1,640,095)
Unrecognized deductible temporary differences	(194,676)	(173,426)
Income tax of overseas branches	16,771	(4,081)
Adjustments for prior years' tax	101,309	235,138
Income tax of overseas subsidiaries	<u>183,418</u>	<u>268,026</u>
Income tax expense recognized in profit or loss	<u>\$ 3,511,682</u>	<u>\$ 3,980,972</u>

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

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2020	2019
Current tax		
Derecognition of equity instruments at FVTOCI	\$ (2,816)	\$(52,904)
Deferred tax		
Derecognition of equity instruments at FVTOCI	<u>2,816</u>	<u>52,904</u>
Total income tax recognized directly in equity	<u>\$ -</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
Recognized in OCI		
Remeasurement of defined benefit plans	\$ (47,619)	\$ (86,756)
Gains on property revaluation	-	9,470
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	92,952	(656,149)
Translation of foreign operations	(91,062)	(165,496)
Fair value changes of financial assets at FVTOCI	<u>70,586</u>	<u>675,804</u>
Total income tax expense (benefit) recognized in other comprehensive income	<u>\$ 24,857</u>	<u>\$(223,127)</u>

d. Deferred tax assets and liabilities

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Ending Balance
Temporary differences					
Allowance for doubtful account	\$ 1,395,562	\$ 456,645	\$ -	\$ -	\$ 1,852,207
Financial assets at FVTPL	124,758	(109,391)	(92,952)	-	(77,585)
Investment property	(76,855)	239	-	-	(76,616)
Equity instruments at FVTOCI	(700,893)	-	5,372	(2,816)	(698,337)
Debt instruments at FVTOCI	(179,707)	-	(75,958)	-	(255,665)
Impairment of Property and equipment	153,048	(2,372)	-	-	150,676
Investments measured by equity method	(357,069)	(19,903)	-	-	(376,972)
Fair value adjustments arising from business combinations	(760,732)	(46,712)	-	-	(807,444)
Reserve for land value increment tax	(204,319)	17,510	-	-	(186,809)
Defined benefit plan	523,911	(24,619)	40,892	-	540,184
Retired employees' Preferential interest rate deposits	124,002	(13,404)	6,727	-	117,325
Exchange differences resulting from translating the financial statements of a foreign operation	417,681	-	91,062	-	508,743
Deferred income of customer loyalty programmes	282,242	(2,022)	-	-	280,220
Other	<u>40,477</u>	<u>479</u>	<u>-</u>	<u>-</u>	<u>40,596</u>
Deferred tax expense/(income)		<u>\$ 256,450</u>	<u>\$ (24,857)</u>	<u>\$ (2,816)</u>	
Net deferred tax assets/(liabilities)	<u>\$ 782,106</u>				<u>\$ 1,010,883</u>
Net deferred income tax assets/(liabilities) of overseas branches	<u>\$ 30,961</u>				<u>\$ 30,716</u>
Net deferred income tax assets/(liabilities) of foreign subsidiaries	<u>\$ (198,856)</u>				<u>\$ (98,592)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 3,864,923</u>				<u>\$ 4,407,980</u>
Deferred tax liabilities	<u>\$ (3,250,712)</u>				<u>\$ (3,464,973)</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Ending Balance
Temporary differences					
Allowance for doubtful account	\$ 855,397	\$ 540,165	\$ -	\$ -	\$ 1,395,562
Financial assets at FVTPL	(526,153)	(5,238)	656,149	-	124,758
Investment property	(67,415)	30	(9,470)	-	(76,855)
Equity instruments at FVTOCI	(202,925)	-	(445,064)	(52,904)	(700,893)
Debt instruments at FVTOCI	51,033	-	(230,740)	-	(179,707)
Impairment of Property and equipment	155,414	(2,366)	-	-	153,048
Investments measured by equity method	(310,679)	(46,390)	-	-	(357,069)
Fair value adjustments arising from business combinations	(714,020)	(46,712)	-	-	(760,732)
Reserve for land value increment tax	(225,617)	21,298	-	-	(204,319)
Defined benefit plan	480,209	(24,189)	67,891	-	523,911
Retired employees' Preferential interest deposits	119,150	(14,013)	18,865	-	124,002
Exchange differences resulting from translating the financial statements of a foreign operation	252,185	-	165,496	-	417,681
Deferred income of customer loyalty programmes	276,463	5,779	-	-	282,242
Other	<u>31,157</u>	<u>9,320</u>	<u>-</u>	<u>-</u>	<u>40,477</u>
Deferred tax expense/(income)		<u>\$ 437,684</u>	<u>\$ 223,127</u>	<u>\$ (52,904)</u>	
Net deferred tax assets/(liabilities)	<u>\$ 174,199</u>				<u>\$ 782,106</u>
Net deferred income tax assets/(liabilities) of overseas branches	<u>\$ 42,336</u>				<u>\$ 30,961</u>
Net deferred income tax assets/(liabilities) of foreign subsidiaries	<u>\$ (1,761)</u>				<u>\$ (198,856)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 1,872,542</u>				<u>\$ 3,864,923</u>
Deferred tax liabilities	<u>\$ (1,657,768)</u>				<u>\$ (3,250,712)</u>

e. Income tax assessments

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

- f. As of December 31, 2020 and 2019, the deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheet were \$1,269,135 thousand and \$2,258,220 thousand, respectively.

43. EARNINGS PER SHARE

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

Unit: Dollar Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 2.04</u>	<u>\$ 2.14</u>

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

Net income

	For the Year Ended December 31	
	2020	2019
Net income for calculating basic earnings per share	<u>\$ 21,853,667</u>	<u>\$ 21,822,653</u>

Number of shares

	Unit: In Thousands	
	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used for calculating basic earnings per share	<u>10,698,583</u>	<u>10,212,636</u>

44. RELATED-PARTY TRANSACTIONS

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

a. Related parties and relationships

Related Party	Relationship with the Company
Cathay Financial Holding Co., Ltd.	Parent company
Taiwan Real-estate Management Corp.	Associate
Taiwan Finance Corp.	Associate
Cathay Life Insurance Co., Ltd.	Other related party
Cathay Century Insurance Co., Ltd.	Other related party
Cathay Securities Co., Ltd.	Other related party
Cathay Venture Inc.	Other related party
Cathay Securities Investment Trust Co., Ltd.	Other related party
Cathay Securities Investment Consulting Co., Ltd.	Other related party
Cathay Futures Co., Ltd.	Other related party
Cathay Life Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Insurance (Vietnam) Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Cultural Foundation	Other related party
Cathay United Bank Employees' Welfare Committee	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Vietinbank	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party

(Continued)

Related Party	Relationship with the Company
Cathay Medical Care Corp.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Lin Yuan Property Management Co., Ltd.	Other related party
Kao-Yi International Investment Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Sino Greenergy Group	Other related party
TaiYang Solar Power Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Jinhua Realty Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
Dejin Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Other related party
Directors, managers, and their relatives and affiliates	Other related party

(Concluded)

b. Significant transactions between the Company and related parties

1) Loans

December 31, 2020

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	31	\$ 157,056	\$ 10,897	V	\$ -	None	None	\$ (14)	\$ 178
Self-used housing mortgage loans	278	2,414,396	2,127,714	V	-	Real estate, certificates of deposits and demand deposits	None	4,930	27,052
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	-	Stock and certificates of deposits	None	-	-
Others	Sino Greenergy Group	90,559	83,012	V	-	Property	None	(75)	830
Others	Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	-	V	-	Real estate	None	(100)	-
Others	TaiYang Solar Power Co., Ltd.	70,549	65,244	V	-	Property	None	279	984

December 31, 2019

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	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 certificates of deposits	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

	Interest Revenue	
	For the Year Ended December 31	
	2020	2019
Associates		
Taiwan Real-estate Management Corp.	\$ 533	\$ 588
Other related parties		
Cathay Real Estate Development Co., Ltd.	60	1,449
Cathay Securities Co., Ltd.	64	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	103	108
TaiYang Solar Power Co., Ltd.	1,409	-
Sino Greenergy Group	1,878	-
Others	<u>27,661</u>	<u>27,944</u>
	<u>31,175</u>	<u>29,501</u>
	<u>\$ 31,708</u>	<u>\$ 30,089</u>

Deposits

	December 31			
	2020		2019	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Parent company				
Cathay Financial Holding Co., Ltd.	\$ 209,849	\$ 144	\$ 79,099	\$ 906
Other related parties				
Cathay Life Insurance Co., Ltd.	23,235,022	14,426	23,917,315	39,874
Cathay Century Insurance Co., Ltd.	2,010,221	4,195	2,474,304	8,305
Cathay Securities Co., Ltd.	3,913,465	2,948	2,034,207	4,520
Cathay Futures Co., Ltd.	1,138,851	4,857	1,429,607	7,784
Cathay Venture Inc.	103,380	4	25,405	11
Cathay Securities Investment Trust Co., Ltd.	167,389	85	143,714	167
Cathay Securities Investment Consulting Co., Ltd.	502,217	388	204,526	581
Cathay Real Estate Development Co., Ltd.	370,758	18	257,587	64
Cathay Medical Care Corp.	210,060	42	175,513	128
Cathay Hospitality Management Co., Ltd.	189,776	11	6,203	4
Cathay Life Insurance (Vietnam) Co., Ltd.	835,754	26,147	497,313	88,585
Cathay Insurance (Vietnam) Co., Ltd.	243,219	5,353	168,057	12,812

(Continued)

December 31				
	2020		2019	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Symphox Information Co., Ltd.	\$ 407,037	\$ 427	\$ 154,446	\$ 771
Cathay United Bank Foundation	530,444	4,560	532,486	5,611
Cathay Charity Foundation	274,178	2,026	273,982	2,541
Cathay Cultural Foundation	209,366	1,711	201,794	2,129
Cathay United Bank Employees' Welfare Committee	760,170	31,356	757,991	31,611
Cathay Life Insurance Employees' Welfare Committee	2,198,909	17,881	2,142,876	22,204
Cathay Real Estate Development Employees' Welfare Committee	413,825	3,560	397,367	4,232
Lin Yuan Property Management Co., Ltd.	270,481	1,387	250,272	1,769
Jinhua Realty Co., Ltd.	167,867	6	-	-
Pai Hsing Investment Co., Ltd.	177,062	743	-	-
Bannan Realty Co., Ltd.	338,238	16	-	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	140,277	291	123,044	343
Dejin Co., Ltd.	636,153	31	-	-
Ally Logistic Property Co., Ltd.	147,229	9	19,116	21
Lin Yuan (Shanghai) Real Estate Co., Ltd.	1,221,708	33,087	990,004	24,426
Others	<u>8,707,552</u>	<u>54,003</u>	<u>6,835,829</u>	<u>67,773</u>
	<u>49,520,608</u>	<u>209,568</u>	<u>44,012,958</u>	<u>326,266</u>
	<u>\$ 49,730,457</u>	<u>\$ 209,712</u>	<u>\$ 44,092,057</u>	<u>\$ 327,172</u>

(Concluded)

Accounts/Related Parties	December 31			
	2020		2019	
	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
<u>Due from commercial banks</u>				
Other related parties				
Vietinbank	\$ 519,903	\$ 5,256	\$ 5,216,825	\$ 4,994
<u>Due to commercial banks</u>				
Other related parties				
Vietinbank	20,040	(10,117)	5,265,818	(5,346)

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

December 31, 2020

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collateral
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	\$ 68,190	\$ 54,673	\$ 28	0.65%-0.8%	Demand deposits

December 31, 2019

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

3) Derivatives

December 31, 2020

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.02.21-2021.12.09	\$ 99,720,984	\$ (707,642)	Valuation adjustment for FVTPL financial assets	\$ 97,688
					Valuation adjustment for FVTPL financial liabilities	(2,315,173)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.01.09-2021.11.17	2,713,962	55	Valuation adjustment for FVTPL financial assets	1,025
					Valuation adjustment for FVTPL financial liabilities	(57,209)
	SWAP - exchange between customers (EUR)	2020.02.20-2021.02.24	26,280	1,559	Valuation adjustment for FVTPL financial assets	1,660
					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)

4) Disposal of property and equipment

Related Parties	Proceeds from Disposal of Property and Equipment For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holding Co., Ltd.	\$ 5,588	\$ -
Other related parties		
Symphox Information Co., Ltd.	4,313	-

5) Lease agreement - the Company as lessee

Related Parties	Acquisition of Right-of-use Assets	
	For the Year Ended December 31	
	2020	2019
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 565,589	\$ 151,494
Cathay Real Estate Development Co., Ltd.	14,271	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	
	December 31	
	2020	2019
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 1,825,007	\$ 1,956,803
Cathay Real Estate Development Co., Ltd.	15,949	20,954

Related Parties	Interest Expense	
	For the Year Ended December 31	
	2020	2019
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 11,420	\$ 12,149
Cathay Real Estate Development Co., Ltd.	59	86

Related Parties	Rental Expense		
	For the Year Ended December 31		
	2020	2019	Payment Term
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 16,483	\$ 204,573	Monthly
Cathay Real Estate Development Co., Ltd.	-	2,502	Monthly

Related Parties	Refundable Deposits	
	December 31	
	2020	2019
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 186,446	\$ 188,158
Cathay Real Estate Development Co., Ltd.	4,446	4,625

6) Lease agreement - the Company as lessor

Related Parties	Rental Income		
	For the Year Ended December 31		
	2020	2019	Payment Term
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 48,714	\$ 48,998	Monthly
Cathay Century Insurance Co., Ltd.	7,598	9,009	Monthly
Cathay Securities Co., Ltd.	9,873	9,673	Monthly
Cathay United Bank Foundation	-	4,247	Monthly

Related Parties	Guarantee Deposits Received	
	December 31	
	2020	2019
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 12,019	\$ 12,019
Cathay Century Insurance Co., Ltd.	1,775	2,196
Cathay Securities Co., Ltd.	2,843	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.

7) Shares transactions - issuance of shares for cash by the Bank

Related Parties	Items	For the Year Ended December 31	
		2020	2019
Parent company			
Cathay Financial Holding Co., Ltd.	Ordinary shares	\$ -	\$ 10,000,000

8) Others

Accounts/Related Parties	For the Year Ended December 31	
	2020	2019
<u>Commissions and handling fees income</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 6,527,644	\$ 7,333,637
Cathay Century Insurance Co., Ltd.	143,411	154,046
Cathay Securities Co., Ltd.	167,851	80,628
Cathay Securities Investment Trust Co., Ltd.	37,390	39,887
Cathay Securities Investment Consulting Co., Ltd.	18,610	15,492
Cathay Real Estate Development Co., Ltd.	6,911	5,980
<u>Miscellaneous income</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	23,492	10,524
Other related parties		
Cathay Life Insurance Co., Ltd.	26,944	7,847

Accounts/Related Parties	For the Year Ended December 31	
	2020	2019
<u>Commissions and handling fees expense</u>		
Other related parties		
Cathay Securities Co., Ltd.	\$ 9,269	\$ 2,507
<u>Other operating expense</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	185,220	168,589
Cathay Securities Co., Ltd.	9,005	1,975
Cathay Securities Investment Trust Co., Ltd.	7,200	7,200
Cathay Real Estate Development Co., Ltd.	4,495	5,090
Symphox Information Co., Ltd.	521,593	567,936
Lin Yuan Property Management Co., Ltd.	16,226	9,327
Cathay Healthcare Management Co., Ltd.	19,732	20,155
Seaward Card Co., Ltd.	219,953	224,726
<u>Insurance expense paid</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	123,336	67,136
Cathay Century Insurance Co., Ltd.	168,070	178,060
<u>Insurance claims received</u>		
Other related parties		
Cathay Century Insurance Co., Ltd.	41	25,322
Item/Related Parties		
	December 31	
	2020	2019
<u>Receivables</u>		
Other related parties		
Cathay Securities Investment Trust Co., Ltd.	\$ 3,142	\$ 4,342
<u>Related party receivables for commission of collecting insurances</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	350,640	43,208
<u>Refundable deposit</u>		
Other related parties		
Cathay Futures Co., Ltd.	267,303	508,694
<u>Accrued expenses</u>		
Other related parties		
Seaward Card Co., Ltd.	35,533	37,704

Item/Related Parties	December 31	
	2020	2019
<u>Accounts payable</u>		
Other related parties		
Cathay Century Insurance Co., Ltd.	\$ 49,492	\$ 49,719
Symphox Information Co., Ltd.	84,494	123,346
<u>Related party payables for allocation of integrated income tax systems account</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	765,804	1,703,104

As of December 31, 2020 and 2019, Indovina Bank acquired the financial debentures issued by Vietinbank, other related party, and recorded as financial assets at fair value through other comprehensive income in the amount of 384,663 thousand and 484,627 thousand, respectively. Indovina Bank recognized interest income in the amount of \$31,156 thousand and \$37,756 thousand during the years ended December 31, 2020 and 2019, respectively.

The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of \$9,088 thousand and \$15,137 thousand during the years ended December 31, 2020 and 2019, respectively.

The Bank purchased bonus points from Symphox Information Co., Ltd. The bonus points can be earned by the Bank's customers and exchanged for merchandise. As of December 31, 2020 and 2019, the unconverted bonus points amounted to \$20,749 thousand and \$25,797 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 years ended December 31, 2020 and 2019 was as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employment benefits	\$ 363,197	\$ 314,949
Post-employment benefits	5,428	8,258
Other long-term employment benefits	<u>92</u>	<u>54</u>
	<u>\$ 368,717</u>	<u>\$ 323,261</u>

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:

	December 31	
	2020	2019
Due from the Central Bank (deposit reserves-general accounts)	\$ 6,000,000	\$ -
Financial assets at FVTOCI	12,006,501	10,006,563
Investments in debt instruments at amortised cost	45,525,409	47,521,950

46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. The Bank

1) Entrusted items and guarantees:

	December 31	
	2020	2019
Trust and security held for safekeeping	\$781,995,797	\$720,298,578
Travelers checks for sale	-	257,286
Collection and payment on behalf of customers	33,483,521	36,708,754
Book-entry for government bonds and depository for short-term marketable securities under management	450,195,466	429,136,051
Entrusted financial management business	11,968,703	8,205,335
Guarantees on duties and contracts	17,071,951	12,957,304
Unused commercial letters of credit	5,731,441	4,496,860
Irrevocable loan commitments	190,736,959	189,579,513
Unused credit card line commitments	661,764,474	623,899,000
Underwritten securities	-	1,350,000

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

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

b. Indovina Bank

Entrusted item and guarantees

	December 31	
	2020	2019
Financial guarantee contracts	\$ 1,323,647	\$ 1,380,304
Unused commercial letters of credit	972,917	662,214

c. CUBC Bank

Entrusted item and guarantees

	December 31	
	2020	2019
Financial guarantee contracts	\$ 17,406	\$ 23,652
Credit card line commitments	277,491	280,881
Irrevocable loan commitments	234,582	488,140

d. CUBCN Bank

Entrusted item and guarantees

	December 31	
	2020	2019
Financial guarantee contracts	\$ 236,475	\$ 427,986
Unused commercial letters of credit	210,453	95,593
Irrevocable loan commitments	928,613	1,050,539

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

	December 31	
	2020	2019
<u>Trust assets</u>		
Bank deposits	\$ 18,260,664	\$ 14,818,480
Bonds	62,152,698	65,130,652
Stocks	40,685,731	39,785,831
Mutual funds	227,118,323	220,805,984
Insurances	2,731,911	2,798,937
Receivables	4,249	5,402

(Continued)

	December 31	
	2020	2019
Real estate		
Land	\$ 50,733,048	\$ 44,457,530
Buildings (net)	45,150	30,180
Construction in progress	1,659,896	1,789,404
Custody securities	<u>122,497,599</u>	<u>109,985,903</u>
Total trust assets	<u>\$525,889,269</u>	<u>\$499,608,303</u>
<u>Trust liabilities</u>		
Payables	\$ 607	\$ 636
Tax payable	7	55
Custody securities payable	122,497,599	109,985,903
Other liabilities	406	406
Trust capital	403,657,422	389,831,160
Provisions and accumulated losses		
Net income	378,243	358,359
Accumulated losses	<u>(645,015)</u>	<u>(568,216)</u>
Total trust liabilities	<u>\$525,889,269</u>	<u>\$499,608,303</u>

(Concluded)

Income Statement of Trust Accounts

	For the Year Ended December 31	
	2020	2019
Trust revenue		
Interest income	\$ 26,876	\$ 31,156
Rent revenue	1,642	1,675
Cash dividends income	360,211	398,140
Realized capital income - bonds	840	-
Realized capital income - stocks	2,518	9,245
Realized capital income - mutual funds	31,552	8,832
Unrealized capital income - stocks	10,563	10,880
Unrealized capital income - mutual funds	2,048	1,559
Others	<u>9</u>	<u>-</u>
Total trust revenue	<u>436,259</u>	<u>461,487</u>
Trust expense		
Management fee	19,556	19,974
Supervisor fee	1,398	1,801
Taxes	1,157	1,083
Service fee	2,129	929
Realized capital loss - bonds	97	-
Realized capital loss - stocks	615	-
Realized capital loss - mutual funds	19,814	17,341
Unrealized capital loss - stocks	421	571
Unrealized capital loss - mutual funds	923	653
Others	<u>11,906</u>	<u>60,776</u>
Total trust expense	<u>58,016</u>	<u>103,128</u>

(Continued)

	For the Year Ended December 31	
	2020	2019
Income equalization		
Net income before tax	\$ 378,243	\$ 358,359
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 378,243</u>	<u>\$ 358,359</u>

(Concluded)

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

	December 31	
Investment Portfolio	2020	2019
Bank deposits	\$ 18,260,664	\$ 14,818,480
Bonds	62,152,698	65,130,652
Stocks	40,685,731	39,785,831
Mutual funds	227,118,323	220,805,984
Insurances	2,731,911	2,798,937
Receivables	4,249	5,402
Real estate		
Land	50,733,048	44,457,530
Buildings (net)	45,150	30,180
Construction in progress	1,659,896	1,789,404
Custody securities	<u>122,497,599</u>	<u>109,985,903</u>
	<u>\$525,889,269</u>	<u>\$499,608,303</u>

- b. The Bank conducts trust business by Trust Enterprise Act Article 3. The related trust business information as of December 31, 2020 and 2019 were as follows:

Trust Business

	December 31	
Item	2020	2019
Special trust of money that invest in foreign securities	\$233,254,617	\$228,317,415
Special trust of money that invest in domestic securities	55,068,279	56,636,782
Trust of money - custody securities	122,497,599	109,985,903
Trust of real estate	53,089,663	46,828,756
Trust of real estate price	8,105,405	5,959,182
Trust of insurance claims	185,196	200,996
Personal and corporate trust	47,849,358	46,531,147
Trust of business employee's savings	1,973,880	1,942,652
Trust of securities	<u>3,865,272</u>	<u>3,205,470</u>
	<u>\$525,889,269</u>	<u>\$499,608,303</u>

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

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

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

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

49. FINANCIAL INSTRUMENTS

a. Information on fair value hierarchy

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

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

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

1) Level 1

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

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

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

2) Level 2

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

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

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

3) Level 3

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

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

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	\$ 2,504,480	\$ 2,484,177	\$ -	\$ 20,303
Bonds	52,273,150	2,703,505	49,569,645	-
Others	196,048,444	323,148	195,725,296	-
Financial assets at fair value through other comprehensive income				
Stocks	22,709,621	18,646,762	-	4,062,859
Bonds	273,977,177	106,990,738	166,986,439	-
Others	39,411,018	-	39,411,018	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	44,204,582	-	44,204,582	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	73,217,904	59,418	67,796,654	5,361,832
Liabilities				
Financial liabilities at fair value through profit or loss	71,410,047	36,350	66,011,865	5,361,832

Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	\$ 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	-
<u>Derivative financial instruments</u>				
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

2) Financial instruments measured at fair value

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

a) Marking to market

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

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

b) Marking to model

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

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

3) Fair value adjustments

Credit risk valuation adjustments

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

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

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

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

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

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

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

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

There were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

5) Reconciliation of Level 3 fair value measurements

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

For the year ended December 31, 2020

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transferred to Level 3	Sale or Change in Fair Value	Transferred from Level 3		
Financial assets at fair value through profit or loss									
Stocks	\$ 16,263	\$ 4,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,303
Derivative financial instruments	10,681,179	(4,457,141)	-	113,221	-	975,427	-	-	5,361,832
Financial assets at fair value through other comprehensive income									
Stocks	4,086,290	-	(24,402)	33,841	-	32,828	-	(42)	4,062,859
Bonds	453,848	-	-	-	-	-	453,848	-	-

For the year ended December 31, 2019

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transferred to Level 3	Sale or Change in Fair Value	Transferred from Level 3		
Financial assets at fair value through profit or loss									
Stocks	\$ 3,657	\$ 12,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,263
Derivative financial instruments	12,084,217	(611,416)	-	23,000	-	814,622	-	-	10,681,179
Financial assets at fair value through other comprehensive income									
Stocks	3,558,050	-	504,208	32,085	-	8,037	-	(16)	4,086,290
Bonds	-	-	-	453,848	-	-	-	-	453,848

Total gains or losses shown in the tables above that contain unrealized gains and losses related to assets held as of December 31, 2020 and 2019 amounted to losses of \$4,453,101 thousand and \$598,810 thousand, respectively.

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

For the year ended December 31, 2020

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss	\$ 10,681,179	\$ (4,457,141)	\$ -	\$ 113,221	\$ -	\$ 975,427	\$ -	\$ 5,361,832
Derivative financial liabilities								

For the year ended December 31, 2019

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss	\$ 12,084,217	\$ (611,416)	\$ -	\$ 23,000	\$ -	\$ 814,622	\$ -	\$ 10,681,179
Derivative financial liabilities								

Total gains or losses shown on the tables above that contain unrealized gains and losses related to liabilities committed as of December 31, 2020 and 2019 amounted to gains of \$4,457,141 thousand and \$611,416 thousand, respectively.

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

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

December 31, 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						
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	Stock	\$ 20,303	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	3,077,929	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
		49,437	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		935,493	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	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	Stock	\$ 16,263	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

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

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

d. Financial instruments that were not measured at fair value

1) Information on fair value

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

	December 31			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$501,728,143	\$503,184,932	\$444,934,985	\$444,630,239

2) Information on fair value hierarchy

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 503,184,932	\$ 12,908,846	\$ 489,532,813	\$ 743,273

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

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:

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

- b) Discounts and loans, deposits, financial debentures and structured commodity principals are all interest-bearing financial assets/liabilities whose carrying amount is taken as the current fair value. The carrying amount of nonperforming loan is the estimated recoverable amount after deduction of allowance for bad debts, hence its carrying amount is used as its fair value.
- c) If an investment in a debt instrument at amortised cost has a public quoted price in an active market, the market price is used as its fair value; if no market price is available for reference, a valuation method is used to estimate the fair value. The estimates and assumptions used by the Bank in the valuation method are consistent with the information and assumptions used by market participants in the estimation of the fair value of financial products.

50. FINANCIAL RISK MANAGEMENT

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

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

- a. To amend the risk management policies, risk appetite or risk tolerance and report the above issues to the board of directors for approval;
- b. To manage and decide the strategy about the Bank's credit risk, market risk and operational risk;
- c. To report the significant risk management issues, such as credit ratings, market assessment and risk indicators;
- d. To analyze the issues that the Bank's business unit brought up for discussion;
- e. Other issues.

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

a. Credit risk

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

The Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures; and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts 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, which effectively reduces the credit risk of the Bank, Indovina Bank and CUBCN Bank. The disclosure of the maximum credit exposure shall not take into account any collateral held or other enhancements.

CUBC Bank

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

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

Judgment 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. For the assessment, the Bank and CUBCN Bank consider reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

1) Quantitative indicators

a) Changes in credit rating

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

b) Information on the overdue status of a contract

When the contract payment is overdue for 30 days to 89 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

2) Qualitative indicators

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

a) Bounced checks are reported.

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

c) Auditors' opinion - adverse opinion.

- d) Auditors' opinion - disclaimer of opinion.
- e) The stock was placed in full-cash delivery stock.
- f) Other changes in the internal or external information on judging the credit quality changes.

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

Indovina Bank

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

1) Notch downgrade

A notch downgrade of obligor's internal or external ratings between the current grade and the grade at initial recognition greater than a 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

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

CUBC Bank

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

1) Past due information

As of the reporting date, contractual payments 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 the reporting date would be classified as a loan with significant increase in credit risk since initial recognition.

3) Internal credit assessment indicators

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

Default and credit impairment of financial asset

The Bank 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 at the reporting date, it is determined as credit impairment. Debt instruments that do not pay principal and interest according to issuance or transaction condition are determined to be credit impaired.

2) Qualitative indicator

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

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

b) Lawsuit action has been taken;

c) Debt settlement, debt negotiation;

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

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

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 signals default:

1) Notch downgrade

An obligation of one 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

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

3) Internal credit assessment indicators

Assets that show credit deterioration according to the internal credit risk management indicators 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 the 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 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 assess 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 for 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 amortised cost in accordance with related requirements:

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

The valuation techniques or significant assumptions for assessing the expected credit losses have no significant change for the year ended December 31, 2020.

Indovina Bank

Indovina Bank has grouped its 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
Bond portfolio	Grouped by product category, external credit rating and payment ranks

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 probabilities 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 amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

2) Bond portfolio

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

CUBC Bank

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

Write-off policy

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 cannot reasonably expect to collect 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 to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD differ depending on the type of financial instruments.

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

Credit Category	Probability of Default (PD)
Enterprise loan	Consumer Price Index Government Expenditures GDP % Proportion of investment to 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 Indovina Bank for the forward-looking adjustments at December 31, 2020 are as follows:

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

CUBC Bank

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

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments at December 31, 2020 are 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 follows:

1) Category of credit asset

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

2) Grade of credit quality

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

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

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

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

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

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

3) Hedge of credit risk and easing policy

a) Collateral

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

Other non-credit business collateral 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 instruments, the maximum credit risk exposures of on-balance-sheet financial assets equals their carrying amounts. The maximum credit risk exposures of off-balance-sheet items (without considering the collateral or other credit enhancement instruments) are as follows:

a) The Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2020	December 31, 2019
Irrevocable loan commitments	\$190,736,959	\$189,579,513
Credit card commitments	744,977,230	710,712,032
Unused commercial letters of credit	5,731,441	4,496,860
Guarantees on duties and contracts	17,071,951	12,957,304

b) Indovina Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2020	December 31, 2019
Financial guarantee contracts	\$ 1,323,647	\$ 1,380,304
Unused commercial letters of credit	972,917	662,214

c) CUBC Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2020	December 31, 2019
Financial guarantee contracts	\$ 17,406	\$ 23,652
Credit card commitments	277,491	280,881
Irrevocable loan commitments	234,582	488,140

d) CUBCN Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2020	December 31, 2019
Financial guarantee contracts	\$ 236,475	\$ 427,986
Unused commercial letters of credit	210,453	95,593
Irrevocable loan commitments	928,613	1,050,539

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

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

December 31, 2020

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	\$ 1,621,545,452	\$ 55,888,623	\$ 12,109,964	\$ -	\$ 1,689,544,039
Less: Allowance impairment	(4,643,771)	(2,095,225)	(5,124,881)	-	(11,863,877)
Less: Differences of impairment loss under regulations	-	-	-	(16,384,201)	(16,384,201)
Total	<u>\$ 1,616,901,681</u>	<u>\$ 53,793,398</u>	<u>\$ 6,985,083</u>	<u>\$ (16,384,201)</u>	<u>\$ 1,661,295,961</u>

	Receivable				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	\$ 98,245,219	\$ 1,889,559	\$ 2,141,088	\$ -	\$ 102,275,866
Less: Allowance impairment	(465,842)	(202,476)	(1,731,461)	-	(2,399,779)
Less: Differences of impairment loss under regulations	-	-	-	(62,941)	(62,941)
Total	<u>\$ 97,779,377</u>	<u>\$ 1,687,083</u>	<u>\$ 409,627</u>	<u>\$ (62,941)</u>	<u>\$ 99,813,146</u>

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	Differences of Impairment Loss under Regulations	Total
Total carrying amount	\$ 1,500,192,488	\$ 68,503,519	\$ 11,866,187	\$ -	\$ 1,580,562,194
Less: Allowance impairment	(2,753,556)	(1,746,741)	(5,386,493)	-	(9,886,790)
Less: Differences of impairment loss under regulations	-	-	-	(17,524,498)	(17,524,498)
Total	<u>\$ 1,497,438,932</u>	<u>\$ 66,756,778</u>	<u>\$ 6,479,694</u>	<u>\$ (17,524,498)</u>	<u>\$ 1,553,150,906</u>

	Receivable				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	\$ 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)
Total	<u>\$ 98,929,169</u>	<u>\$ 1,406,144</u>	<u>\$ 605,686</u>	<u>\$ (52,976)</u>	<u>\$ 100,888,023</u>

5) Credit concentration risk of the Company

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

Credit concentration risk of the Company derives from the assets, liabilities and off-balance-sheet items, and arises from performing obligations or engaging in transactions 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 is listed below:

Industry Type	December 31			
	2020		2019	
	Amount	%	Amount	%
Manufacturing	\$ 136,414,473	7.98	\$ 116,211,750	7.28
Financial institutions and insurance	77,235,347	4.52	79,217,724	4.96
Leasing and real estate	151,233,185	8.85	144,353,511	9.04
Individuals	1,029,137,040	60.20	904,288,042	56.65
Others	315,605,920	18.45	352,249,142	22.07
Total	<u>\$ 1,709,625,965</u>	<u>100.00</u>	<u>\$ 1,596,320,169</u>	<u>100.00</u>

Geographic Region	December 31			
	2020		2019	
	Amount	%	Amount	%
Domestic	\$ 1,432,739,575	83.80	\$ 1,308,219,217	81.95
Asia	208,251,320	12.18	211,659,637	13.26
America	47,564,475	2.78	53,564,188	3.36
Others	21,070,595	1.24	22,877,127	1.43
Total	<u>\$ 1,709,625,965</u>	<u>100.00</u>	<u>\$ 1,596,320,169</u>	<u>100.00</u>

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 that it has 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, scenario simulation analysis 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 based on the number of days remaining from the balance sheet date until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

	December 31, 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	\$ 21,632,134	\$ 18,939,610	\$ 22,759,390	\$ 174,251	\$ 63,505,385
Due to the Central Bank and banks	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at fair value through profit or loss	-	-	566,549	36,775,320	37,341,869
Securities sold under agreements to repurchase	8,782,928	1,322,545	-	-	10,105,473
Payables	16,497,492	2,928,046	113,437	426,011	19,964,986
Deposits and remittances	366,399,102	1,030,683,105	1,016,354,012	148,106,423	2,561,542,642
Financial debentures payable	-	7,518,502	37,213	46,800,000	54,355,715
Lease liabilities	116,107	555,111	680,363	2,409,535	3,761,116
Other capital outflow at maturity	12,868,822	15,291,646	6,218,538	1,037,130	35,416,136

	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

Additional information about the maturity analysis of lease liabilities:

	December 31	
	2020	2019
Less than 1 year	\$ 1,351,581	\$ 1,116,536
1-5 years	2,156,451	2,470,871
5-10 years	250,974	204,253
Over 10 years	<u>2,110</u>	<u>634</u>
	<u>\$ 3,761,116</u>	<u>\$ 3,792,294</u>

c) Maturity analysis of derivative financial liabilities

Net settled derivatives financial instruments engaged by the Bank include:

- Foreign exchange derivative instruments: Foreign exchange options, non-delivery forwards;
- Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the consolidated balance 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:

	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	\$ 144,336	\$ 51,523	\$ 17,164	\$ 5	\$ 213,028
Interest rate derivative instruments	<u>25,200</u>	<u>879,624</u>	<u>362,723</u>	<u>23,592,651</u>	<u>24,860,198</u>
Total	<u>\$ 169,536</u>	<u>\$ 931,147</u>	<u>\$ 379,887</u>	<u>\$ 23,592,656</u>	<u>\$ 25,073,226</u>

	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	<u>53,997</u>	<u>195,095</u>	<u>501,056</u>	<u>20,153,630</u>	<u>20,903,778</u>
Total	<u>\$ 185,319</u>	<u>\$ 290,401</u>	<u>\$ 508,601</u>	<u>\$ 20,153,722</u>	<u>\$ 21,138,043</u>

Gross settled derivatives financial instruments engaged by the Bank include:

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

The table below shows the Bank's gross settled derivative instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. Contractual maturities are evaluated to be the most basic element for understanding all the derivative financial instruments presented on the balance sheets. The disclosed amounts are based on contractual cash flows and 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:

	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	\$ (6,206,951)	\$ (9,612,506)	\$ (3,966,155)	\$ (543,230)	\$ (20,328,842)
Cash inflow	9,935	2,984	1,329	-	14,248
Interest rate derivative instruments					
Cash outflow	-	(114,986)	(47,427)	(473,217)	(635,630)
Cash inflow	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>
Cash outflow subtotal	(6,206,951)	(9,727,492)	(4,013,582)	(1,016,447)	(20,964,472)
Cash inflow subtotal	<u>9,973</u>	<u>2,984</u>	<u>1,329</u>	<u>-</u>	<u>14,286</u>
Net cash flow	<u>\$ (6,196,978)</u>	<u>\$ (9,724,508)</u>	<u>\$ (4,012,253)</u>	<u>\$ (1,016,447)</u>	<u>\$ (20,950,186)</u>

	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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash outflow subtotal	(3,055,553)	(7,301,136)	(1,048,386)	(448,474)	(11,853,549)
Cash inflow subtotal	<u>15,580</u>	<u>6,979</u>	<u>638</u>	<u>-</u>	<u>23,197</u>
Net cash flow	<u>\$ (3,039,973)</u>	<u>\$ (7,294,157)</u>	<u>\$ (1,047,748)</u>	<u>\$ (448,474)</u>	<u>\$ (11,830,352)</u>

d) Maturity analysis of off-balance sheet items

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

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

	December 31, 2020			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 159,685,630	\$ 25,896,936	\$ 5,154,393	\$ 190,736,959
Credit card commitments	52,483,033	233,082,112	459,412,085	744,977,230
Financial guarantee contracts	15,178,359	7,594,933	30,100	22,803,392

	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

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 price, etc., including position, gain and loss, stress testing, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR) etc., are used to measure the extent of investment portfolio loss that is influenced by interest risk, foreign exchange risk and price of equity securities.

b) Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress testing, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. The Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. 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 investments for the purpose of trading or the hedge on the trading book. Portfolio is held for trading for the purpose of earning profit from the bid-ask spread. Any positions aside from the above trading book will be in the banking book.

a) Strategy

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

b) Policy and procedure

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

c) Valuation policy

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

d) Method of measurement

- i. The assumptions and calculation method are described in the VaR section.
- ii. The Bank executes the stress testing monthly based on the following scenarios: The fluctuation of interest rate at 100bp, equity securities price 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 in interest rates. The main instruments include the securities and derivatives that are related to interest rates.

b) Interest risk management procedure of trading book

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

5) Interest risk management of banking book

The 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 addition, 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 are 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 is mainly measured by 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 testing. Each interest risk indicator and the result of stress testing 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' positions. Thus, the Bank is not exposed to significant foreign exchange risk.

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

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

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

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

Unit: In Thousands of Foreign Currency			
December 31, 2020			
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,499,496	28.5080	\$356,335,632
CNY	11,952,373	4.3802	52,353,784
AUD	1,247,185	21.9811	27,414,498
Non-monetary items			
USD	895,878	28.5080	25,539,690
HKD	3,744,032	3.6775	13,768,678
THB	3,473,375	0.9515	3,304,916
<u>Financial liabilities</u>			
Monetary items			
USD	16,865,082	28.5080	480,789,758
CNY	9,088,330	4.3802	39,808,703
AUD	1,428,519	21.9811	31,400,419
Non-monetary items			
USD	908,910	28.5080	25,911,206
HKD	3,527,023	3.6775	12,970,627
CNY	2,731	4.3802	11,962

	December 31, 2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
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

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 \$1,237,639 thousand and \$1,165,079 thousand for the years ended December 31, 2020 and 2019, respectively.

7) Risk management of equity securities price

a) Definition of risk of equity securities price

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

b) Purpose of risk management of equity securities price

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

c) Procedure of risk management of equity securities price

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

d) Measurement method

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

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 testing 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. Based on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

December 31, 2020				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 98,733	\$ 194,699	\$ 44,753	\$ 44,753
Foreign exchange	223,146	371,160	121,699	162,748
Equity securities price	364,210	791,984	103,986	431,373

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

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 loss of risk asset portfolio under the worst-case scenario. The Bank takes into consideration various types of risk factors during stress testing and the results will be reported to the executive management.

Stress Testing			
Market/Product	Scenarios	December 31, 2020	December 31, 2019
Stock market	Major stock exchanges +15%	\$ 2,111,674	\$ 2,275,627
	Major stock exchanges -15%	(2,038,832)	(2,275,627)
Interest rate/bond market	Major interest rate + 100bp	(1,433,146)	(2,123,313)
	Major interest rate -100bp	53,539	1,761,718
Foreign exchange market	Major currencies +3%	306,945	232,248
	Major currencies -3%	(306,945)	(219,225)
Composite	Major stock exchanges -15%	(3,165,033)	(4,166,692)
	Major interest rate +100bp		
	Major currencies +3%		

The information of stress testing 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 government bonds, corporate bonds, interest rate swaps, forward rate agreements and interest rate collars.

b) Foreign exchange risk

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

c) Equity securities price risk

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

		December 31, 2020	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 87,303	\$ -
	HKD+1%	9,862	-
	JPY+1%	15,101	-
	AUD+1%	12,843	-
	CNY+1%	(7,927)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(8,730)	-
	Yield curves (HKD) parallel shift+1bp	147	-
	Yield curves (JPY) parallel shift+1bp	2	-
	Yield curves (AUD) parallel shift+1bp	(131)	-
	Yield curves (CNY) parallel shift+1bp	(1,303)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	22,531	118,190

		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

d. Transfers of financial assets

Financial assets transferred that have not been fully removed

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

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

December 31, 2020					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through other comprehensive income					
Repurchase agreements	\$ 9,706,456	\$ 9,175,931	\$ 9,706,456	\$ 9,175,931	\$ 530,525
Investments in debt instruments measured at amortised cost					
Repurchase agreements	865,651	916,127	961,477	916,127	45,350

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

e. Offsetting financial assets and liabilities

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

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

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

December 31, 2020

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 73,217,904	\$ -	\$ 73,217,904	\$ 71,410,047	\$ 1,807,857	\$ -

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	\$ 71,410,047	\$ -	\$ 71,410,047	\$ 71,410,047	\$ -	\$ -
Repurchase agreement	10,092,058	-	10,092,058	9,278,702	813,356	-

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	\$ -

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	\$ -	\$ -
Repurchase agreement	48,180,452	-	48,180,452	46,537,689	1,642,763	-

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	December 31, 2020	
				Standalone	Consolidated
Eligible capital	Common equity		\$ 204,572,808	\$ 212,526,568	
	Other Tier 1 capital		27,227,007	33,205,553	
	Tier 2 capital		45,000,995	58,452,827	
	Eligible capital		276,800,810	304,184,948	
Risk-weighted assets	Credit risk	Standardized approach	1,393,921,824	1,513,501,089	
		Internal ratings-based approach	-	-	
		Securitization	16,503,042	16,503,042	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	116,505,060	123,362,753	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	110,110,960	115,077,114	
		Internal model approach	-	-	
	Risk-weighted assets		1,637,040,886	1,768,443,998	
Capital adequacy ratio (%)			16.91%	17.20%	
Ratio of common equity to risk-weighted assets (%)			12.50%	12.02%	
Ratio of Tier 1 capital to risk-weighted assets (%)			14.16%	13.90%	
Leverage ratio (%)			7.00%	7.14%	

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%	
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%

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 for the years ended December 31, 2020 and 2019. The Company's maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets the Company recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

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

The carrying amounts of assets recognized by the Company as of December 31, 2020 and 2019 relating to its interests in unconsolidated structured entities are disclosed as follows:

	December 31	
	2020	2019
Financial assets at FVTOCI	\$ 14,299,523	\$ 27,942,654
Investments in debt instruments measured at amortised cost	<u>32,294,807</u>	<u>38,848,276</u>
	<u>\$ 46,594,330</u>	<u>\$ 66,790,930</u>

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

The Bank

a. Credit risk

- 1) Asset quality: Please refer to Table 2.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2020			
Rank	Company Name	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	\$ 25,080,432	10.35
2	Group B - packaging and testing of semi-conductors	7,803,739	3.22
3	Group C - ocean transportation	7,420,326	3.06
4	Group D - other financial intermediation	6,905,632	2.85
5	Group E - management consultancy activities	6,871,093	2.84
6	Group F - real estate development activities	6,200,000	2.56
7	Group G - real estate development activities	5,708,000	2.36
8	Group H - manufacture of computers	5,288,900	2.18
9	Group I - other financial intermediation	4,793,419	1.98
10	Group J - other financial intermediation	4,247,054	1.75

December 31, 2019			
Rank	Company Name	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	\$ 30,945,120	13.60
2	Group B - packaging and testing of semi-conductors	17,042,808	7.49
3	Group C - ocean transportation	9,123,947	4.01
4	Group D - other financial intermediation	8,563,610	3.76
5	Group E - other	8,464,135	3.72
6	Group F - real estate development activities	6,400,000	2.81
7	Group G - other financial intermediation	4,740,141	2.08
8	Group H - wired telecommunications activities	4,380,400	1.93
9	Group I - international financial institution	4,314,942	1.90
10	Group J - other financial intermediation	4,269,514	1.88

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars, %)

December 31, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,934,222,537	\$ 51,442,037	\$ 137,064,969	\$ 156,791,393	\$ 2,279,520,936
Interest rate-sensitive liabilities	190,095,447	1,531,047,126	239,236,301	86,479,337	2,046,858,211
Interest rate-sensitive gap	1,744,127,090	(1,479,605,089)	(102,171,332)	70,312,056	232,662,725
Net worth					242,296,872
Ratio of interest rate-sensitive assets to liabilities					111.37%
Ratio of interest rate sensitivity gap to net worth					96.02%

December 31, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,837,932,196	\$ 7,335,655	\$ 123,846,988	\$ 120,610,271	\$ 2,089,725,110
Interest rate-sensitive liabilities	206,919,364	1,314,554,764	258,573,888	94,850,569	1,874,898,585
Interest rate-sensitive gap	1,631,012,832	(1,307,219,109)	(134,726,900)	25,759,702	214,826,525
Net worth					227,485,604
Ratio of interest rate-sensitive assets to liabilities					111.46%
Ratio of interest rate sensitivity gap to net worth					94.44%

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, %)

December 31, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,399,860	\$ 479,765	\$ 1,112,911	\$ 6,214,503	\$ 16,207,039
Interest rate-sensitive liabilities	10,799,718	3,480,300	4,038,117	4,695,480	23,013,615
Interest rate-sensitive gap	(2,399,858)	(3,000,535)	(2,925,206)	1,519,023	(6,806,576)
Net worth					8,499,259
Ratio of interest rate-sensitive assets to liabilities					70.42%
Ratio of interest rate sensitivity gap to net worth					(80.08%)

December 31, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 7,944,502	\$ 417,969	\$ 1,052,742	\$ 7,468,062	\$ 16,883,275
Interest rate-sensitive liabilities	10,852,355	2,762,903	3,020,304	3,717,138	20,352,700
Interest rate-sensitive gap	(2,907,853)	(2,344,934)	(1,967,562)	3,750,924	(3,469,425)
Net worth					7,556,155
Ratio of interest rate-sensitive assets to liabilities					82.95%
Ratio of interest rate sensitivity gap to net worth					(45.92%)

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

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

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

c. Liquidity risk

1) Profitability (consolidated information)

Unit: %

Items		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Before income tax	0.83	0.91
	After income tax	0.72	0.77
Return on equity	Before income tax	10.79	12.09
	After income tax	9.32	10.27
Net income ratio		36.05	35.62

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 years ended December 31, 2020 and 2019.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)

(In Thousands of New Taiwan Dollar)

December 31, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,991,459,888	\$ 421,163,180	\$ 373,637,362	\$ 326,027,600	\$ 279,941,783	\$ 411,108,777	\$ 1,179,581,186
Main capital outflow on maturity	3,564,991,200	157,675,947	286,412,129	530,879,508	534,669,495	681,943,098	1,373,411,023
Gap	(573,531,312)	263,487,233	87,225,233	(204,851,908)	(254,727,712)	(270,834,321)	(193,829,837)

December 31, 2019

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,753,664,691	\$ 512,917,202	\$ 279,534,600	\$ 326,611,389	\$ 212,034,471	\$ 388,992,625	\$ 1,033,574,404
Main capital outflow on maturity	3,284,386,041	181,117,191	225,578,812	608,926,176	570,919,514	483,026,638	1,214,817,710
Gap	(530,721,350)	331,800,011	53,955,788	(282,314,787)	(358,885,043)	(94,034,013)	(181,243,306)

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

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

(In Thousands of U.S. Dollars)

December 31, 2020

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 65,536,230	\$ 21,926,788	\$ 15,635,019	\$ 8,800,757	\$ 9,094,993	\$ 10,078,673
Main capital outflow on maturity	70,572,687	20,713,751	18,347,814	10,820,543	11,798,356	8,892,223
Gap	(5,036,457)	1,213,037	(2,712,795)	(2,019,786)	(2,703,363)	1,186,450

December 31, 2019

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 61,759,110	\$ 17,781,993	\$ 16,890,342	\$ 8,748,684	\$ 7,808,402	\$ 10,529,689
Main capital outflow on maturity	66,894,443	16,698,526	20,440,429	10,134,936	12,011,769	7,608,783
Gap	(5,135,333)	1,083,467	(3,550,087)	(1,386,252)	(4,203,367)	2,920,906

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

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:

- Corporate banking unit: Corporate banking, foreign exchange business, debt management and public treasury business;
- Individual banking unit: Deposits and consumer loans, foreign exchange service, endorsement guarantees business, note discounting, safe deposits boxes, credit card - related products, and trust business;
- International banking unit: Offshore banking units, overseas branches and representative office; and
- Other units: These parts contain the Bank's assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operating segments.

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

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

	For the Year Ended December 31, 2020				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (externally)	<u>\$ 7,616,684</u>	<u>\$ 14,646,043</u>	<u>\$ 6,544,958</u>	<u>\$ 6,415,433</u>	<u>\$ 35,223,118</u>
Segment revenue (expense)	<u>\$ (2,259,915)</u>	<u>\$ 8,793,675</u>	<u>\$ (289,763)</u>	<u>\$ (6,243,997)</u>	<u>\$ -</u>
Segment net income	<u>\$ 4,049,858</u>	<u>\$ 17,647,220</u>	<u>\$ 3,270,140</u>	<u>\$ 855,768</u>	<u>\$ 25,822,986</u>
Income tax expense					<u>(3,511,682)</u>
Income after income tax					<u>\$ 22,311,304</u>

	For the Year Ended December 31, 2019				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (externally)	\$ 8,457,851	\$ 11,645,341	\$ 8,075,990	\$ 8,266,598	\$ 36,445,780
Segment revenue (expense)	\$ (3,698,282)	\$ 12,302,670	\$ (825,865)	\$ (7,778,523)	\$ -
Segment net income	\$ 3,224,721	\$ 19,757,524	\$ 4,750,081	\$ (1,264,940)	\$ 26,467,386
Income tax expense					(3,980,972)
Income after income tax					\$ 22,486,414

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

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

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

55. 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, refer to Table 5 (attached).

e. Information on major shareholders

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

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****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Cathay United Bank Co., Ltd.	CUBCN Bank (Note 1)	Subsidiary	\$743,981	-	\$ -	-	\$ -	\$ -
	Cathay Life Insurance Co., Ltd. (Note 2)	Other related party	350,640	-	-	-	-	-

Note 1: Interest receivable.

Note 2: Receivable commission on collecting insurance.

TABLE 2

CATHAY UNITED BANK CO., LTD.

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

Period			December 31, 2020					December 31, 2019				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		\$840,401	\$265,981,571	0.32%	\$3,283,451	390.70%	\$106,443	\$219,835,224	0.05%	\$2,799,559	2630.09%
	Unsecured		203,533	312,112,388	0.07%	7,296,192	3584.78%	234,899	326,886,658	0.07%	8,132,940	3462.31%
Consumer banking	Housing mortgage (Note 4)		363,263	429,232,267	0.08%	6,791,891	1869.69%	652,832	351,141,817	0.19%	5,628,075	862.10%
	Cash cards		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		248,450	100,603,115	0.25%	3,614,217	1454.71%	211,673	87,272,712	0.24%	2,898,274	1369.22%
	Other (Note 6)	Secured	603,718	489,779,625	0.12%	5,539,927	917.64%	995,451	502,473,730	0.20%	6,105,424	613.33%
		Unsecured	14,922	22,885,286	0.07%	320,255	2146.14%	84,867	26,291,790	0.32%	419,182	493.93%
Loan			2,274,287	1,620,594,252	0.14%	26,845,933	1180.41%	2,286,165	1,513,901,931	0.15%	25,983,454	1136.55%
			Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio
Credit cards			\$99,834	\$87,092,880	0.11%	\$1,955,685	1958.94%	\$131,125	\$89,442,948	0.15%	\$1,852,005	1412.39%
Accounts receivable factored without recourse (Note 7)			-	4,924,287	-	77,506	-	-	3,137,119	-	42,657	-

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

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

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

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

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

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

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 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	December 31, 2020		December 31, 2019	
	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$1,428	\$50,506	\$2,032	\$84,157
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	68,601	1,194,283	52,995	1,186,944
Total	\$70,029	\$1,244,789	\$55,027	\$1,271,101

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 and September 20, 2016 (Ref. No. 09700318940 and No. 10500134790).

(Concluded)

TABLE 3

CATHAY UNITED BANK CO., LTD.

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEEES

December 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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.	<u>Financial-related business</u>										
	Taiwan Depository & Clearing Corporation	Taipei	Centralized securities depository of enterprises	0.17	\$49,437	2,253	2,274	-	2,274	0.58	
	Taipei Forex Inc.	Taipei	Foreign exchange broker	4.04	77,275	4,800	800	-	800	4.04	
	Global Securities Finance Corporation (Note 4)	Taipei	Securities finance industry	0	-	530	-	-	-	0	
	Taiwan Future Exchange Co., Ltd.	Taipei	Futures exchange	0.62	263,375	5,750	2,300	-	2,300	0.62	
	Financial Information Service Co., Ltd.	Taipei	Data processing services	2.34	817,334	33,643	12,234	-	12,234	2.34	
	Taiwan Finance Corporation	Taipei	Bills financing	24.57	1,765,602	115,250	126,814	-	126,814	24.57	
	Waterland Securities Co., Ltd.	Taipei	Integrated securities houses	10.32	665,307	33,395	98,299	-	98,299	12.29	
	Taiwan Asset Management Corporation	Taipei	Financial institution's debt purchase, evaluation or auction business	5.79	947,542	39,780	61,200	-	61,200	5.79	
	Taiwan Financial Asset Service Corporation	Taipei	Financial institution credit evaluation or auction services	5.88	188,710	800	10,000	-	10,000	5.88	
	Sunny Asset Management Co.	Taipei	Financial institution's debt purchase and other services	9.37	8,256	1,387	562	-	562	9.37	
	Visa	Los Angeles	Credit card business	0.02	2,899,011	16,685	1,026	-	1,026	0.05	
	Indovina Bank Limited	Vietnam	Commercial banking	50	4,358,749	457,637	Note 3	-	Note 3	50	
	Cathay United Bank (Cambodia) Corporation Limited	Cambodia	Commercial banking	100	3,313,728	88,478	100,000	-	100,000	100	
	Taiwan Mobile Payment Co.	Taipei	Trust service manager (TSM)	4	12,901	-	2,400	-	2,400	4	
	Philippine Clearing House Corporation (PCHC)	Philippines	Bills financing	1.69	8,313	-	21	-	21	1.69	
	Quantifeed Holdings Limited	Cayman Islands	Bills financing	7.8	23,639	-	2,829	-	2,829	7.8	
	Cathay United Bank (China) Limited	China	Commercial banking	100	16,241,706	177,579	Note 3	-	Note 3	100	
	Srisawad Corp PCL	Thailand	Holding industry	4.6	3,934,440	82,228	125,827	-	125,827	9.16	
	<u>Non-financial-related business</u>										
	Anfeng Enterprises Co., Ltd.	Taipei	ATM bill supplement business	15	7,256	518	450	-	450	15	
	Taiwan Real Estate Management Co., Ltd.	Taipei	Real estate management	30.15	97,567	-1,475	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	327	-	19	-	19	4.87	
	Development International Investment Co., Ltd.	Taipei	Investment	4.95	827,983	21,600	108,000	-	108,000	9.9	
	Easy Card Investment Holding Co., Ltd.	Taipei	Investment	4.91	27,881	6,306	6,538	-	6,538	6.28	
	Kaohsiung Rapid Transit Corporation	Kaohsiung	Public rapid transit	1.38	28,565	385	3,845	-	3,845	1.38	
	Hantong Venture Capital Co., Ltd.	Taipei	Venture capital	12.95	104,142	3,404	7,092	-	7,092	12.95	
	Yuhua Venture Co., Ltd.	Taipei	Venture capital	5	1,746	216	293	-	293	5	
	Harbinger Venture Capital Co., Ltd.	Taipei	Venture capital	3.35	59	-	26	-	26	13.35	
	Victor Taichung Machinery Works Co., Ltd.	Taichung	Machinery and equipment manufacturing	0.03	1,248	20	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.

Note 4: Global Securities Finance Corporation approved the company's dissolution in the annual meeting of shareholders in 2020. The date of dissolution was June 30, 2020 and the company is still in liquidation phase. However, the Bank has returned the physical stocks to the stock agency company during the conduct of procedures for the distribution of remaining assets in December 2020. The investment cost was reduced to zero. Started from December, the Bank would no longer evaluate the investment.

TABLE 4

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
Cathay United Bank (China) Limited	Local government approved banking	\$ 14,377,562 (CNY 3,000,000)	Direct	\$ 14,377,562 (CNY 3,000,000)	\$ -	\$ -	\$ 14,377,562 (CNY 3,000,000)	\$ 177,579	100	\$ 177,579	\$ 16,241,706	\$ -	

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amount Approved by the Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 14,377,562 (CNY 3,000,000)	\$ 14,377,562 (CNY 3,000,000)	\$ 147,993,373

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

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

TABLE 5

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amounts	Terms of Transaction	Percentage of Total Revenue or Total Assets (Note 3)
0	Cathay United Bank	Indovina Bank	a	Due from banks - interest revenue	\$ 243	Note 4	0.00
		Indovina Bank	a	Call loan to banks - interest revenue	72,051	Note 4	0.12
		Indovina Bank	a	Due to bank	60,563	Note 4	0.00
		Indovina Bank	a	Due from banks	20,144	Note 4	0.00
1	Indovina Bank	Cathay United Bank	b	Due to banks - interest expense	243	Note 4	0.00
		Cathay United Bank	b	Call loan from banks - interest expense	72,051	Note 4	0.12
		Cathay United Bank	b	Due from banks	60,563	Note 4	0.00
		Cathay United Bank	b	Due to bank	20,144	Note 4	0.00
0	Cathay United Bank	CUBC Bank	a	Call loan to banks - interest revenue	784	Note 4	0.00
		CUBC Bank	a	Call loan from banks - interest expense	549	Note 4	0.00
		CUBC Bank	a	Due to bank	10,072	Note 4	0.00
		CUBC Bank	a	Due from banks	57,870	Note 4	0.00
		CUBC Bank	a	Dividend receivable	168,046	Note 4	0.01
		CUBC Bank	a	Net other revenue other than interest income	6,013	Note 4	0.01
2	CUBC Bank	Cathay United Bank	b	Call loan from banks - interest expense	784	Note 4	0.00
		Cathay United Bank	b	Call loan to banks - interest revenue	549	Note 4	0.00
		Cathay United Bank	b	Due from banks	10,072	Note 4	0.00
		Cathay United Bank	b	Due to bank	57,870	Note 4	0.00
		Cathay United Bank	b	Dividend payable	168,046	Note 4	0.01
		Cathay United Bank	b	Other general and administrative expense	6,013	Note 4	0.01
0	Cathay United Bank	CUBCN Bank	a	Call loan to banks - interest revenue	46,711	Note 4	0.08
		CUBCN Bank	a	Due to bank	28,693	Note 4	0.00
		CUBCN Bank	a	Due from banks	9,640,455	Note 4	0.30
		CUBCN Bank	a	Call loan to banks	372,319	Note 4	0.01
		CUBCN Bank	a	Interest receivable	743,981	Note 4	0.02
		CUBCN Bank	a	Other receivables	86,417	Note 4	0.00
3	CUBCN Bank	Cathay United Bank	b	Call loan from banks - interest expense	46,711	Note 4	0.08
		Cathay United Bank	b	Due from banks	28,693	Note 4	0.00
		Cathay United Bank	b	Due to bank	9,640,455	Note 4	0.30
		Cathay United Bank	b	Call loan from banks	372,319	Note 4	0.01
		Cathay United Bank	b	Interest payable	743,981	Note 4	0.02
		Cathay United Bank	b	Other payables	86,417	Note 4	0.00

(Continued)

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

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

Note 2: The flow of transactions is as follows:

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

Note 3: The percentage is calculated as follows:

- a. Assets and liabilities: Ending balance divided by total consolidated assets.
- b. Income and expenses: The amount at the end of the period divided by consolidated net income.

Note 4: The terms of the transactions between the Bank and related parties were similar to those for unrelated parties.

(Concluded)

Appendix V

**Cathay United Bank Co., Ltd.
Parent Company Only Financial Statements
For The Years Ended
31 December 2020 and 2019
With Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Cathay United Bank Co., Ltd. (the “Bank”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2020 and 2019, its financial performance, and its cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

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 Financial Statements section of our report. We are independent of the Bank 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 financial statements of the Bank for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Bank's financial statements for the year ended December 31, 2020 are stated as follows:

Impairment Assessment of Loans

The domestic loans of the Bank which amounted to \$1,510,492,015 thousand was 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 amount of impairment assessed on loans under the relevant regulations issued by the authorities is substantially larger than that assessed under IFRS 9, hence, we determined the impairment of the loans assessed under the relevant regulations prescribed by the authorities as a key audit matter.

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

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

1. We understood and tested the internal controls of impairment assessment of loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories to see if it complies with the relevant regulations issued by the authorities.
3. We performed the test on selected samples to ensure 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 of impairment loss by classifying the credit assets into their respective category to see if it complies with the relevant regulations issued by the authorities.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank 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 Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Bank to express an opinion on the 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 financial statements for the year ended December 31, 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 audits resulting in this independent auditors' report are Cheng-Hung Kuo and Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2021

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

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

CATHAY UNITED BANK CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 43)	\$74,801,339	2	\$48,515,201	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 7, 43 and 44)	114,673,136	4	111,420,796	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 43 and 48)	320,798,792	10	294,191,635	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 44 and 48)	304,618,288	10	293,510,005	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 44 and 48)	501,266,786	16	443,835,161	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	18,338,416	1	9,780,448	-
RECEIVABLES, NET (Notes 4, 13, 15 and 43)	99,694,198	3	99,115,885	4
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 43)	1,593,426,912	51	1,487,889,877	52
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 16)	25,777,352	1	25,617,511	1
OTHER FINANCIAL ASSETS, NET	364	-	909	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	24,174,666	1	24,554,606	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 18 and 43)	3,697,989	-	3,717,597	-
INVESTMENT PROPERTIES, NET (Notes 4 and 19)	646,445	-	857,504	-
INTANGIBLE ASSETS, NET (Notes 4 and 20)	7,635,738	-	7,628,450	-
DEFERRED TAX ASSETS (Notes 4 and 41)	4,371,750	-	3,860,039	-
OTHER ASSETS, NET (Notes 21 and 43)	<u>30,472,784</u>	<u>1</u>	<u>28,401,262</u>	<u>1</u>
TOTAL	<u>\$3,124,394,955</u>	<u>100</u>	<u>\$2,882,896,886</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 22 and 43)	\$63,383,248	2	\$70,709,191	2
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 43 and 48)	114,386,759	4	106,531,886	4
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 23)	10,092,058	-	43,710,339	2
PAYABLES (Notes 24 and 43)	22,325,212	1	23,858,296	1
CURRENT TAX LIABILITIES (Notes 4 and 41)	189,195	-	241,436	-
DEPOSITS AND REMITTANCES (Notes 25 and 43)	2,559,958,727	82	2,276,606,769	79
FINANCIAL DEBENTURES PAYABLE (Note 26)	53,800,000	2	53,900,000	2
OTHER FINANCIAL LIABILITIES (Note 27)	35,331,092	1	60,218,085	2
PROVISIONS (Notes 4, 15 and 28)	3,766,162	-	3,682,517	-
LEASE LIABILITIES (Notes 4, 18 and 43)	3,719,319	-	3,739,711	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 41)	3,330,151	-	3,046,972	-
OTHER LIABILITIES (Notes 4, 30 and 43)	<u>10,740,160</u>	<u>-</u>	<u>9,166,080</u>	<u>-</u>
Total liabilities	<u>2,882,098,083</u>	<u>92</u>	<u>2,655,411,282</u>	<u>92</u>
EQUITY (Note 31)				
Capital stock				
Common stock	<u>106,985,830</u>	<u>4</u>	<u>101,658,353</u>	<u>4</u>
Capital surplus	<u>38,687,276</u>	<u>1</u>	<u>38,687,276</u>	<u>1</u>
Retained earnings				
Legal reserve	64,526,043	2	57,935,811	2
Special reserve	2,084,653	-	2,183,978	-
Unappropriated earnings	<u>22,122,582</u>	<u>1</u>	<u>21,675,159</u>	<u>1</u>
Total retained earnings	<u>88,733,278</u>	<u>3</u>	<u>81,794,948</u>	<u>3</u>
Other equity	<u>7,890,488</u>	<u>-</u>	<u>5,345,027</u>	<u>-</u>
Total equity	<u>242,296,872</u>	<u>8</u>	<u>227,485,604</u>	<u>8</u>
TOTAL	<u>\$3,124,394,955</u>	<u>100</u>	<u>\$2,882,896,886</u>	<u>100</u>

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

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Changes
	Amount	%	Amount	%	(%)
NET INTEREST REVENUE (Notes 4, 32 and 43)					
Interest income	\$43,507,190	74	\$51,391,239	85	(15)
Interest expense	(11,398,019)	(19)	(18,742,159)	(31)	(39)
Total net interest revenue	<u>32,109,171</u>	<u>55</u>	<u>32,649,080</u>	<u>54</u>	<u>(2)</u>
NET REVENUE OTHER THAN INTEREST					
Net service fee revenue (Notes 4, 33 and 43)	16,162,346	28	16,927,133	28	(5)
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 34 and 43)	3,708,743	6	5,398,020	9	(31)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4, 9 and 35)	4,454,671	8	2,094,457	4	113
Loss arising from derecognition of financial assets measured at amortised cost (Notes 4 and 10)	(380,136)	(1)	(38,960)	-	876
Foreign exchange gain (Note 4)	1,122,285	2	1,339,016	2	(16)
Impairment loss on assets (Notes 4, 5 and 36)	(104,932)	-	(15,347)	-	584
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (Notes 4 and 16)	837,469	1	1,158,313	2	(28)
Net other revenue other than interest income (Notes 4 and 43)	<u>759,522</u>	<u>1</u>	<u>602,310</u>	<u>1</u>	<u>26</u>
Total net revenue other than interest	<u>26,559,968</u>	<u>45</u>	<u>27,464,942</u>	<u>46</u>	<u>(3)</u>
NET REVENUE	<u>58,669,139</u>	<u>100</u>	<u>60,114,022</u>	<u>100</u>	<u>(2)</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 13, 14, 15 and 37)	(2,900,505)	(5)	(2,871,227)	(5)	1

(Continued)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Changes
	Amount	%	Amount	%	(%)
TOTAL OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 38 and 43)	(\$15,794,781)	(27)	(\$15,854,940)	(26)	-
Depreciation and amortization expense (Notes 4, 17, 18, 20 and 39)	(3,116,186)	(5)	(2,709,098)	(5)	15
Other general and administrative expense (Notes 4, 40 and 43)	<u>(11,836,000)</u>	<u>(20)</u>	<u>(13,376,104)</u>	<u>(22)</u>	<u>(12)</u>
Total operating expenses	<u>(30,746,967)</u>	<u>(52)</u>	<u>(31,940,142)</u>	<u>(53)</u>	<u>(4)</u>
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	25,021,667	43	25,302,653	42	(1)
INCOME TAX EXPENSE (Notes 4 and 41)	<u>(3,168,000)</u>	<u>(6)</u>	<u>(3,480,000)</u>	<u>(6)</u>	<u>(9)</u>
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	<u>21,853,667</u>	<u>37</u>	<u>21,822,653</u>	<u>36</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX (Notes 4 and 31)					
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax					
Remeasurement of defined benefit plans	(238,096)	-	(433,779)	(1)	(45)
Property revaluation surplus	-	-	217,619	-	(100)
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	450,900	1	3,976,271	7	(89)
Change in fair value of financial liability attributable to change in credit risk of liability	464,755	1	(3,280,741)	(5)	114
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(11,821)	-	6,452	-	(283)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 41)	(39,961)	-	288,371	-	(114)

(Continued)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Changes
	Amount	%	Amount	%	(%)
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	(\$455,306)	(1)	(\$827,484)	(1)	(45)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	203,464	-	332,384	1	(39)
Gains from investments in debt instruments measured at fair value through other comprehensive income	2,568,562	4	3,607,263	6	(29)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 41)	<u>15,104</u>	-	<u>(65,244)</u>	-	<u>123</u>
Other comprehensive income, net of tax	<u>2,957,601</u>	<u>5</u>	<u>3,821,112</u>	<u>7</u>	<u>(23)</u>
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>24,811,268</u>	<u>42</u>	<u>25,643,765</u>	<u>43</u>	<u>(3)</u>
EARNINGS PER SHARE (Note 42)					
Basic	<u>\$2.04</u>		<u>\$2.14</u>		

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

(Concluded)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

						Other Equity						
	Capital Stock		Retained Earnings			Exchange Differences on Translation the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Changes in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Losses on Remeasurements of Defined Benefit Plans	Property Revaluation Surplus	Total	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriate Earnings							
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	\$201,765,546
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 year ended December 31, 2019	-	-	-	-	21,822,653	-	-	-	-	-	-	21,822,653
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(661,988)	7,246,044	(2,624,592)	(346,501)	208,149	3,821,112	3,821,112
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	21,822,653	(661,988)	7,246,044	(2,624,592)	(346,501)	208,149	3,821,112	25,643,765
Issuance of ordinary shares for cash	5,000,000	5,000,000	-	-	-	-	-	-	-	-	-	10,000,000
Recognition of share-based payments granted by the parent company	-	76,293	-	-	-	-	-	-	-	-	-	76,293
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(147,494)	-	147,494	-	-	-	147,494	-
BALANCE AT DECEMBER 31, 2019	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	227,485,604
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 year ended December 31, 2020	-	-	-	-	21,853,667	-	-	-	-	-	-	21,853,667
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(364,244)	3,144,183	371,803	(194,141)	-	2,957,601	2,957,601
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	21,853,667	(364,244)	3,144,183	371,803	(194,141)	-	2,957,601	24,811,268
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	268,915	-	(268,915)	-	-	-	(268,915)	-
Others	-	-	-	(99,325)	242,550	-	-	-	-	(143,225)	(143,225)	-
BALANCE AT DECEMBER 31, 2020	106,985,830	38,687,276	64,526,043	2,084,653	22,122,582	(2,034,967)	12,999,487	(1,478,705)	(1,910,070)	314,743	7,890,488	242,296,872

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

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$25,021,667	\$25,302,653
Adjustments:		
Depreciation expense	2,655,534	2,309,307
Amortization expense	460,652	399,791
Expected credit loss/bad debt expense	2,900,505	2,871,227
Net gains on financial assets and liabilities at fair value through profit or loss	(3,708,743)	(5,398,020)
Interest expense	11,398,019	18,742,159
Net losses arising from derecognition of financial assets measured at amortised cost	380,136	38,960
Interest income	(43,507,190)	(51,391,239)
Dividend income	(992,098)	(994,684)
Compensation costs of share-based payments	-	76,293
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(837,469)	(1,158,313)
Loss on disposal of property and equipment	7,880	13,436
Gains on disposal of investment properties	(6,100)	(18,624)
Gains on disposal of investments	(3,462,573)	(1,099,773)
Impairment loss on financial assets	104,932	15,347
Loss on fair value adjustment of investment property	28,059	84,482
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(7,296,976)	(5,090,593)
Financial assets at fair value through profit or loss	52,458,308	8,731,951
Financial assets at fair value through other comprehensive	(4,700,245)	(104,587,460)
Investments in debt instruments at amortised cost	(57,842,696)	(24,046,488)
Receivables	113,119	(17,645,813)
Discounts and loans	(108,263,427)	43,136,400
Other financial assets	551	366
Other assets	(3,138,536)	(2,197,382)
Deposits from the Central Bank and banks	(7,325,943)	2,980,991
Financial liabilities at fair value through profit or loss	(56,037,247)	(50,289,599)
Notes and bonds issued under repurchase agreement	(33,618,281)	(12,264,170)
Payables	857,744	(2,040,668)
Deposits and remittances	283,351,958	102,448,906
Other financial liabilities	(24,886,993)	(16,291,249)
Provisions	(178,103)	(176,125)
Other liabilities	(543,777)	136,339
Cash generated from (used in) operations	23,392,667	(87,401,592)
Interest received	44,540,932	56,806,700
Dividends received	1,009,877	985,537
Interest paid	(14,218,813)	(21,119,767)
Income tax paid	(4,400,843)	(1,435,806)
Net cash generated from (used in) operating activities	<u>50,323,820</u>	<u>(52,164,928)</u>

(Continued)

CATHAY UNITED BANK CO., LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019****(In Thousands of New Taiwan Dollars)**

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(\$892,149)	(\$1,121,380)
Proceeds from disposal of property and equipment	10,171	9,301
Acquisition of intangible assets	(174,744)	(516,254)
Proceeds from disposal of investment properties	189,100	880,361
Other assets	756,657	8,170,950
Dividends received	<u>512,950</u>	<u>672,316</u>
Net cash generated from investing activities	<u>401,985</u>	<u>8,095,294</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	1,076,000	-
Repayments of financial debentures payable	(100,000)	(1,700,000)
Decrease in financial liabilities designated as at fair value through profit or loss	(11,312,565)	-
Payments of lease liabilities	(1,401,254)	(1,130,463)
Other liabilities	2,105,921	1,843,299
Cash dividends paid	(10,000,000)	(10,000,000)
Share issuance for cash	=	<u>10,000,000</u>
Net cash used in financing activities	<u>(19,631,898)</u>	<u>(987,164)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(285,572)</u>	<u>(134,130)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,808,335	(45,190,928)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>109,736,446</u>	<u>154,927,374</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>140,544,781</u></u>	<u><u>109,736,446</u></u>

(Continued)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	31-Dec	
	2020	2019
RECONCILIATIONS OF CASH AND CASH EQUIVALENTS REPORTED IN THE STATEMENTS OF CASH FLOWS WITH THOSE REPORTED IN THE BALANCE SHEETS AS OF DECEMBER 31, 2020 AND 2019		
Cash and cash equivalents reported in the statement of financial position	\$74,801,339	\$48,515,201
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	47,405,026	51,440,797
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>18,338,416</u>	<u>9,780,448</u>
Cash and cash equivalents at the end of the year	<u>\$140,544,781</u>	<u>\$109,736,446</u>

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

(Concluded)

Appendix VI

Cathay United Bank Co., Ltd.

Affiliation report

2020

Declaration

The 2020 (from January 1 to December 31, 2020) Affiliation Report of the Bank has been prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and there is no material nonconformity between the information disclosed and relevant information disclosed in the notes of the financial statements for the aforementioned period.

Hereby declared by

Company name: Cathay United Bank Co., Ltd.

Chairman: Andrew Ming-Jian Kuo

March 10, 2021

Affiliation Report

Cathay United Bank Co., Ltd.:

We have audited the 2020 financial statements of Cathay United Bank Co., Ltd. in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards, and issued our unqualified opinion on March 10, 2021. The purpose of this audit was to express opinions on the fairness of the financial statement preparation. The attached 2020 affiliation report of Cathay United Bank Co., Ltd. was prepared separately based on “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises,” for which we have obtained the customer’s statement, verified relevant financial information, and undertaken necessary procedures to complete our audit.

In our opinion, the 2020 affiliation report of Cathay United Bank Co., Ltd. has been prepared in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises”; the financial information presented in this report was consistent with the financial statements, and no material amendment was required.

Deloitte & Touche

Certified Public Accountant: Cheng-Hung Kuo

Certified Public Accountant: Hsu-Jan Cheng

March 10, 2021

Summary on the relationship between the affiliated company and the controlling company

Unit: shares

Name of the controlling company	Reasons for control	Share ownership and pledges of the controlling company			Appointment of members of the controlling company as the directors, supervisors, or managers	
		Number of shares held	Ratio of shareholding	Number of shares pledged	Title	Name
Cathay Financial Holding Co., Ltd.	Holds 100% of voting rights-vested shares issued by the company	10,698,582,892	100%	-	Chairman Vice Chairman Managing Director/Independent Director Managing Director Managing Director Independent Director Independent Director Director Director Director Director Director Director Director Director Resident Supervisor Supervisor	Andrew Ming-Jian Kuo Tzung-Han Tsai Tang-Chieh Wu Alan Lee Chung-Yi Teng Feng-Chiang Miao Edward Yung Do Way Tsung-Hsien Tsai Chi-Wei Joong Han-Kuo Chen Chang-Ken Lee Grace Chen Sophia Cheng Jian-Hsing Wu Wei-Hua Chou Yiao-Chiun Lai Chin-Hua Chiu

Note: When the controlling company of the subordinate company is a subordinate company of another company, the other company's relevant information shall also be indicated. When the other company is still a subordinate company of a different other company, the same requirements shall also be applied mutatis mutandis.

Purchase and sales

Unit: NT\$ thousand

Transactions with the controlling company				Terms of transactions with the controlling company		Arms length terms of transaction		Reason of the difference	Accounts and notes receivable (payable)		NPL			Remarks
Purchase (Sale)	Amount	Percentage of total purchase (sale)	Gross profit from sales	Price (NT\$)	Duration of credit	Price (NT\$)	Duration of credit		Balance	Percentage of total accounts and notes receivable (payable)	Amount	Method of processing	Amount of allowance for bad debt	
None														

Note 1: For the condition of advance receipts (payments), it is necessary to describe the reason, contract terms and conditions, amount and general transaction differences in the Remarks field.

Note 2: For the account items listed in the table that are not applicable, such items may be adjusted individually. If there are no applicable account items as listed in the table due to industry characteristics, this table may be exempted from filling.

Property Transactions

Unit: NT\$ thousand

Transaction type (acquisition or disposal)	Name of property	Transaction date or the date when the event occurred	Transaction amount	Delivery or payment terms	Payment and receipt of consideration	Disposal gains (Note 1)	The reasons why transaction counterparties are controlling companies	Previous data transfer (Note 2)				The methods for determining the transactions (Note 3)	The basis for determining the prices	The purpose of acquisition or disposal and the condition of use	Other stipulations
								Owner	Relationship with the company	Transfer date	Amount				
Disposal	A batch of office equipment	2020.8.31	\$ 5,588	Full payment	Normal	\$ 0	Operational requirement	Not applicable	Not applicable	Not applicable	Not applicable	President	Equipment book value	Operational requirement	—

Note 1: Acquisition of property is exempted being stated in the table.

Note 2: (1) For acquisition of property, the original data obtained by the controlling company shall be stated. For disposal of property, the original data obtained by the subordinate company shall be stated.

(2) The field of “Relationship with Company” shall explain the relationship of the owner with the subordinate company and the controlling company.

(3) If the counterparty of the last preceding transfer transaction is a related party, then the information on the last preceding transfer of such related party shall be further indicated in the same field.

Note 3: The determining hierarchy of the transaction shall be explained.

Financing

Unit: NT\$ thousand

Transaction type (lending or borrowing)	Highest balance	Balance at the end of the period	Interest rate range	Total interest in this period	Duration of financing	Reason for financing	Acquiring (provided) collaterals		The methods for determining the transactions (Note 1)	Provision of the allowance for bad debt (Note 2)
							Name	Amount		
None										

Note 1: The determining hierarchy of the transaction shall be explained.

Note 2: For fund borrowing, it is exempted from being stated in the table.

Lease of assets

Unit: NT\$ thousand

Transaction type (rent or lease)	Property t		Lease duration	Nature of the lease (Note 1)	Basis of determining the rent	Method of collection (payment)	Comparison with regular rent levels	Total rent in the period	Payment and receipt in this period	Other stipulations (Note 2)
	Name	Location								
None										

Note 1: It is necessary to explain whether the nature of leasing is capital leasing or operational leasing.

Note 2: If there is other setting of rights, such as superficies, lien right and easement, such setting of rights shall be indicated .

Endorsements

Unit: NT\$ thousand

Highest balance	Balance at the end of the period		Reason for the endorsement	Providing collateral as guarantee			Conditions or dates for releasing the guarantee or recovering the collateral	The amount of contingent loss already recognized in financial statements	Violations of operation regulations codified by the company
	Amount	Percentage of net assets in the financial statement		Name	Quantity	Value			
None									

Other important transactions

Unit: NT\$ thousand

[illegible]

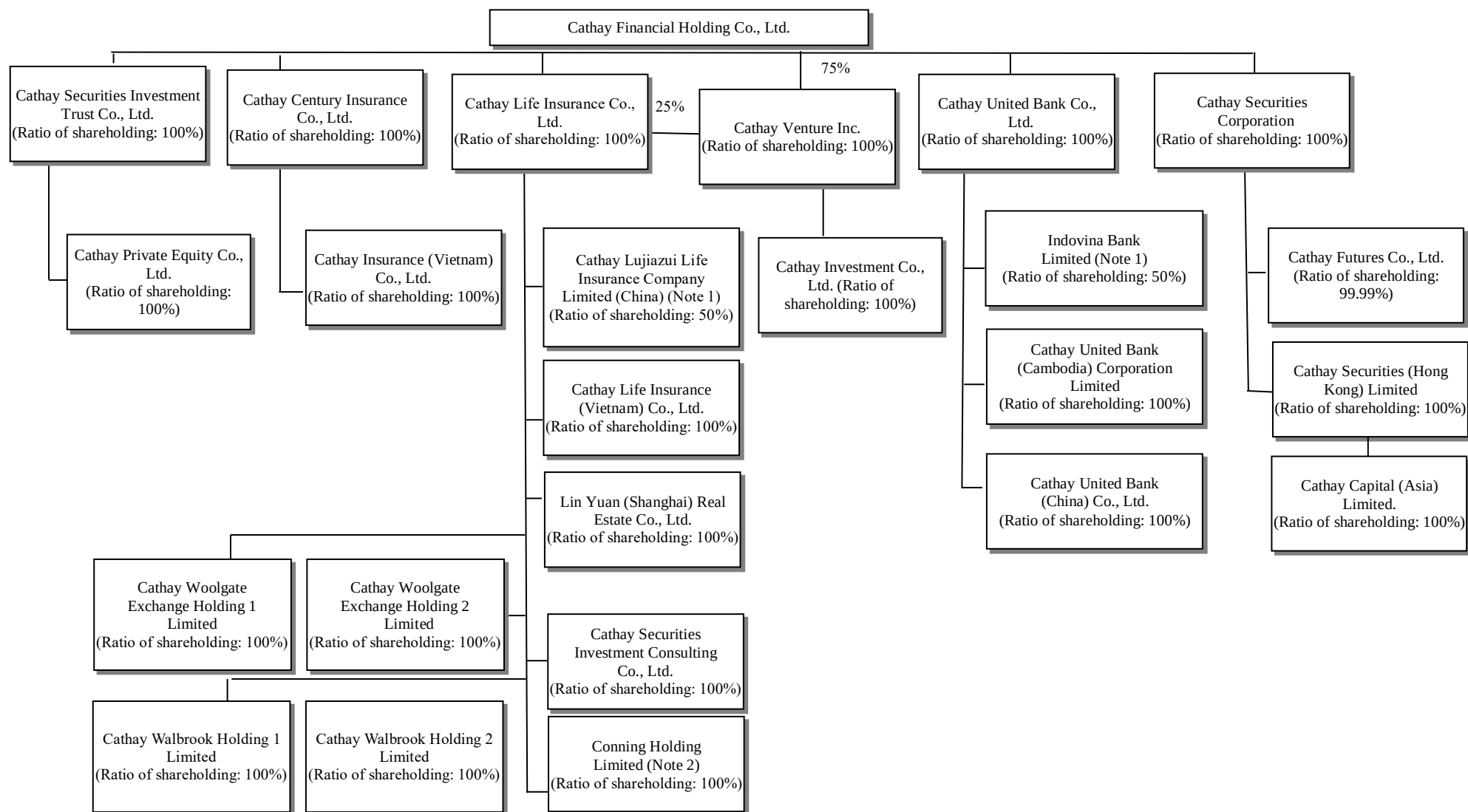
Appendix VII

Cathay United Bank Co., Ltd.

Consolidated business reports

2020

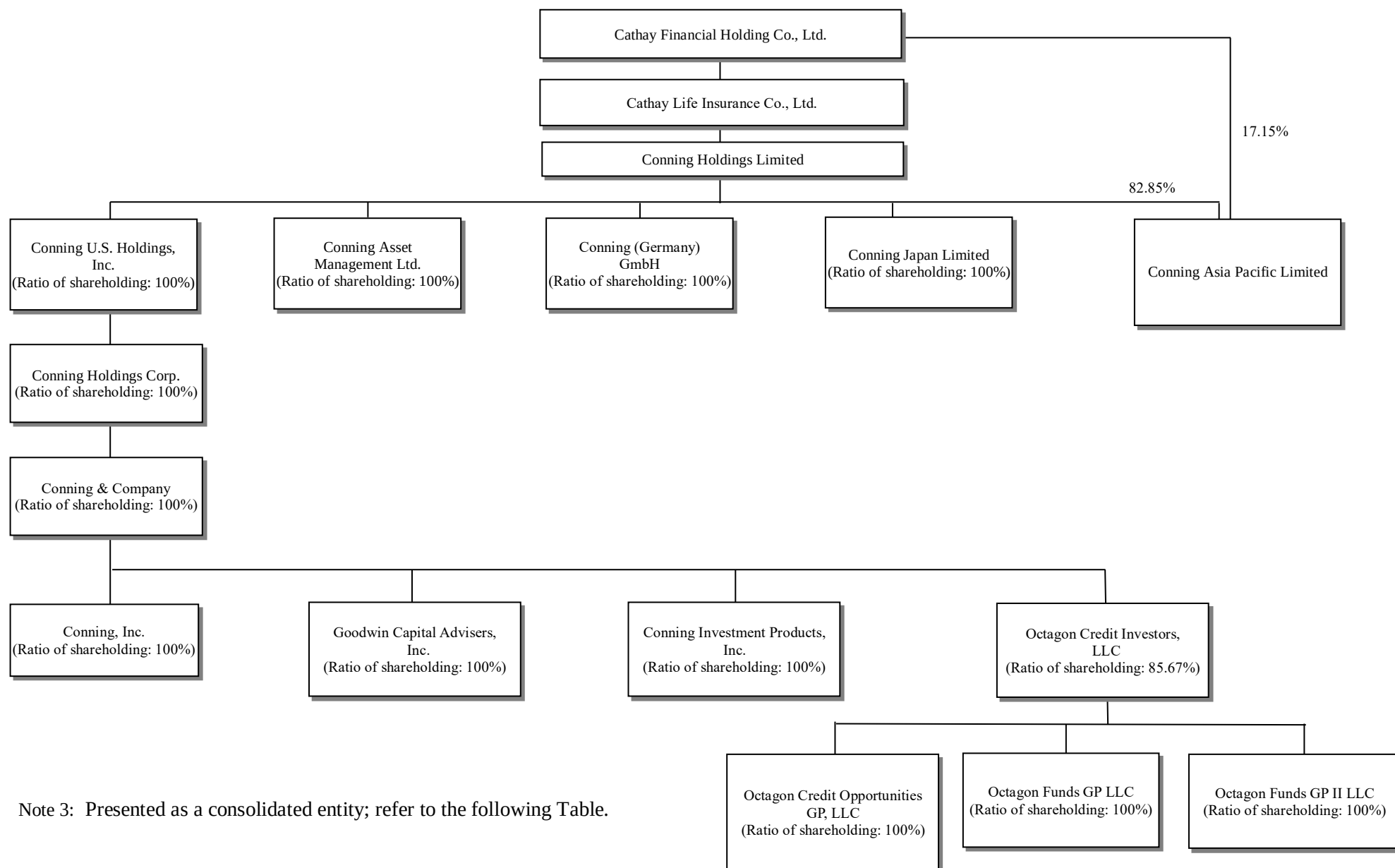
Organizational Chart of Affiliated Companies



Note 1: A subsidiary other than those referred to in Article 4 of the Financial Holding Company Act.

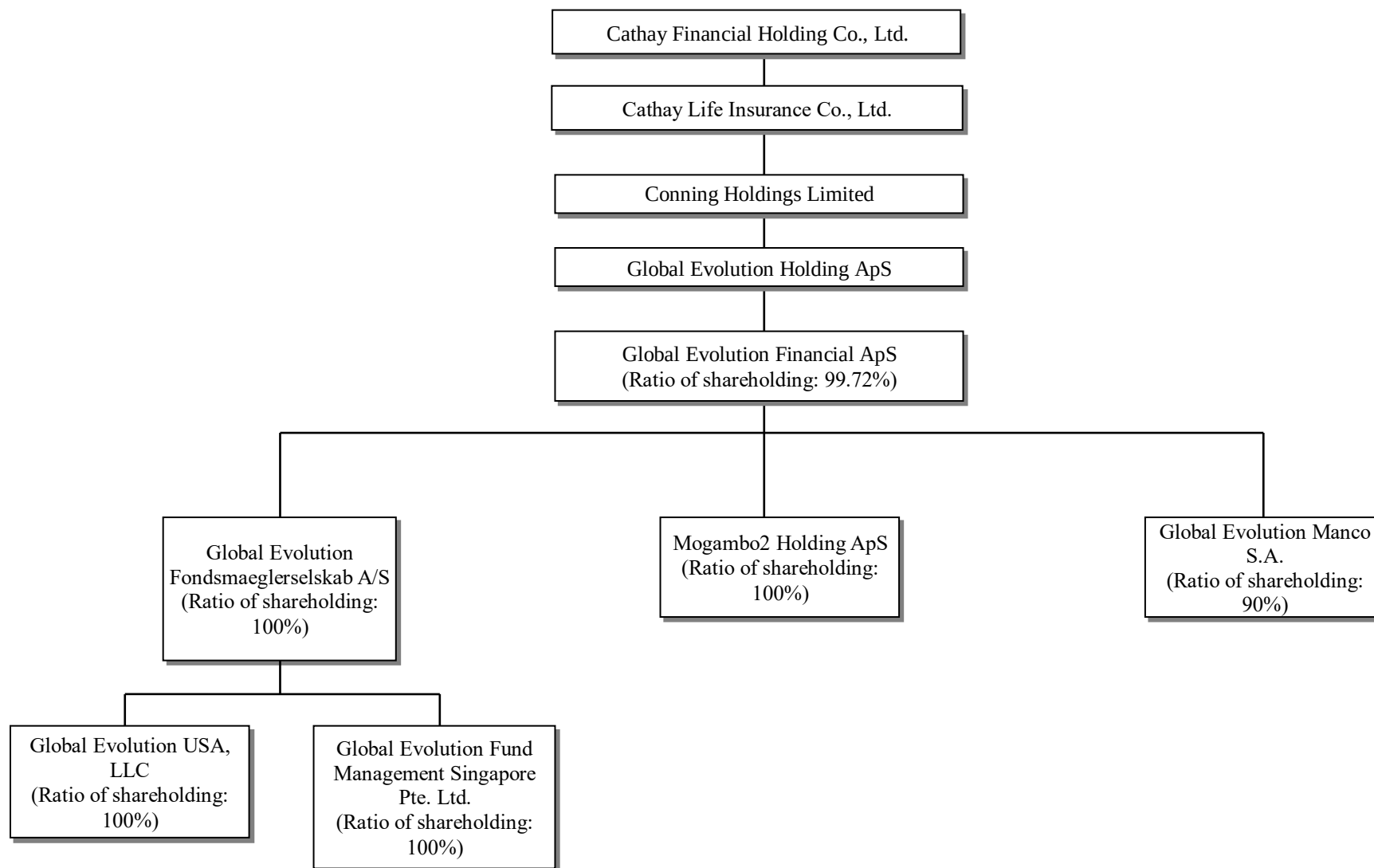
Note 2: Presented as a consolidated entity; refer to the following Table.

Organizational Chart of Affiliated Companies (Continued)



Note 3: Presented as a consolidated entity; refer to the following Table.

Organizational Chart of Affiliated Companies (Continued)



Basic information on affiliates

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Cathay Financial Holding Co., Ltd.	2001.12.31	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	\$147,025,102	Financial Holdings
Cathay Life Insurance Co., Ltd.	1962.10.23	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	58,515,274	Personal Insurance
Cathay United Bank Co., Ltd.	1975.1.4	No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	106,985,830	Commercial Bank
Cathay Century Insurance Co., Ltd.	1993.7.19	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	3,057,052	Property and Casualty Insurance
Cathay Securities Corporation	2004.5.12	19-20F., No. 333 and 6, 10, 18-22F., No. 335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	7,300,000	Securities Business
Cathay Venture Inc.	2003.4.10	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	4,842,362	Venture Capital Business
Cathay Securities Investment Trust Co., Ltd.	2000.2.11	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,500,000	Securities Investment Trust
Cathay Securities Investment Consulting Co., Ltd.	2002.11.25	6F., No. 108, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	300,000	Securities investment consulting
Cathay Lujiazui Life Insurance Company Limited	2004.12.29	19F., Building B, Oriental Financial Plaza, No. 1168, Century Boulevard, Pudong New Area, Shanghai, P.R.C.	13,497,155	Personal Insurance
Lin Yuan (Shanghai) Real Estate Co., Ltd.	2012.8.15	Unit 306, 3F Dining-2 Department, Huadu Building, No. 828-838 Zhangyang Road, Free Economic Pilot Zone, Shanghai City	7,223,435	Leasing of Proprietary Office Space
Cathay Life Insurance (Vietnam) Co., Ltd.	2007.11.21	46-48-50 Pham Hong Thai Street, District 1, Ho Chi Minh City, Vietnam	9,090,730	Personal Insurance
Cathay Woolgate Exchange Holding 1 Limited	2014.7.30	IFC 5, St. Helier, Jersey, JE1 1ST	16,654,013	Management of Real Estate Investment
Cathay Woolgate Exchange Holding 2 Limited	2014.7.30	IFC 5, St. Helier, Jersey, JE1 1ST	168,222	Management of Real Estate Investment
Cathay Walbrook Holding 1 Limited	2015.3.31	IFC 5, St. Helier, Jersey, JE1 1ST	10,189,090	Management of Real Estate Investment
Cathay Walbrook Holding 2 Limited	2015.3.31	IFC 5, St. Helier, Jersey, JE1 1ST	536,268	Management of Real Estate Investment

Basic information on affiliates (Continued)

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Conning Holdings Limited	2015.6.10	24 Monument Street, London, EC3R 8AJ, United Kingdom	\$15,723,539	Holdings Company
Conning U.S. Holdings, Inc.	2015.6.10	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings Company
Conning Asset Management Ltd.	1998.10.16	24 Monument Street, London, EC3R 8AJ, United Kingdom	191,303	Asset Management
Conning (Germany) GmbH	2012.1.10	Augustinerstr. 10, 50667, Cologne, Germany	938	Risk Management Software Business
Conning Asia Pacific Limited	2011.7.6	19/F LHT Tower, 31 Queen's Road Central, Hong Kong	577,686	Asset Management
Conning Japan Limited	2015.9.3	Oak Minami-Azabu Building 2F, 3-19-23 Minami-Azabu, Minato-ku, Tokyo, Japan	-	Asset Management
Global Evolution Holding ApS	2007.5.1	Kokholm 3A, DK-6000 Kolding, Denmark	333,739	Holdings Company
Conning Holdings Corp.	2009.6.5	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings Company
Conning & Company	1986.7.10	One Financial Plaza, Hartford, CT, 06103, USA	4,485	Holdings Company
Conning, Inc.	1982.9.13	One Financial Plaza, Hartford, CT, 06103, USA	329	Asset Management
Goodwin Capital Advisers, Inc.	1930.3.14	One Financial Plaza, Hartford, CT, 06103, USA	172	Asset Management
Conning Investment Products, Inc.	2002.2.13	One Financial Plaza, Hartford, CT, 06103, USA	-	Securities Business
Octagon Credit Investors, LLC	1998.12.29	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Asset Management
Octagon Credit Opportunities GP, LLC	2014.6.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business
Octagon Funds GP LLC	2014.11.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business
Octagon Funds GP II LLC	2016.1.21	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business

Basic information on affiliates (Continued)

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Global Evolution Financial ApS	2019.1.1	Kokholm 3A, DK-6000 Kolding, Denmark	\$ -	Asset Management
Global Evolution Fondsmæglerselskab A/S	2007.6.4	Kokholm 3A, DK-6000 Kolding, Denmark	-	Asset Management
Mogambo2 Holding ApS	2007.5.1	Kokholm 3A, DK-6000 Kolding, Denmark	-	Asset Management
Global Evolution Manco S.A.	2016.8.17	15, Rue d'Epernay, L-1490 Luxemboug, Luxemburg	-	Asset Management
Global Evolution USA, LLC	2012.1.27	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Asset Management
Global Evolution Fund Management Singapore Pte. Ltd.	2019.10.10	6 Battery Road, #30-00, Singapore 0499909	-	Asset Management
Cathay Insurance (Vietnam) Co., Ltd.	2010.11.2	6th floor, 46-48-50 Pham Hong Thai Street, District 1, Ho Chi Minh City, Vietnam	845,585	Property and Casualty Insurance
Indovina Bank Limited	1992.10.29	97A Nguyen Van Troi Street Ward 12, Phu Nhuan Dist., HCMC, Vietnam	6,094,911	Banking
Cathay United Bank (Cambodia) Corporation Limited	1993.7.5	No.68, Samdech Pan Street (St.214), Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia	3,020,769	Banking
Cathay United Bank (China) Co., Ltd.	2018.9.3	8F, No. 1366, Lujiazui Ring Road, Pudong New District, Shanghai (Foxconn Building)	14,377,562	Banking
Cathay Futures Co., Ltd.	1993.12.29	19F., No. 333 and 10F., No. 335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	667,000	Futures business
Cathay Securities (Hong Kong) Limited	2007.3.22	Room 1001, 10F., No. 29 Queen's Road Central (China Building), Central, Hong Kong	1,108,244	Securities Business
Cathay Capital (Asia) Limited.	2020.2.24	Unit B, 17th floor, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong.	3,875	Investment Business
Cathay Investment Co., Ltd.	2019.11.5	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	35,000	Venture Capital Business
Cathay Private Equity Co., Ltd.	2017.11.15	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	100,000	Private equity service

Information on common shareholders assumed to be in a controlling and subordinate relationship

Unit: NT\$ thousand; Share; %

Reason of assumption	Name (Note 1)	Number of shares held (Note 2)		Date of establishment	Address	Paid-in capital	Core Business
		Number of shares	Ratio of shareholding				
None							

Note 1: If the subsidiaries share identical shareholders that are corporations, the preparer should fill in the name of the corporations. If the subsidiaries share identical individual shareholders, the preparer should fill in the name of the individuals. Individual shareholders only need to fill in the reason of assumption, the names, and the number of shares held.

Note 2: The preparer fills in the information on stock ownership on the company that shareholders control in the section on the shares held.

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Financial Holding Co., Ltd.	Chairman	Hong-Tu Tsai	51,553,364	0.35%
	Vice Chairman	Tsu-Pei Chen (Representative of Culture and Charity Foundation of the Cathay United Bank)	6,600,740	0.05%
	Director	Andrew Ming-Jian Kuo (Representative of Culture and Charity Foundation of the Cathay United Bank)	6,600,740	0.05%
	Director	Cheng-Ta Tsai (Representative of Chia Yi Capital Co., Ltd.)	60,241,183	0.41%
	Director	Chi-Wei Joong (Representative of Chia Yi Capital Co., Ltd.)	60,241,183	0.41%
	Director	Cheng-Chiu Tsai (Representative of Chen Sheng Industrial Co., Ltd.)	33,875,134	0.23%
	Director	Tiao-Kuei Huang (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Director	Ming-Ho Hsiung (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Director	Chang-Ken Lee (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Independent Director	Edward Yung Do Way	-	-
	Independent Director	Feng-Chiang Miao	-	-
	Independent Director	Li-Ling Wang	-	-
	Independent Director	Tang-Chieh Wu	-	-
	President	Chang-Ken Lee	151,729	0.001%

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay United Bank Co., Ltd.	Chairman	Andrew Ming-Jian Kuo (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Vice Chairman	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director/ Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director	Alan Lee (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Han-Kuo Chen (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Chi-Wei Joong (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Wei-Hua Chou (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Jian-Hsing Wu (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Independent Director	Edward Yung Do Way (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Resident Supervisor	Yiao-Chiun Lai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Supervisor	Liang-Lin Chien (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	President	Alan Lee	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Life Insurance Co., Ltd.	Chairman	Tiao-Kuei Huang (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Vice Chairman	Ming-Ho Hsiung (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Chung-Yan Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	John Chu (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Shang-Chi Liu (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Chao-Ting Lin (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Independent Director	Li-Ling Wang (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Resident Supervisor	Chih-Ying Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Chih-Ming Lin (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Yung-Chen Li (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Han-Chang Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	President	Shang-Chi Liu	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Century Insurance Co., Ltd.	Chairman	Cheng-Chiu Tsai (Representative of Cathay Financial Holdings)	305,705,194	100%
	Vice Chairman	Jung-Hsien Hsu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Fa-Te Chang (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Tsu-Yao Lu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Chih-Yi Yu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Wan-Hsiang Chen (Representative of Cathay Financial Holdings)	305,705,194	100%
	Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	305,705,194	100%
	Resident Supervisor	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Supervisor	Tso-Hsing Hsu (Representative of Cathay Financial Holdings)	305,705,194	100%
	President	Wan-Hsiang Chen	-	-
Cathay Securities Corporation	Chairman	Shun-Yu Chuang (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Kuan-Cheng Chou (Representative of Cathay Financial Holdings)	730,000,000	100%
	Independent Director	Edward Yung Do Way (Representative of Cathay Financial Holdings)	730,000,000	100%
	Independent Director	Wei-Kang Pan (Representative of Cathay Financial Holdings)	730,000,000	100%
	Supervisor	Wan-Chu Ma (Representative of Cathay Financial Holdings)	730,000,000	100%
	Supervisor	Bo-Sheng Fu (Representative of Cathay Financial Holdings)	730,000,000	100%
	President	Kuan-Cheng Chou	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Venture Inc.	Chairman	Jen-Ho Chang (Representative of Cathay Financial Holdings)	363,177,175	75%
	Director	Sophia Cheng (Representative of Cathay Financial Holdings)	363,177,175	75%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	363,177,175	75%
	Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	363,177,175	75%
	Director	Chuan-Yen Hu (Representative of Cathay Financial Holdings)	363,177,175	75%
	Supervisor	Shun-Yu Chuang	-	-
	President	Chuan-Yen Hu	-	-
Cathay Securities Investment Trust Co., Ltd.	Chairman	Jeff Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Andrew Ming-Jian Kuo (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Linwood (Woody) E. Bradford (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Bo Rolf Anders Kratz (Representative of Cathay Financial Holdings)	150,000,000	100%
	Supervisor	Jui-Hung Hung (Representative of Cathay Financial Holdings)	150,000,000	100%
	President	Yung-Chuan Chang	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Securities Investment Consulting Co., Ltd.	Chairman	David P. Sun (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Bo Rolf Anders Kratz (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Linwood (Woody) E. Bradford (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Su-Chu Li (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Chun-Hung Wu (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Ruo-Lan Huang (Representative of Cathay Life Insurance)	30,000,000	100%
	Supervisor	Wei-Chi Li (Representative of Cathay Life Insurance)	30,000,000	100%
	President	Ruo-Lan Huang	-	-
Cathay Lujiazui Life Insurance Company Limited	Chairman	Tso-Chiang Li (Representative of Shanghai Lujiazui Finance & Trade Zone Development Company Limited)	-	50%
	Director	Yen Wang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Company Limited)	-	50%
	Director	Hsi Hu (Representative of Shanghai Lujiazui Finance & Trade Zone Development Company Limited)	-	50%
	Director	Chin-Shu Lin (Representative of Cathay Life Insurance)	-	50%
	Director	Chun-Hung Wu (Representative of Cathay Life Insurance)	-	50%
	Director	Ming-Hung Liao (Representative of Cathay Life Insurance)	-	50%
	Independent Director	Fang-Shu Chan (Representative of Cathay Life Insurance) (Note)	-	50%
	Independent Director	Chiang-Feng Lin (Representative of Cathay Life Insurance) (Note)	-	50%
	Independent Director	Chung-Chi Chang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.) (Note)	-	50%
	Independent Director	Tao-Yung Lou (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.) (Note)	-	50%
	President	Ming-Hung Liao	-	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Chairman	Wen-Kai Kuo (Representative of Cathay Life Insurance)	-	100%
	Director	Wei-Chi Li (Representative of Cathay Life Insurance)	-	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	-	100%
	Supervisor	Hsu-Feng Cheng (Representative of Cathay Life Insurance)	-	100%
	President	-	-	-

Note: Note: To go in effect once approved by the local authority.

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Life Insurance (Vietnam) Co., Ltd.	Chairman	Chin-Shu Lin (Representative of Cathay Life Insurance)	-	100%
	Director	Chun-Hung Wu (Representative of Cathay Life Insurance)	-	100%
	Director	Hsun-Yu Li (Representative of Cathay Life Insurance)	-	100%
	Supervisor	Fu-Min Wang (Representative of Cathay Life Insurance)	-	100%
	President	Hsun-Yu Li	-	-
Cathay Woolgate Exchange Holding 1 Limited	Executive Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	326,700,000	100%
	Director	Ting-Lun Li (Representative of Cathay Life Insurance)	326,700,000	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	326,700,000	100%
	President	-	-	-
Cathay Woolgate Exchange Holding 2 Limited	Executive Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	3,300,000	100%
	Director	Yi-Hui Chien (Representative of Cathay Life Insurance)	3,300,000	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	3,300,000	100%
	President	-	-	-
Cathay Walbrook Holding 1 Limited	Executive Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	213,750,000	100%
	Director	Hsu-Feng Cheng (Representative of Cathay Life Insurance)	213,750,000	100%
	Director	Ting-Lun Li (Representative of Cathay Life Insurance)	213,750,000	100%
	President	-	-	-
Cathay Walbrook Holding 2 Limited	Executive Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	11,250,000	100%
	Director	Hsu-Feng Cheng (Representative of Cathay Life Insurance)	11,250,000	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	11,250,000	100%
	President	-	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)		Number of shares held	
				Number of shares	Ratio of shareholding
Conning Holdings Limited	Chairman	Linwood (Woody) E. Bradford	(Representative of Cathay Life Insurance)	2,029,287	100%
	Director	David P. Sun	(Representative of Cathay Life Insurance)	2,029,287	100%
	Director	Tzung-Han Tsai	(Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	John Boneparth	(Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	Meryl D. Hartzband	(Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	Ronald P. Joelson	(Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	David P. Marks	(Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	Jason Rotman	(Representative of Cathay Life Insurance)	2,029,287	100%
Conning U.S. Holdings, Inc.	President	-		-	-
	Chairman	Linwood (Woody) E. Bradford	(Representative of Conning Holdings Limited)	218	100%
	Director	Jung W. Lee	(Representative of Conning Holdings Limited)	218	100%
Conning Asset Management Ltd.	President	-		-	-
	Chairman	Linwood (Woody) E. Bradford	(Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Russell Busst	(Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Simon Hawkins	(Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Jung W. Lee	(Representative of Conning Holdings Limited)	3,734,000	100%
	Non-Executive Director	Michael Carpenter	(Representative of Conning Holdings Limited)	3,734,000	100%
	Non-Executive Director	David P. Marks	(Representative of Conning Holdings Limited)	3,734,000	100%
Conning (Germany) GmbH	President	-		-	-
	Chairman	Linwood (Woody) E. Bradford	(Representative of Conning Holdings Limited)	25,100	100%
	Director	Jung W. Lee	(Representative of Conning Holdings Limited)	25,100	100%
	President	-		-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Conning Asia Pacific Limited	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Bo Rolf Anders Kratz (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Siew Mee Yeo (Representative of Conning Holdings Limited)	226,150,417	82.85%
	President	-	-	-
Conning Japan Limited	Director	Bo Rolf Anders Kratz (Representative of Conning Holdings Limited)	1	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	1	100%
	President	-	-	-
Global Evolution Holding ApS	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Limited)	3,696,186	53.129%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	3,696,186	53.129%
	President	-	-	-
Conning Holdings Corp.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning U.S. Holdings, Inc.)	1,000	1,000
	Director	Jung W. Lee (Representative of Conning U.S. Holdings, Inc.)	1,000	1,000
	President	-	-	-
Conning & Company	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Corp.)	1,000	1,000
	Director	Jung W. Lee (Representative of Conning Holdings Corp.)	1,000	1,000
	Director	Michael E. Haylon (Representative of Conning Holdings Corp.)	1,000	1,000
	President	-	-	-
Conning, Inc.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	100	100%
	Director	Jung W. Lee (Representative of Conning & Company)	100	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	100	100%
	President	-	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Goodwin Capital Advisers, Inc.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	628,000	100%
	Director	Jung W. Lee (Representative of Conning & Company)	628,000	100%
	Director	Richard Sega (Representative of Conning & Company)	628,000	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	628,000	100%
	President	-	-	-
Conning Investment Products, Inc.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	1,000	100%
	Director	Jung W. Lee (Representative of Conning & Company)	1,000	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	1,000	100%
	President	-	-	-
Octagon Credit Investors, LLC	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	-	85.67%
	Director	Jung W. Lee (Representative of Conning & Company)	-	85.67%
	Director	Richard Sega (Representative of Conning & Company)	-	85.67%
	Director	Andrew D. Gordon (Representative of Conning & Company)	-	85.67%
	Director	Michael Nechamkin (Representative of Conning & Company)	-	85.67%
	President	-	-	-
Octagon Credit Opportunities GP, LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP II LLC	N/A	Octagon Credit Investors, LLC	-	100%
Global Evolution Financial ApS	N/A	Global Evolution Holding ApS	-	99.72%
Global Evolution Fondsmaeglerselskab A/S	N/A	Global Evolution Financial ApS	-	100%

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Mogambo2 Holding ApS	N/A	Global Evolution Financial ApS	-	100%
Global Evolution Manco S.A.	N/A	Global Evolution Financial ApS	-	90%
Global Evolution USA, LLC	N/A	Global Evolution Fondsmæggerselskab A/S	-	100%
Global Evolution Fund Management Singapore Pte. Ltd.	N/A	Global Evolution Fondsmæggerselskab A/S	-	100%
Cathay Insurance (Vietnam) Co., Ltd.	Chairman	Yi-Min Hu (Representative of Cathay Century Insurance)	-	100%
	Director	Yu-Tang Lin (Representative of Cathay Century Insurance)	-	100%
	Director	Ping-Yao Lin (Representative of Cathay Insurance Co., Ltd.)	-	100%
	President	Yu-Tang Lin	-	-
Indovina Bank Limited	Chairman	Le Duy Hai (Representative of Vietinbank)	-	50%
	Vice Chairman	Ming-Hsien Li (Representative of Cathay United Bank)	-	50%
	Director	Chun-Hao Liu (Representative of Cathay United Bank)	-	50%
	Director	Yi-Fang Chan (Representative of Cathay United Bank)	-	50%
	Director	Tran Thi Hong Anh (Representative of Vietinbank)	-	50%
	Director	Pham Bao Khue (Representative of Vietinbank)	-	50%
	President	Chun-Hao Liu	-	-
Cathay United Bank (Cambodia) Corporation Limited	Chairman	Chung-Yi Teng (Representative of Cathay United Bank)	100,000,000	100%
	Director	David P. Sun (Representative of Cathay United Bank)	100,000,000	100%
	Director	Yi-Fang Chan (Representative of Cathay United Bank)	100,000,000	100%
	Director	Hua-Ben Miao (Representative of Cathay United Bank)	100,000,000	100%
	Director	Hsiu-Chu Chuang (Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Wu-Shui Cheng (Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Chang-Chuan Hsia (Representative of Cathay United Bank)	100,000,000	100%
	President	Hsiu-Chu Chuang	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay United Bank (China) Co., Ltd.	Chairman	Andrew Ming-Jian Kuo (Representative of Cathay United Bank)	-	100%
	Director	Alan Lee (Representative of Cathay United Bank)	-	100%
	Director	Chung-Yi Teng (Representative of Cathay United Bank)	-	100%
	Director	Kai Yuen Kan (Representative of Cathay United Bank)	-	100%
	Director	Francis Peng (Representative of Cathay United Bank)	-	100%
	Independent Director	Wu-Shui Cheng (Representative of Cathay United Bank)	-	100%
	Independent Director	Ching-Cheng Hua (Representative of Cathay United Bank)	-	100%
	Supervisor	Wei-Hua Chou (Representative of Cathay United Bank)	-	100%
	President	Francis Peng	-	-
Cathay Futures Co., Ltd.	Chairman	Kuan-Cheng Chou (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Ju-Ping Chiu (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Chuang-Hao Lo (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Chao-Kuei Kuo (Representative of Cathay Securities)	66,693,748	99.99%
	Supervisor	Yu-Mei Lee	-	-
	President	Chuang-Hao Lo	-	-
Cathay Securities (Hong Kong) Limited	Director / President	Shun-Yu Yang (Representative of Cathay Securities)	-	100%
	Director	Wan-Chin Chen (Representative of Cathay Securities)	-	100%
	Director	Hsing-Chien Chao (Representative of Cathay Securities)	-	100%
	President	-	-	-
Cathay Capital (Asia) Limited.	Director / President	Shun-Yu Yang (Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	Director	Chu-Wang Wu (Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	Director	Chi-Wu Chen (Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	President	-	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Investment Co., Ltd.	Chairman	Jen-Ho Chang (Representative of Cathay Venture)	3,500,000	100%
	Director	Kuan-Cheng Chou (Representative of Cathay Venture)	3,500,000	100%
	Director	Po-Sheng Fu (Representative of Cathay Venture)	3,500,000	100%
	Director	Kuang-Tzu Wang (Representative of Cathay Venture)	3,500,000	100%
	Director	Cheng-Huan Tuan (Representative of Cathay Venture)	3,500,000	100%
	Supervisor	Chang-Hui Hung (Representative of Cathay Venture)	3,500,000	100%
	President	Kuang-Tzu Wang	-	-
Cathay Private Equity Co., Ltd.	Chairman	Jeff Chang (Representative of Cathay Securities Investment Trust)	10,000,000	100%
	Director	Andrew Ming-Jian Kuo (Representative of Cathay Securities Investment Trust)	10,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Securities Investment Trust)	10,000,000	100%
	Director	Chuan-Yen Hu (Representative of Cathay Securities Investment Trust)	10,000,000	100%
	Director	Hui-Chun Wu (Representative of Cathay Securities Investment Trust)	10,000,000	100%
	Supervisor	Kou-Chung Huang (Representative of Cathay Securities Investment Trust)	10,000,000	100%
	President	Jeff Chang	-	-

Operating overview of affiliated corporations

Unit: NT\$ thousand

Corporate name	Location	Capital	Total assets	Total Liabilities	Net worth	Operating revenues	Operating Profit (loss) / Net income (loss)	Current pre-tax (loss) profit	Income tax (expense) benefit	Current net (loss) profit	Earnings Per Share (NTD)
Cathay Financial Holding Co., Ltd.	Taiwan	\$ 147,025,102	\$ 1,003,303,225	\$ 110,242,009	\$ 893,061,216	Note 1	\$ 78,756,407	\$ 77,117,686	(\$ 2,538,226)	\$ 74,579,460	
Cathay Life Insurance Co., Ltd.	Taiwan	58,515,274	7,604,328,474	6,890,601,110	713,727,364	906,260,419	48,368,007	49,950,622	1,793,972	51,744,594	
Cathay United Bank Co., Ltd.	Taiwan	106,985,830	3,124,394,955	2,882,098,083	242,296,872	Note 1	58,669,139	25,021,667	(3,168,000)	21,853,667	
Cathay Century Insurance Co., Ltd.	Taiwan	3,057,052	43,878,548	30,748,722	13,129,826	20,406,319	2,545,831	2,550,277	(376,333)	2,173,944	
Cathay Securities Corporation	Taiwan	7,300,000	47,513,736	36,143,794	11,369,942	5,397,349	1,655,688	1,728,555	(261,176)	1,467,379	
Cathay Venture Inc.	Taiwan	4,842,362	6,033,380	44,780	5,988,600	433,436	383,553	382,500	(5,425)	377,075	
Cathay Securities Investment Trust Co., Ltd.	Taiwan	1,500,000	3,749,923	825,762	2,924,161	2,873,737	1,085,722	1,075,733	(218,431)	857,302	
Cathay Securities Investment Consulting Co., Ltd.	Taiwan	300,000	807,797	170,319	637,478	731,116	273,162	268,806	(53,761)	215,045	
Cathay Lujiazui Life Insurance Company Limited	China	13,497,155	58,549,117	46,516,828	12,032,289	16,810,496	1,725,660	1,726,939	(237,354)	1,489,585	
Lin Yuan (Shanghai) Real Estate Co., Ltd.	China	7,223,435	8,582,774	616,390	7,966,384	278,814	227,089	227,089	(65,676)	161,413	
Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	9,090,730	18,052,708	7,071,171	10,981,537	3,119,731	(1,140,849)	(1,135,031)	(815)	(1,135,846)	
Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	16,654,013	13,430,575	58,881	13,371,694	(277,275)	(283,015)	(283,015)	(62,205)	(345,220)	
Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	168,222	133,880	681	133,199	(2,823)	(4,154)	(4,154)	(450)	(4,604)	
Cathay Walbrook Holding 1 Limited	Jersey Island	10,189,090	21,791,237	12,923,194	8,868,043	407,658	(24,591)	(24,591)	(2,039)	(26,630)	
Cathay Walbrook Holding 2 Limited	Jersey Island	536,268	1,141,910	679,860	462,050	21,439	(2,872)	(2,872)	48	(2,824)	
Conning Holdings Limited (Note 2)	UK	15,723,539	24,004,482	9,888,411	14,116,071	10,260,771	3,116,215	3,115,118	(264,459)	2,850,659	
Conning U.S. Holdings, Inc.	USA	-	16,131,664	5,952,424	10,179,240	7,183,006	1,209,529	1,209,529	(224,890)	984,639	
Conning Asset Management Ltd.	UK	191,303	403,111	160,562	242,549	264,920	33,811	33,811	(6,184)	27,627	
Conning (Germany) GmbH	Germany	938	55,114	29,597	25,517	14,192	3,742	3,742	(1,218)	2,524	
Conning Asia Pacific Limited	Hong Kong	577,686	435,491	116,955	318,536	477,482	96,465	96,465	-	96,465	
Conning Japan Limited	Japan	-	12	-	12	-	-	-	-	-	
Global Evolution Holding ApS	Denmark	333,739	1,170,522	682,935	487,587	708,830	228,580	228,580	(65,935)	162,645	
Conning Holdings Corp.	USA	-	10,885,268	3,778,675	7,106,593	7,183,006	1,319,032	1,319,032	(264,183)	1,054,849	
Conning & Company	USA	4,485	10,156,192	3,795,484	6,360,708	7,180,660	1,320,953	1,320,953	(250,125)	1,070,828	
Conning, Inc.	USA	329	2,490,978	1,333,706	1,157,272	3,669,690	301,476	301,476	(73,490)	227,986	
Goodwin Capital Advisers, Inc.	USA	172	110,707	9,612	101,095	79,844	36,818	36,818	(7,720)	29,098	
Conning Investment Products, Inc.	USA	-	19,805	1,726	18,079	10,988	(6,767)	(6,767)	877	(5,890)	
Octagon Credit Investors, LLC	USA	-	3,086,119	1,122,287	1,963,832	3,420,138	1,230,166	1,230,166	(30,153)	1,200,013	

Operating overview of affiliated corporations

Unit: NT\$ thousand

Corporate name	Location	Capital	Total assets	Total Liabilities	Net worth	Operating revenues	Operating Profit (loss) / Net income (loss)	Current pre-tax (loss) profit	Income tax (expense) benefit	Current net (loss) profit	Earnings Per Share (NTD)
Octagon Credit Opportunities GP, LLC	USA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Octagon Funds GP LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP II LLC	USA	-	-	-	-	-	-	-	-	-	-
Global Evolution Financial ApS	Denmark	-	-	-	-	-	-	-	-	-	-
Global Evolution Fondsmæglerselskab A/S	Denmark	-	-	-	-	-	-	-	-	-	-
Mogambo2 Holding ApS	Denmark	-	-	-	-	-	-	-	-	-	-
Global Evolution Manco S.A.	Luxembourg	-	-	-	-	-	-	-	-	-	-
Global Evolution USA, LLC	USA	-	-	-	-	-	-	-	-	-	-
Global Evolution Fund Management Singapore Pte. Ltd.	Singapore	-	-	-	-	-	-	-	-	-	-
Cathay Insurance (Vietnam) Co., Ltd.	Vietnam	845,585	1,030,335	419,834	610,501	338,418	33,281	34,221	(8,179)	26,042	-
Indovina Bank Limited	Vietnam	6,094,911	67,319,841	58,602,343	8,717,498	Note 1	2,289,821	1,159,877	(244,603)	915,274	-
Cathay United Bank (Cambodia) Corporation Limited	Cambodia	3,020,769	11,024,162	8,091,246	2,932,916	Note 1	577,456	99,897	(11,419)	88,478	0.88
Cathay United Bank (China) Co., Ltd.	China	14,377,562	65,170,894	48,929,188	16,241,706	Note 1	1,084,636	265,239	(87,660)	177,579	-
Cathay Futures Co., Ltd.	Taiwan	667,000	16,915,042	15,351,737	1,563,305	369,175	(8,010)	77,722	(15,320)	62,402	0.94
Cathay Securities (Hong Kong) Limited	Hong Kong	1,108,244	4,689,595	4,095,733	593,862	115,971	(25,148)	(23,181)	-	(23,181)	-
Cathay Capital (Asia) Limited.	Hong Kong	3,875	3,436	182	3,254	(5)	(444)	(439)	-	(439)	-
Cathay Investment Co., Ltd.	Taiwan	35,000	35,314	782	34,532	97	(546)	(557)	131	(426)	(0.12)
Cathay Private Equity Co., Ltd.	Taiwan	100,000	81,700	4,294	77,406	10,061	(12,434)	(12,529)	2,379	(10,150)	(1.31)

Note 1: Due to revisions in Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and Regulations Governing the Preparation of Financial Reports by Public Banks, the financial statements of such companies do not include items such as operating revenue and operating income. Therefore, the company only discloses net income.

Note 2: Conning Holdings Limited is presented on a consolidated basis.

Brief descriptions of the operations of affiliated corporations

I. Businesses activities covered by affiliated companies

- (1) Cathay Financial Holding Co., Ltd.: Financial holding.
- (2) Cathay Life Insurance Co., Ltd.: Life insurance.
- (3) Cathay United Bank Co., Ltd.: Commercial Bank
- (4) Cathay Century Insurance Co., Ltd.: Property and Casualty Insurance
- (5) Cathay Securities Corporation: Securities Business
- (6) Cathay Venture Inc.: Venture Capital Business
- (7) Cathay Securities Investment Trust Co., Ltd.: Securities Investment Trust Business
- (8) Cathay Securities Investment Consulting Co., Ltd.: Securities Investment Consulting Services
- (9) Cathay Lujiazui Life Insurance Company Limited: Personal Insurance
- (10) Lin Yuan (Shanghai) Real Estate Co., Ltd.: Leasing of Proprietary Office Space
- (11) Cathay Life Insurance (Vietnam) Co., Ltd.: Personal Insurance
- (12) Cathay Woolgate Exchange Holding 1 Limited: Management of Real Estate Investment
- (13) Cathay Woolgate Exchange Holding 2 Limited: Management of Real Estate Investment
- (14) Cathay Walbrook Holding 1 Limited: Management of Real Estate Investment
- (15) Cathay Walbrook Holding 2 Limited: Management of Real Estate Investment
- (16) Conning Holdings Limited: Holdings Company
- (17) Conning U.S. Holdings, Inc.: Holdings Company
- (18) Conning Asset Management Ltd.: Asset Management Business
- (19) Conning (Germany) GmbH : Risk Management Software Business
- (20) Conning Asia Pacific Limited : Asset Management Business
- (21) Conning Japan Limited : Asset Management Business
- (22) Global Evolution Holding ApS: Holdings Company
- (23) Conning Holdings Corp.: Holdings Company
- (24) Conning & Company: Holdings Company
- (25) Conning, Inc.: Asset Management Business
- (26) Goodwin Capital Advisers, Inc.: Asset Management Business
- (27) Conning Investment Products, Inc.: Securities Business
- (28) Octagon Credit Investors, LLC : Asset Management Business
- (29) Octagon Credit Opportunities GP, LLC: Fund Management Business
- (30) Octagon Funds GP LLC: Fund Management Business
- (31) Octagon Funds GP II LLC: Fund Management Business

- (32) Global Evolution Financial ApS: Asset Management Business
- (33) Global Evolution Fondsmæglerselskab A/S: Asset Management Business
- (34) Mogambo2 Holding ApS: Asset Management Business
- (35) Global Evolution Manco S.A.: Asset Management Business
- (36) Global Evolution USA, LLC: Asset Management Business
- (37) Global Evolution Fund Management Singapore Pte. Ltd.: Asset Management Business
- (38) Cathay Insurance (Vietnam) Co., Ltd.: Property and Casualty Insurance
- (39) Indovina Bank Limited: Banking.
- (40) Cathay United Bank (Cambodia) Corporation Limited: Banking.
- (41) Cathay United Bank (China) Co., Ltd.: Banking
- (42) Cathay Futures Co., Ltd.: Futures
- (43) Cathay Securities (Hong Kong) Limited: Securities.
- (44) Cathay Capital (Asia) Limited.: Investment Business
- (45) Cathay Investment Co.: Venture Capital Business
- (46) Cathay Private Equity Co., Ltd.: Private Equity Service

II. Job specialization with affiliated enterprises:

(I) Coordinated business promotion

To improve competitiveness and operational synergy, our Company consolidated diverse financial institutions, including the bank, the insurance Company, and the securities firm, to create an operation platform with comprehensive product lines. By having 635 business locations throughout Taiwan and nearly 30,000 well-trained sales staff, the Company develops comprehensive financial management and provides one-stop shopping service for customers.

(II) Shared use of information

To provide comprehensive financial products and services to customers, our Company has stipulated “Regulations Governing Management of Joint Marketing Among Subsidiaries of Cathay Financial Holdings,” “Joint Marketing Agreement Among Subsidiaries of Cathay Financial Holdings,” “Business and Customer Information Confidentiality Agreement Among Subsidiaries of Cathay Financial Holdings,” “Joint Statement of Confidentiality Measures Among Subsidiaries of Cathay Financial Holdings,” “Regulations Governing Surveillance on Marketing of Subsidiaries by Marketing and Planning Department of Cathay Financial Holdings,” and “Regulations Governing Data Storage Management of Cathay Financial Holdings” pursuant to “Financial Holding Company Act,” “Personal Information Protection Act,” “Regulations Governing Management of Joint Marketing Among Subsidiaries of a Financial Holding Company,” “Rules on Self-regulation for Financial Holding Companies and Their Subsidiaries,” and other applicable letters and orders by FSC. Our Company also provides exit mechanism

for customers, striving to use customer information from one another and provide comprehensive financial products and services in an environment that is as lawful, secure, and confidential as possible.

(III) Shared use of business equipment or premise

The group continues to expand joint marketing within the scope approved by law in order to provide the ultimate one-stop financial service experience.

1. Cathay United Bank has 165 branches involved in the joint marketing of securities. Following deregulation a few years back, Cathay United Bank began providing insurance agency services on April 29, 2016, and has since been coordinating its 165 branches nationwide for the sale of life insurance and non-life insurance products.
2. Similarly, Cathay Life began joint marketing of banking and non-life insurance services through its 65 service centers.
3. Meanwhile, Cathay Securities has set up joint marketing offices at 32 branches of Cathay Life including Zhong Xiao Branch. By sharing business premises and equipment among subsidiaries, the group has made it convenient for customers to open up securities accounts.

(IV) Method and amount of allocation for revenue, cost, expense and profit/loss

Revenues, costs, expenses and profits/losses relating to business activities jointly performed between the Company and subsidiaries are allocated to the respective companies according to the nature of business activities using direct attribution or other reasonable method.

Cathay United Bank Co., Ltd.

Chairman Andrew Ming-Jian Kuo

No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Tel: (02) 8722-6666