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Stock code: 5835



Cathay United Bank

2019 Annual Report

Dated: April 21, 2020

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

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

Content

ONE.	LETTER TO SHAREHOLDERS	1
	I. FOREWORD.....	1
	II. 2019 BUSINESS REPORT	3
	III. SUMMARY OF THE 2020 BUSINESS PLAN	9
	IV. FUTURE STRATEGIES.....	13
	V. IMPACTS OF THE COMPETITIVE ENVIRONMENT, REGULATORY ENVIRONMENT, AND OVERALL BUSINESS ENVIRONMENT	17
	VI. CREDIT RATING.....	19
TWO.	BANK PROFILE.....	20
	I. DATE OF ESTABLISHMENT	20
	II. BANK HISTORY	20
THREE.	CORPORATE GOVERNANCE REPORT	22
	I. ORGANIZATION: ORGANIZATION AND RESPONSIBILITIES OF MAIN DEPARTMENTS.....	22
	II. BACKGROUND INFORMATION OF DIRECTORS, SUPERVISORS, THE PRESIDENT, EXECUTIVE VICE PRESIDENTS, SENIOR VICE PRESIDENTS, HEADS OF DEPARTMENTS AND BRANCHES AND CONSULTANTS:	24
	III. COMPENSATION PAID TO NON-INDEPENDENT DIRECTORS, INDEPENDENT DIRECTORS, SUPERVISORS, PRESIDENT, VICE PRESIDENTS AND CONSULTANTS, AND ALLOCATION OF EMPLOYEE REMUNERATION	49
	IV. IMPLEMENTATION OF CORPORATE GOVERNANCE:	56
	V. PROFESSIONAL FEES TO THE INDEPENDENT AUDITOR:	109
	VI. INFORMATION ABOUT REPLACEMENT OF CPAS :	110
	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:	110
	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.	110
	IX. RELATIONSHIPS CHARACTERIZED AS SPOUSE OR SECOND-DEGREE RELATIVE OR CLOSER AMONG TOP-TEN SHAREHOLDERS.	111
	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.....	112
FOUR.	CAPITAL OVERVIEW	114
	I. CAPITAL AND SHARES:	114
	II. ISSUANCE OF BANK DEBENTURES:	119
	III. ISSUANCE OF PREFERRED SHARES:	123
	IV. GLOBAL DEPOSITORY RECEIPTS:	123
	V. DISCLOSURE RELATING TO EMPLOYEE WARRANTS AND RESTRICTED EMPLOYEE SHARES: ..	123
	VI. MERGER OR ACQUISITION OF OTHER FINANCIAL INSTITUTION:	123
	VII. IMPLEMENTATION OF THE CAPITAL UTILIZATION PLANS:	123
FIVE.	OVERVIEW OF OPERATIONS	125
	I. THE CONTENT OF BUSINESS:	125
	II. EMPLOYEE BACKGROUND, PROFESSIONAL CERTIFICATION AND EDUCATION IN THE LAST TWO YEARS:.....	149
	III. CORPORATE RESPONSIBILITY AND MORAL CONDUCT	150
	IV. NO. OF FULL-TIME NON-MANAGERIAL EMPLOYEES, MEAN AND MEDIAN SALARY OF FULL-TIME NON-MANAGERIAL EMPLOYEE, AND DIFFERENCES FROM THE PREVIOUS YEAR	153

V.	INFORMATION SYSTEM	153
VI.	INDUSTRIAL RELATIONS	156
VII.	IMPORTANT CONTRACTS AND COMMITMENTS	158
VIII.	SECURITIZED COMMODITIES APPROVED UNDER FINANCIAL ASSET SECURITIZATION ACT OR CLAUSES OF THE REAL ESTATE SECURITIZATION ACT IN THE LAST YEAR.	160
SIX.	FINANCIAL STATUS	161
I.	SUMMARY BALANCE SHEET AND STATEMENT OF COMPREHENSIVE INCOME FOR THE LAST 5 YEARS	161
II.	FINANCIAL ANALYSIS FOR THE MOST RECENT FIVE YEARS	167
III.	SUPERVISORS' REVIEW REPORT	171
IV.	LATEST FINANCIAL STATEMENTS.....	173
V.	LATEST AUDITED STANDALONE FINANCIAL STATEMENTS OF THE BANK.....	173
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:.....	173
SEVEN.	REVIEW OF FINANCIAL POSITION, BUSINESS PERFORMANCE AND RISK ISSUES	174
I.	ANALYSIS OF FINANCIAL STATUS	174
II.	ANALYSIS OF FINANCIAL PERFORMANCE	174
III.	CASH FLOWS	175
IV.	MAJOR CAPITAL EXPENDITURES IN THE MOST RECENT YEAR	175
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.....	175
VI.	RISK MANAGEMENT.....	176
VII.	SPECIAL EVENT MANAGEMENT.....	204
VIII.	OTHER MAJOR EVENTS	210
EIGHT.	SPECIAL ITEMS	211
I.	INFORMATION ON AFFILIATES.....	211
II.	PRIVATE PLACEMENT OF SECURITIES AND BANK DEBENTURES DURING THE LAST YEAR UP TILL THE PUBLICATION DATE OF ANNUAL REPORT.....	211
III.	HOLDING OR DISPOSAL OF THE BANK'S SHARES BY SUBSIDIARIES IN THE LAST YEAR, UP TILL THE PUBLICATION DATE OF THIS ANNUAL REPORT	213
IV.	OTHER IMPORTANT SUPPLEMENTARY INFORMATION.	213
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.....	213
Appendix I:	ADDRESS AND CONTACT NUMBER OF HEAD OFFICE AND GLOBAL BRANCHES.....	214
Appendix II:	SIGNIFICANT RESOLUTIONS MADE IN SHAREHOLDER MEETINGS AND BOARD OF DIRECTORS MEETINGS.....	226
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	234
Appendix IV:	2019 CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ...	242
Appendix V:	2019 FINANCIAL STATEMENTS	370
Appendix VI:	AFFILIATION REPORT	382
Appendix VII:	CONSOLIDATED BUSINESS REPORTS	392

One. Letter to Shareholders

I. Foreword

Dear Shareholders:

The growth of the global economy stagnated throughout 2019 due to reduced manufacturing activities, but expansionary monetary policies and interest rate cuts undertaken by key central banks combined with phase 1 China-USA trade settlement provided a boost of market sentiment that pushed equity markets to new highs. At the end of the year, Taiwan still managed to post strong growth figures as it benefited from the supply chain shift and back flow of capital, leading to higher corporate investments. However, given that global equity markets are at a relatively high level and the uncertainties associated with phase 2 of the trade war, the ongoing pandemic, slowdown of China's growth and the U.S. election, there are many variables that will affect global trade and investment, and Taiwan's growth prospect, in 2020.

Despite the increasingly volatile economy and market competition worldwide, the Bank was still able to deliver strong earnings performance due to its extensive industry performance and the support of a highly efficient team. The Bank also won several major awards during the year, including: [Global Finance] - The Best Banks In Taiwan, [The Asset] - Best Service Provider-E-Solutions Partner, Structured Products House of the Year - Taiwan, The Taiwan Project Finance House of the Year, [The Asian Banker] - Best Digital Transformation Initiative, Application or Programme in Taiwan 2019, Transaction Awards 2019 - Best Trade Finance Bank in Taiwan, The 6th Ministry of Economic Affairs R.O.C. National Industrial Innovation Award - Team Category - Innovative Team Leader, and Financial Supervisory Commission Fair Customer Treatment Evaluation - Financial Industry - 1st Place. It is evident that financial products and services offered by the Bank have been well-perceived by experts local and abroad.

The Bank has a total of 165 branches deployed throughout Taiwan. With respect to key overseas markets, the Bank currently operates 2 wholly owned subsidiaries, 1 joint venture bank, 6 branches and 5 representative offices in total. As Cathay United Bank (China) Ltd. converted into a full-fledged subsidiary, the establishment will be working closely with the Bank's Hong Kong Branch to grow cross-border services and develop new variety of RMB-denominated financial

products. As for the Southeast Asian market, the Bank has already established presence in 9 of the 10 ASEAN countries, making it the Taiwanese bank with the broadest service coverage in Southeast Asia. Through expansion of service network, integration of group resources and working with local strategic partners, the Bank aims to create a one-stop financial service platform to the benefit of more corporate customers, and take progressive steps toward becoming “Asia's leading bank.”

In terms of innovation, the Bank adopts new financial technologies and data analyses and has fast and convenient digital service channels available to expand the scope and value of services provided. Loan, credit card and insurance products have been re-designed to accommodate the above, and the content of digital tools and services is constantly improved to deliver optimal customer experience and enhance the breadth and depth of customer relations.

After becoming the first bank in Taiwan to sign a commitment to the Equator Principles, Cathay United Bank followed up with a voluntary announcement to comply with UNEP FI “Principles for Responsible Banking” and has since been leading financial peers in social/environmental awareness and green banking transformation. Actions such as: project financing for local and foreign solar power industries, establishment of solar-powered branch, financing of Taiwan's first offshore wind power development etc., have all been taken to fulfill our social responsibilities as a financial institution. We envision ourselves of becoming the market's leading brand in green banking, and shall continue to enforce our corporate sustainability efforts and take progressive steps toward achieving “sustainable environmental, social and economic developments.”

The Bank perceives talent as the cornerstone to future growth, and has committed efforts into creating a complete talent bank and training programs, for which it was awarded People Development Awards of Taiwan Corporate Sustainability Awards. In the future, the Bank will continue integrating resources throughout the financial group to build a stronger organization, and actively expand business in size and scope under rigorous risk control and strict compliance with local as well as foreign laws to fulfill its long-term vision.

II. 2019 business report

The Bank had been able to maintain growth across all main business activities in 2019; key accomplishments are as follows:

(I) Consumer banking service

The Bank continues to improve fundamental services to customers, and has invested extensively to connect physical and digital channels to deliver the ultimate one-stop shopping experience of financial services.

1. Deposit balance amounted to NT\$2,310.7 billion at the end of 2019, up 4.8% compared to 2018; 66.4% of the NTD deposit balance were demand deposits.
2. At the end of December 2019, outstanding balance across mortgage products (including: home equity loan) totaled NT\$699 billion, down NT\$25.9 billion or 3.57% from the end of 2018. Balance of personal loan products amounted to NT\$87.3 billion, up NT\$16 billion or 22.44% from the end of 2018.

(II) Financial payment service

1. Transaction acquisition: The Bank has been making pro-active investments to achieve inclusive financing in recent years. Not only was PXMart added to the Bank's ATM network this year (after Familymart and 7-11), the Bank also issued new co-branded cards for collection and payment over Shopee, increasing the total number of partnered merchants to 62,836 by December 2019, ranking 4th in terms of transaction acquisition service.
2. New payment: The Bank cooperated with PXMart, Taiwan's leading supermarket chain, for the introduction of "PX PAY" in 2019, and the service accumulated one million and growing users in less than 3 months, and attracted participation from retail chain partners including Breeze, Global Mall, Hi-Life, Starbucks Coffee and CAMA Cafe. In the meantime, the Bank continues to cooperate with Uni-President Group for OPEN wallet, Familymart for My FamiPay and Watsons for Watsons Pay in order to provide customers with the broadest selection of mobile payment tools.

(III) Credit card service

1. Total outstanding cards exceeded 6.73 million at the end of December 2019 while number of active cards reached 4.97 million and credit card

spending amounted to NT\$546.2 billion during the year.

2. The Bank works closely with industry leaders to develop innovative payment applications; features such as digital card application and linkage were introduced to acquire and retain customers, whereas membership points are shared between systems to facilitate customer referral and increase cardholders' revenue contribution.
3. Through the use of smart decision model and a “customer view” platform, the Bank is able to recommend the most suitable products to customers, apply precision marketing for target customers and thereby increased customers' product request and profit contribution.
4. Competition in the credit card market is increasingly competitive in terms of cardholder rewards. Furthermore, credit cards are being used as transaction tool instead of financing tool, leaving little room for profit. The Bank manages customer segments and offers differentiated yet suitable products using data/information analysis. This approach maximizes yields and effect of cross-selling to sustain competitiveness.

(IV) Wealth management service

Driven by a “customer-centric” philosophy, the Bank carries out its wealth management service with a goal to satisfy the investment needs of all customers. In addition to assisting high net worth customers with investment planning, wealth transfer and asset allocation, the Bank also adopts new financial technologies so that customers are able to manage their finances online and achieve financial goals for various stages in life. Meanwhile, the Bank enforced its after-sale service, directed focus toward protection and emphasized on the promotion of more long-term, diversified and healthy investments. Income from wealth management service grew consistently in 2019.

(V) Trust service

Total assets managed under real estate trust service amounted to NT\$52.8 billion in 2019, up 5.28% from 2018. AUM (asset under management) of personal and corporate trusts amounted to NT\$51.9 billion, and total assets under custody amounted to NT\$822.3 billion.

(VI) Corporate banking service

Growth of corporate banking service remained steady, 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 helps improve efficiency of business expansion efforts while maintaining proper risk-return balance. As of December 31, 2019, corporate loan balance across domestic channels amounted to NT\$489.1 billion.

(VII) Foreign currency service

1. The Bank has been active in the establishment of correspondence banking relations in ASEAN and Greater China Regions 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 amounted to US\$16.578 billion in 2019, up 1.8% compared to 2018. Import/export transactions amounted to US\$7.522 billion, up 8% from 2018; trade financing balance amounted to US\$1.352 billion, up 31% from 2018.

(VIII) Digital banking services

1. Mobile portal: A digital interactive ad placement system was implemented so that marketing information can be personalized according to customers' characteristics, browsing history etc. to achieve the best relevance, effectiveness and yield.
2. LINE BC: This digital service extension allows customers to make credit card inquiries, payments, cardless cash withdrawals, collect credit card payments and receive account information over LINE, and has been critical to the promotion of digital lifestyle.
3. Mobile banking APP: The mobile banking APP has been upgraded to provide more comprehensive and smarter features including real-time credit card transaction details and transaction details by card type. Apart from total upgrade of credit card features, an innovative personal credit product called “Flexiloan” was also introduced that customers may draw and repay at any time, with interests charged only if drawn, thereby

making it an ideal cash reserve facility. New functions such as foreign currency digital account and foreign currency rate inquiry/exchange have made online account opening and foreign currency trading faster and more convenient to users, thereby enabling the mobile banking APP to deliver more complete financial service experience.

4. Having observed young customers' lifestyle, habits and pain points, a new product called “KOPlay Omnibus Travel Insurance” was introduced under the KOKO brand that integrates group resources to deliver streamlined digital experience. Everything from insurance application, claims to accident notification can all be accessed and completed painlessly over the APP. All target services have been made accessible online, including “interbank deposit account verification” for easier account opening. In terms of transaction security, a “card safety lock” service was introduced so that cards are locked immediately when lost to minimize financial losses.
5. As for digital banking service, visits to the mobile portal grew by 40% year-on-year; the number of MMB (MyMobiBank APP) users increased by 40% while attachment of mobile device users also increased significantly, resulting in a 70% increase in fund transfers.

(IX) Treasury service

The China-USA trade war had affected the global economic outlook and given rise to market uncertainty and recession concerns to such an extent that central banks were forced to respond with expansionary measures. As a result, corporate investments and inventory adjustments became key factors to future economic prospect. In response to increasing corporate demand for risk aversion solutions, the Bank made continual adjustments to its product structure and marketed them to customers in need, and was able to increase spread income by 19% in 2019.

(X) 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 China subsidiary continues to enforce a localized business strategy that focuses on customer segment management and product/service optimization, and actively explores new RMB services. Meanwhile, the Hong Kong Branch remains focused on growing corporate banking,

treasury and private banking services through cross-border collaboration. As for the Southeast Asian market, the Bank has already established branch presence in 9 ASEAN countries including Vietnam, Cambodia, Singapore, Malaysia, The Philippines, Laos, Thailand, Myanmar and Indonesia, making it the Taiwanese bank with the broadest service coverage in Southeast Asia. Through these branches, the Bank is able to develop distinctive businesses and integrate group resources to provide local customers with more diverse, better quality and more complete range of financial services.

■ Changes in organization

1. Distinction between business division/administrative division was removed.
2. Financing Department, Syndicated Lending Department, Project Financing Consultancy Department and Bonds and Capital Market Department were consolidated into Capital Solution Department.
3. Financial Payment Department was consolidated into the Credit Card Planning and Promotion Department, and renamed Credit Card & Payment Service Department.
4. IT Service and Support Department was consolidated into the IT Service Management and Support Department.
5. Overseas Information Department was consolidated into Digital Information Department, and renamed Corporate & Global Banking IT Department.
6. Occupational Safety and Health Department was consolidated into the General Affairs Department, and renamed General Affairs & Safety Department.
7. Secretary Office was consolidated into the Legal Affairs Department.

■ Budget execution

The Bank achieved 103.21% of its NT\$2,238.8 billion deposit target and 94.01% of its NT\$1,630.6 billion loan target (including revolving credit on credit cards; mainly attributed to an adjustment of loan structure) in 2019. In terms of credit cards, the Bank achieved 103.21% of its 6.53 million card target.

Unit: NT\$ 100 million

Business activities	2019 - actual	2019 - target	Achievement rate
Deposit	23,107	22,388	103.21%
Credit (including revolving credit on credit cards)	15,329	16,306	94.01%
Credit card	6.73 million cards	6.53 million cards	103.21%

■ Revenue, expense, and profitability analysis

Unit: NT\$ millions, %

Item \ Year	2019	2018	Growth rate (%)
Net interest income	32,649	30,826	5.91%
Net income other than interest	27,465	27,660	-0.70%
Total net revenues	60,114	58,486	2.78%
Bad debt expenses and guarantee liability provisions	2,871	4,341	-33.86%
Operating expenses	31,940	30,119	6.05%
Pre-tax profit	25,303	24,026	5.32%
Income tax expense	3,480	3,006	15.77%
Net income	21,823	21,020	3.82%
EPS (after tax)(NTD)	2.25	2.17	-
Return on assets (after tax)	0.77%	0.77%	-
Return on shareholders' equity (after-tax)	10.17%	10.96%	-

■ Research and development

The Bank uses its extensive physical and digital channels to deliver the ultimate one-stop shopping experience of financial service. In terms of transaction acquisition, the Bank continues to work with third-party payment service providers and invests into the development of a proprietary platform for enhanced customer attachment.

III. Summary of the 2020 business plan

■ Operational strategies for 2020

(I) Consumer banking credit:

Credit portfolio adjustments will be made to optimize capital utilization, and more convenient financial services will be introduced with a customer-centric focus to increase overall revenues. The Bank will also aim to strengthen customer relations, create values through product integration and cross selling, develop digital communication, establish service connection to lifestyle scenarios, and cooperate with established ecosystems for lending service over existing platforms.

(II) Wealth management service:

By incorporating financial technologies and big data analysis, the Bank will be able to gain better insight into customers' financial needs and satisfy them with comprehensive asset allocation advices for various stages in life. Meanwhile, complete after-sale service and robust risk management will also be introduced to help customers weather market volatility. With the support of a professional team, the Bank will focus on bringing customized investment planning service to business owners and high net worth customers, thereby create synergies from corporate and personal investment service to enforce the Bank's reputation as the professional and customer-oriented wealth manager.

(III) Deposit and remittance service:

More convenient digital services will be introduced to satisfy customers' potential requirements and therefore optimize customer 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 from time to time for additional profit and service opportunities.

(IV) Trust service:

The Bank will continue targeting wealth transfer needs of high net worth customers and offer total asset planning solutions along with investment products in the form of trust, and thereby satisfy customers' needs to transfer wealth across generations.

(V) Corporate credit service:

The Bank will continue enforcing its Jumbo strategy to maximize cross-selling among group customers. Furthermore, new business models targeting small and medium enterprises with a more centralized and localized focus will be introduced and spearheaded by a specialized corporate banking team. In addition to providing complete financial service to businesses, this team of experts will also extend service reach to address the needs of business owners, family members and employees. Other improvement measures planned for the future include: end-to-end process optimization for enhanced operating efficiency, complete talent training system and digital tools for One Team spirit, and channel expansion for synergies.

(VI) Foreign currency service:

Through expansion of the foreign currency product line, 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 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:

Attention will be directed toward growing potential customers, adopting data-driven customer relationship management, making suitable product recommendations, making ongoing improvements to existing products and services, and introducing competitive yet commercially viable card privileges for sustained competitive advantage. Strategic alliance will be formed with new partners to expand customer acquisition; an experience-based digital platform that provides complete range of digital services from card application, spending to reward point redemption will be created to enhance customer attachment and loyalty.

(VIII) Transaction acquisition service:

As third-party payment and electronic payment services become popular, it

will take a broader variety of interfaces and a more complex service portfolio to meet customers' expectations, which the Bank will respond by collaborating with third-party service providers and creating its proprietary multi-payment platform for enhanced customer attachment. Furthermore, the Bank will be pushing automation of transaction acquisition service at a faster rate as part of its internal digital transformation to raise operating efficiency and optimize customer experience.

(IX) ATM service:

The Bank will continue optimizing user experience and enhancing interaction with a customer-centric focus. More in-depth collaboration will be made with strategic partners to satisfy customers' banking requirements at a higher level and create synergy at the same time.

(X) Payment Hub service:

The Bank will continue working with renowned brands to bring flexible cash flow tools to retail chains for improved competitiveness. Increased popularity of payment service opens up new financial applications, service opportunities and scenarios.

(XI) Digital banking service:

Resources will be committed to improving digital channels for more effective customer sourcing, more efficient referral, optimal experience and change of user behavior. Online-only financial products will be designed and marketed through proprietary channel or third-party service providers to potential customers for increased revenue and attachment.

(XII) Corporate digital banking development:

New technologies will be adopted to incorporate financial services seamlessly into daily business scenarios. The Bank aims to progressively transform into a digital consultant for businesses, and shall replicate its successful experience to other overseas locations.

(XIII) Treasury service:

Sales process will be optimized at various channels whereas innovative and customized products will be introduced to meet the needs of high net worth customers. Introduction of online treasury trading has also been planned for the future.

(XIV) Private banking:

The Bank will aim to expand the size of its private banking customers, raise productivity of its business team and bring new offerings into the product line. Overseas offices will be established to extend private banking service to business owners and high net worth customers in the ASEAN region.

(XV) 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 China subsidiary will strive to meet the eligibility requirements for new financial products and services, and will be cooperating with Hong Kong Branch and other overseas units on domestic as well as foreign businesses at a higher level.

■ Expected business targets and basis of estimate

2020 business targets

Unit: NT\$ 100 million

Main business category	Target
Deposit	23,211
Credit (including revolving credit on credit cards)	15,899
Credit card (outstanding cards)	7.06 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 bad debt expenses provisions.

■ Key policies

Faced with a rapidly changing market and intensifying competition, the Bank shall adhere to the rules of the competent authority while seeking more efficient use of its capital. In the meantime, the Bank will strive to gain insight into customers' needs and coordinate resources into serving natural-person and corporate customers, and deliver high value-adding services that are congruent with the Bank's operational goals.

For our next milestone, we shall strive to raise our professional capacity throughout all branches local and abroad, and implement robust management practices as well as good communication and strong corporate culture in ways that inspire employees to uphold “Integrity, Accountability and Innovation.” By developing the foundation and flexibility needed for transformation, we shall take progressive steps toward realizing our vision of becoming “A Leading Financial Institution in Asia Pacific.”

IV. Future strategies

(I) Consumer banking service

1. Make ongoing adjustment to credit portfolio for optimal capital utilization.
2. Introduce integrated financial products with a customer-centric focus; establish service connection to customers' lifestyle scenarios and cooperate with established financial ecosystems for lending service and more immediate satisfaction of customers' needs over existing platforms.
3. By combining physical and digital channels, the Bank may create a service environment that works in favor of reaching customers, building relationships and cross selling. The integration will also address disruptions in the service process to improve customers' digital service experience.
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. Optimize physical and digital channels from a customer experience perspective for strengthened relations; direct business efforts toward high potential customers and high-margin products for increased revenue contribution, improved operational performance and higher customer value.

(II) Financial payment service

1. Transaction acquisition: As third-party payment and electronic payment services become popular, it will take a broader variety of interfaces and a more complex service portfolio to meet customers' expectations, which the Bank will respond by collaborating with third-party service providers and creating its proprietary multi-payment platform for enhanced customer attachment. Furthermore, the Bank will be pushing automation of transaction acquisition service at a faster rate as part of its internal digital transformation to raise operating efficiency and optimize customer experience.
2. New payment: The Bank will continue working with renowned brands to bring flexible cash flow tools to retail chains for improved competitiveness. Increased popularity of payment service opens up new financial applications, service opportunities and scenarios.
3. Automated channels: The Bank will adhere to its “customer lifestyle banking experience” focus and enhance cash flow services in ways that improve channel performance.

(III) Credit card service

1. By forming strategic alliance with participants of different industries, the Bank aims to develop financial services that are centered around customers' experience and lifestyle. Through the use of a digital platform, data can be gathered to analyze customers' financial needs and identify customers for sales opportunities at greater precision, thereby allowing financial services to be delivered to various lifestyle scenarios.
2. Adopt data analysis for product recommendation and structuring of card rewards/privileges; build a strong, young customer base of good potentials and raise customers' attachment and loyalty.
3. Online and offline data will be analyzed to develop greater insight into customers, whereas machine learning and smart models will be adopted to achieve more timely monitoring of customers' needs, more precise

marketing and prediction, and more effective targeting of marketing resources to potential customers for best customer satisfaction.

(IV) Wealth management service

1. By incorporating financial technologies and big data analysis, the Bank plans to gain better insight into customers' financial needs and satisfy them with total asset allocation advices.
2. Enforce robust after-sale service and risk management systems; assist customers in coping with market volatility and devise asset allocation plans that help protect customers' wealth.
3. With the support of a professional team, the Bank will focus on bringing customized investment planning service to business owners and high net worth customers, and enforce the Bank's reputation as the professional and customer-oriented wealth manager.
4. Tightened insurance regulations pose challenge to the Bank's sales efforts, and in response, adjustments will be made to existing product structure and sales strategy so that the Bank may continue offering products and services that are targeted to customers' needs.

(V) 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 wealth succession and transfer.
2. Participate in urban renewal and building renewal projects in support of government policies, while balancing risks against returns.
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.

(VI) Corporate banking service

The Bank will continue enforcing its strategy to maximize cross-selling among group customers. Furthermore, new business models targeting small and medium enterprises with a more centralized and localized focus will be introduced and spearheaded by a specialized corporate banking team. In addition to providing complete financial service to businesses, this team of experts will also extend service reach to address the needs of

business owners, family members and employees. Other improvement measures planned for the future include: end-to-end process optimization for enhanced operating efficiency, complete talent training system and digital tools for One Team spirit, and channel expansion for synergies.

(VII) Foreign currency service

The Bank will be cooperating with channel partners to cross-sell trade financing and cash flow solutions. 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. 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 international market.

(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. The Head Office will be supporting overseas business and market expansion efforts through improved infrastructure, management practice and business model. Investments will also be made into ASEAN markets to capitalize on the growth of high net worth customers in Southeast Asia, thereby increase the percentage of overseas profits and establish the Bank's stature as a leading financial institution in Asia Pacific.
3. The Bank will be enhancing its internal control practices such as compliance, anti-money laundering, information security and risk management, and making better use of group resources as well as overseas offices to develop advantage in cross-border service. Through localized strategies of overseas offices, the Bank expects to improve global visibility and create opportunity for the introduction of better quality and more diverse financial services.

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

(I) External competition

The China-USA trade conflict may have subsided following the phase 1 agreement, but given the political disturbance in many countries in the world, recovery of global trade and investment remains underwhelming. While the World Bank revised its global economic outlook downwards, the Fed expected a recovery of economic activities. In the meantime, central banks of China, the USA, UK, Japan and EU have all announced their intention to inject additional liquidity into the market through expansionary policy. The spread of COVID-19 and influenza, too, raises concern for business confidence, as quarantine measures are starting to disrupt supply chain in many industries.

Taiwan's economic outlook has been relatively favorable compared to the rest of the world, as the central bank concluded in its latest board meeting that impact of Phase 1 trade agreement between China and USA had been limited, and that the government's support for building renewal, southern Taiwan development and national credit guarantee fund all have the potential to boost domestic demands. However, given that the local banking industry has been over-saturated with branches for a prolonged period of time, it is important for banks to shift focus toward new businesses and avoid the price competition that is happening on traditional services. The Bank's response in this regard is to continue bringing in new ideas through digital tools, providing full range of financial service to businesses, and enhancing control over credit exposure to cater for revenue quality and risks at the same time.

The wave of “digital revolution” has given rise to new technologies and digital banking service, changed the 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.

As globalization and automation trends emerge, countries in the Greater China Region and Southeast Asia have undertaken further deregulations in an attempt to attract foreign investors. Despite escalated competition, banks in general should be able to take advantage of this development now that new business opportunities and models are made possible. New technologies and services inspired by “digital transformation,” “smart service” and “process automation” bring faster and more drastic changes as well as opportunities and challenges, which financial service providers will have to respond with more pro-active investment in digital banking solutions.

(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 to regulatory requirements. An independent consultant has been engaged to evaluate information security for the entire bank, and the outcome of evaluation, along with Statement of Information Security, are presented to the board of directors the following year. In addition, a digital learning platform is being used to train employees and promote awareness on the topic of information security, so that protection measures can be enforced more thoroughly as part of the corporate culture.

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.

(III) The overall business environment

Performance of the global economy in 2019 continued to be undermined by concerns toward the China-USA trade war, the slowdown in China's economic growth, and monetary policies and political/economic distractions in the EU and USA. Global trade and economic growth are expected to slow down further as these uncertainties persist. While the Fed is firm on stimulating growth with low interest rate and abundant money supply, EU nations are still divided on which approach to take. Although capital movement and trade activities remain frequent, businesses are faced

with limited room for profit growth. In Taiwan, investor and consumer confidence remain weak and have significantly undermined growth momentum.

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 of special needs, and take advantage of group synergy by cross-selling them through subsidiaries online as well as offline to attract new capital.

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	November, 2019
Standard & Poor's	A-	A-2	Stable	November, 2019
Moody's	A2	Prime-1	Stable	September, 2019

Two. Bank profile

I. Date of establishment

January 4, 1975

II. Bank history

The United World Chinese Commercial Bank (UWCCB) and Cathay Commercial Bank (CCB) was merged and renamed Cathay United Bank. UWCCB was found in September 1971 during the 4th Cathay Financial Association Gathering where representatives of Chinese entrepreneurs around the world gave their determined support to the economy of their motherland. A total of 17 national and regional overseas Chinese leaders as well as 17 members of The Bankers Association of Taipei provided 50% of the investment shares to establish UWCCB. In May 1974, the Conference of Sponsors was convened, creating a bank with an approved capital sum of US\$ 12 million. Shares would be divided into equal halves to domestic shareholders and overseas shareholders. In December 1974, the Ministry of Finance submitted the relevant applications to the Executive Yuan, which then approved the establishment of Cathay United Bank. UWCCB flagship office at No. 10, Yongsui Street, Taipei City formally opened for business on 20 May 1975. Cathay United Bank later acquired Huaqiao Xintuo Touzi Gufen Youxian Gongsi [Overseas Chinese Trust and Investment Co., Ltd.] on 17 April 1995.

Cathay Commercial Bank (CCB) was originally founded as the Diyi Xintuo Touzi Gufen Youxian Gongsi [First Trust and Investment Co., Ltd.] which established in June 1971. The reelection of the entire board of directors and election of Chen-yu Tsai as Chairperson of the Board in 1993 served as a turning point for this Company. Mr. Tsai initiated the 5-Year Reformation Program and successfully renamed the Company as Huitong Shangye Yinhang Gufen Youxian Gongsi [Huitong Commercial Bank Co., Ltd.] on 16 November 1998. Cathay United Bank was later renamed as Cathay Commercial Bank (CCB) on 3 July 2002.

We have initiated financial reforms in response to the government's Financial Holding Company Act. Since Taiwan's entry to the World Trade Organization (WTO), we have faced intense competition from multinational financial conglomerates. We thus provided our clients with improved and comprehensive financial services. Both Cathay Commercial Bank (CCB) and United World

Chinese Commercial Bank (UWCCB) joined Cathay Financial Holdings Co., Ltd. in 22 April 2002 and 18 December 2002 respectively, becoming two wholly-owned subsidiary banks under Cathay Financial Holdings. To maximize the combined performance of Cathay Financial Holding, we have implemented measures such as integrating the resources of the two banks, streamlining operational costs, improving operational efficiency, and expanded our services. Both UWCCB and CCB have been merged in compliance with the Financial Institution Merger Act and other relevant laws. UWCCB would be the surviving company while CCB would be dissolved in the merger. The merger contract and other associated issues were resolved and passed in the Board of Directors meeting on 21 April 2003 and approved in 26 June by the Ministry of Finance. The reference date for the merger was 27 October 2003. The merged bank was renamed “Cathay United Bank Co., Ltd.”

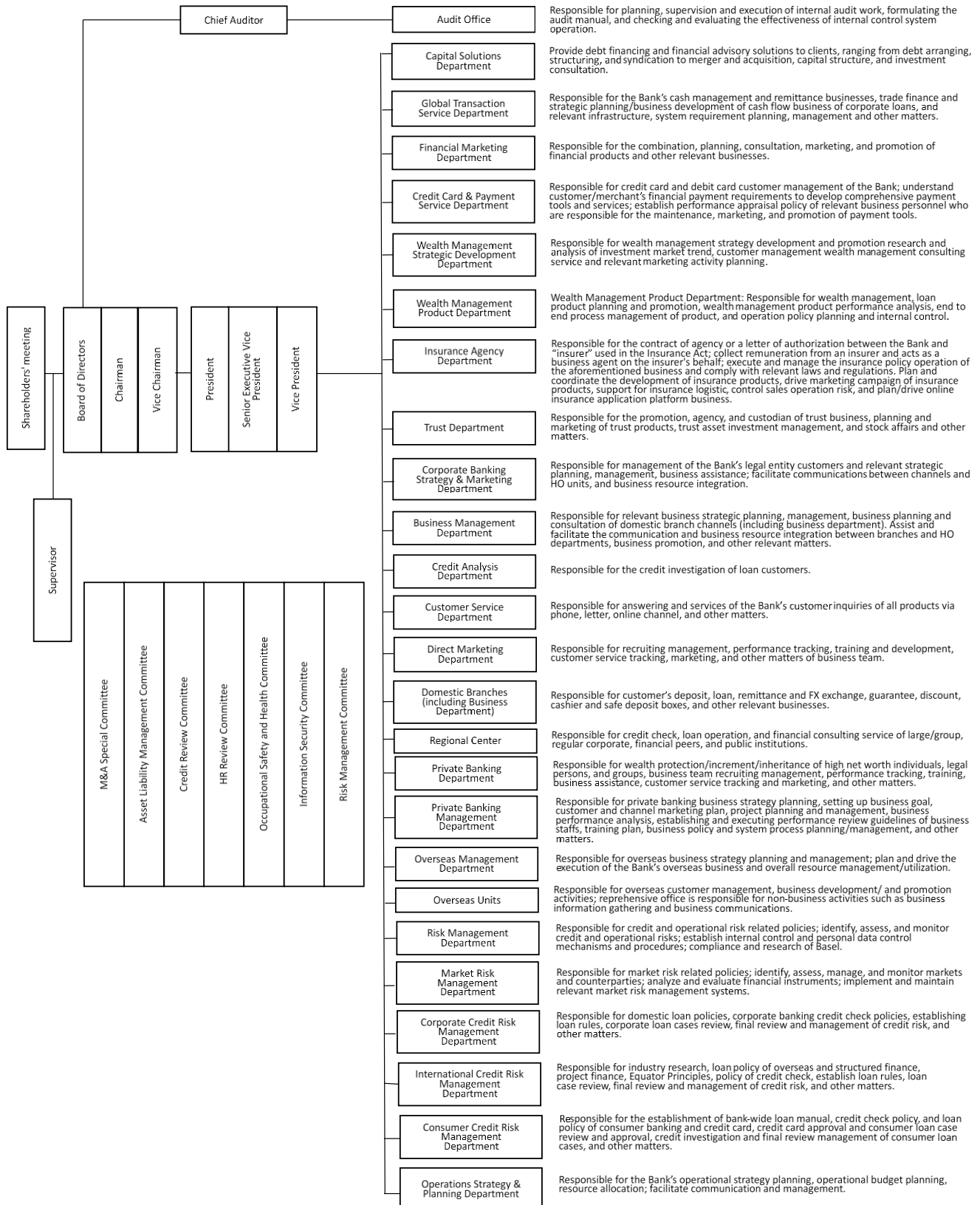
To expand the scope of services provided and our market share, we then acquired Diqi Shangye Yinhang [Seventh Commercial Bank] on 1 January 2007. Further growth was achieved by accepting specific asset debt balances and operations of Zhonglian Xintuo on 29 December 2007. Since these acquisitions and mergers, Cathay United Bank has continued to expand its local branch offices in Taiwan, becoming a private bank with the largest number (165) of branches .

Three. Corporate Governance Report

I. Organization: Organization and responsibilities of main departments

Organization Chart of Cathay United Bank Co., Ltd.

2020.03.12



(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 mid-term 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. Board members, Supervisors and Top managers from Each Division and Subsidiary and Consultants

Board Members and Supervisors Information (1)

March 31, 2020

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage 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, Long Chen Paper, Far East Horizon Limited, Taiwan Farm Industry, Avary Holding (Shenzhen), 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; 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		Shareholdings of spouse and underage 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; 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 Insurance and Cathay Century Insurance; Secretariat of Taiwan Financial Services Roundtable; Director of Accounting Research and Development Foundation and 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 Law, 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 and Taiwan Star Telecom; 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		Shareholdings of spouse and underage 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, MiTAC Holdings Corporation (M.B.A., Santa Clara University, USA, B.A. in Electrical Engineering, UC Berkeley, USA)	Independent Director of Cathay Financial Holdings and Cathay Century Insurance; Chairman of MiTAC Holdings, MiTAC Inc., Synnex Technology International, Lien Hwa Holdings Corporation, UPC Technology, Harbinger Venture Capital, Lien Chieh Investment, MiTAC International, Harbinger VII Venture Capital, 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, 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		Shareholdings of spouse and underage 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., 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 Chilisin Electronic Corp.; Supervisor of Jamicon Corporation			
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 FHC (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 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		

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage 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.) 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	None		
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 FHC (M.B.A., University of Pennsylvania, USA)	President of Cathay FHC; Chairman of Financial Planning Association of Taiwan; Managing Director of CDIB Partners Investment Holding; Director of Cathay FHC, Cathay Securities, Cathay Charity Foundation, Culture and Charity Foundation of the Cathay United Bank 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			
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 FHC; Director of Cathay Venture, Cathay United Bank and Culture and Charity Foundation of the Cathay United Bank			

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage 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.) 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)	Senior Executive Vice President of Cathay FHC and Cathay United Bank	None		
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)			
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.) Liang-Lin Chien	F	2019.06.26 (Note 1, 2)	3 years	2018.04.27	(Note)	(Note)	-	-	-	-	-	-	Chief Secretary of Chunghwa Post (Master of International Business, Tamkang University)	Chief Secretary of Chunghwa Post Co., Ltd.			

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

Note: Directors' and supervisors' concurrent duties were accurate as of February - March 2020.

Note: None of the Bank's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman.

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 interim 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.

Chart 1: Major Shareholders of Institutional Shareholders

April 14, 2020

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 (2.72%), Shin Kong Life Insurance Co., Ltd. (1.96%), Labor Insurance Fund (1.55%), Nan Shan Life Insurance Company Ltd. (1.40%), TransGlobe Life Insurance Inc. (1.31%), Fubon Life Insurance Co., Ltd. (1.14%), Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (1.07%), China Life Insurance Company (1.06%)

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 14, 2020

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
Nan Shan Life Insurance Company, Ltd.	First Commercial Bank in its capacity as trustee for the trust account of Ruen Chen Investment Holding (60.01%), Ruen Chen Investment Holding (29.54%), Ying-Zong Tu (2.89%), Runtaixing Co., Ltd. (0.29%), Ruen Hua Dyeing & Weaving Co., Ltd. (0.27%), Ruentex Development Co., Ltd. (0.23%), Ruentex Industries Ltd. (0.21%), Taishin Bank in its Capacity as Trustee of Nanshan Life Insurance - Equity Trust Account (0.20%), YuanXin Investment Co., Ltd. (0.16%), Ruentex Leasing Co., Ltd. (0.13%)
TransGlobe Life Insurance Inc.	Chung Wei Yi Co., Ltd. - 100%

Institutional Shareholders (Note)	Major Shareholders of Institutional Shareholders
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. 100%
Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore	None
China Life Insurance Co., Ltd.	China Development Financial Holding Corp. (26.16%), KGI Securities Co., Ltd. (8.66%), Cathay Life Insurance Co., Ltd. (3.04%), Videoland Television Network (2.42%), New Labor Pension Fund Scheme (1.61%), Ling-Lang Chan (1.24%), JP Morgan Chase Bank Taipei Branch in its Capacity as Master Custodian for PGIA Progress International ETF (1.21%), Citibank in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore) (1.17%), Citibank in Its Capacity as Master Custodian for Investment Account of the Central Bank of Norway (1.12%), Labor Insurance Fun (1.03%)

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, 2020

Criteria Name	Has at least five years of relevant working experience and the following professional qualifications			Independence Criteria (Note 1)												Name 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			✓		✓	✓	✓			✓		✓	✓	✓		
Jian-Hsing Wu			✓		✓	✓	✓			✓		✓	✓	✓		
Wei-Hua Chou			✓			✓	✓	✓		✓			✓	✓		
Yiao-Chiun Lai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Liang-Lin Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

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 another 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 2 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 Bank.
- (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

March 31, 2020

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 Law, 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	—	—	—
Chief Auditor	R.O.C.	Hung-Chang Yang	M	20070213	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—
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 and Taiwan Star Telecom; 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	Senior Executive Vice President of Cathay FHC; 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	Executive Vice President of Cathay FHC	—	—	—
Senior Executive Vice President	R.O.C.	Xu-Jie Yao	M	20170310	(Note)	—	—	—	—	—	M.I.T. SLOAN Business	Executive Vice President of Cathay FHC	—	—	—

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.	Ching-Yuan Kung	M	20151101	(Note)	—	—	—	—	—	MBA, Carlson School of Management, University of Minnesota	Deputy Head of Risk Management of Cathay Financial Holdings	—	—	—
Executive Vice President	Hong Kong	Chi-Yuan Chien	M	20160419	(Note)	—	—	—	—	—	MBA, York University (Canada)	Director of Cathay United Bank (China) Co., Ltd.	—	—	—
Executive Vice President	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		—	—	—
Executive Vice President	R.O.C.	Tsung-Meng Huang	M	20070401	(Note)	—	—	—	—	—	Bachelor of Economics, National Taiwan University		—	—	—
Executive Vice President	R.O.C.	Cho-Min Chin	M	20060101	(Note)	—	—	—	—	—	Bachelor of Statistics, Feng Chia University		—	—	—
Executive Vice President	R.O.C.	Tung-Wen Li	M	20040407	(Note)	—	—	—	—	—	Bachelor of Ethnology, National Chengchi 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 Li	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-Feng Wang	M	20161206	(Note)	—	—	—	—	—	MBA, National Tsing Hua University		—	—	—
Executive Vice President	R.O.C.	Yun-Wei Huang	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 of Cathay FHC	—	—	—
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-Pen Miao	M	20160201	(Note)	—	—	—	—	—	MBA, Pennsylvania State University	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		—	—	—
Executive Vice President	R.O.C.	Po-Sheng Fu	M	20180613	(Note)	—	—	—	—	—	Master of Finance, Victoria University of Wellington		—	—	—

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.	Chen-Han 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		—	—	—
Senior Vice President	R.O.C.	Shu-Yu Tu	F	20040501	(Note)	—	—	—	—	—	MBA, National Chengchi 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.	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.	Cheng-Lu Chen	M	20170101	(Note)	—	—	—	—	—	Master of Finance, National Chengchi 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.	Wen-Kai Chen	M	20040530	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing University		—	—	—
Senior Vice President	R.O.C.	Yu-Cheng Yeh	M	20200312	(Note)	—	—	—	—	—	Master of Finance, Drexel University		—	—	—
Senior Vice President	R.O.C.	Hui-Ting Li	F	20080501	(Note)	—	—	—	—	—	Master of Non-Profit Organization Management, Fu Jen Catholic 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.	Hung-Ying Li	F	20181213	(Note)	—	—	—	—	—	Master of Law, University of Pennsylvania		—	—	—
Senior Vice President	R.O.C.	Chun-Liang Lin	M	20150501	(Note)	—	—	—	—	—	MBA, Soochow University		—	—	—
Senior Vice President	R.O.C.	Shu-Chun Chuang	F	20090122	(Note)	—	—	—	—	—	Master of Investment Analysis, University of Stirling		—	—	—
Senior Vice President	R.O.C.	Wen-Chi Chen	F	20160601	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
Senior Vice President	R.O.C.	Chi-Ya Hua	F	20180316	(Note)	—	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA		—	—	—
Senior Vice President	R.O.C.	Kuo-Yu Hu	M	20140606	(Note)	—	—	—	—	—	MBA, Information Management, National Chengchi University		—	—	—
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.	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.	Chih-Pang Lin	M	20160927	(Note)	—	—	—	—	—	Master of Economics, Feng Chia University		—	—	—
Senior Vice President	R.O.C.	Ping-Tsang Lin	M	20160128	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Yen-Wen Chen	M	20130826	(Note)	—	—	—	—	—	Bachelor of Food Science, Fu Jen Catholic 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.	Mei-Ju Li	F	20140606	(Note)	—	—	—	—	—	Master of Information Science, University of Pittsburgh		—	—	—
Senior Vice President	R.O.C.	Chih-Hsiung Ku	M	20180401	(Note)	—	—	—	—	—	Master of Electrical and Computer Engineering, Texas A&M 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.	Chun-Ping Chen	F	20180210	(Note)	—	—	—	—	—	Bachelor of Economics, Tamkang 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.	Mei-E Kuo	F	20170101	(Note)	—	—	—	—	—	Bachelor of Commerce, Open University of Kaohsiung		—	—	—
Senior Vice President	R.O.C.	Po-Hsiung Li	M	20070917	(Note)	—	—	—	—	—	MBA, Bernard M. Baruch College of the City University of New York		—	—	—
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.	Chan-Hao Yeh	M	20170101	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Kuan-Hsueh Chen	M	20180207	(Note)	—	—	—	—	—	MBA, University of California, LA		—	—	—
Senior Vice President	R.O.C.	Hsiung-Hui Lin	M	20130826	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
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.	Fei-Lung Li	M	20160530	(Note)	—	—	—	—	—	MBA, University of California, Berkeley		—	—	—
Senior Vice President	R.O.C.	Wen-Hung Li	M	20141001	(Note)	—	—	—	—	—	MBA, the University of Texas at Arlington		—	—	—

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.	Hsin-Pei Lin	F	20150501	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Cheng University		—	—	—
Senior Vice President	R.O.C.	Yu-Peng Wu	M	20160819	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Chung-Che Li	M	20180427	(Note)	—	—	—	—	—	MBA, Chiayi University		—	—	—
Senior Vice President	R.O.C.	Yu-Li Chen	F	20180817	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Tamsui Institute of Business Administration		—	—	—
Senior Vice President	R.O.C.	Chien-Ju Sung	F	20160429	(Note)	—	—	—	—	—	Bachelor of Statistics, Feng Chia University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Li-Hua Feng	F	20180817	(Note)	—	—	—	—	—	Master of Finance, Fu Jen 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.	Wen-Chang Lin	M	20070101	(Note)	—	—	—	—	—	Master of Technology Management, Chung Hua University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Yu-Jung Huang	F	20150330	(Note)	—	—	—	—	—	MBA, New York 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.	Hai-Ching Chen	M	20141216	(Note)	—	—	—	—	—	Master of Finance, National Taiwan 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	R.O.C.	Wei-Chieh Lu	M	20071015	(Note)	—	—	—	—	—	Master of Finance, Chaoyang University of Technology		—	—	—
Overseas branch Senior Vice President	R.O.C.	Chung-En Pan	M	20140919	(Note)	—	—	—	—	—	Bachelor of Statistics, 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
Overseas branch Senior Vice President	R.O.C.	Shang-Chung Su	M	20161014	(Note)	—	—	—	—	—	Bachelor of Business Administration, University of San Francisco		—	—	—
Overseas branch Senior Vice President	R.O.C.	Tu-Heng Tsai	M	20190826	(Note)	—	—	—	—	—	Master of Financial Management, California State University		—	—	—
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.	Li-Meng Lin	F	20080822	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—
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.	Sheng-Yu Huang	M	20070101	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
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.	Chun-Ming Liu	M	20070401	(Note)	—	—	—	—	—	MBA, National Chiao Tung 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.	Yu Juan	F	20050617	(Note)	—	—	—	—	—	Master of Business Administration, National Cheng Kung University		—	—	—
Branch Senior Vice President	R.O.C.	Jung-Chin Wu	M	20100524	(Note)	—	—	—	—	—	MBA, Tamkang University		—	—	—
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.	Cheng-Tien Wu	M	20090826	(Note)	—	—	—	—	—	Bachelor of Finance, Fortune University		—	—	—
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.	Chiu-Ling Hung	F	20200201	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow 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.	Hsueh-Hung Chang	F	20031027	(Note)	—	—	—	—	—	Master of International Business, 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.	Chi-Chia Chang	M	20080913	(Note)	—	—	—	—	—	Master of Finance, 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.	Yi-Hsuan Tai	M	20070401	(Note)	—	—	—	—	—	MBA, National Chiao Tung University		—	—	—
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.	Tao-Huang Lin	M	20040407	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing 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.	Chun-Hsiang Hsu	F	20031027	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
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.	Hui-Ling Wu	F	20110901	(Note)	—	—	—	—	—	Department of Internal Trade, Chinese Junior College of Industrial and Commercial Management		—	—	—
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.	Hsueh-Fen Yeh	F	20110503	(Note)	—	—	—	—	—	Bachelor of Commerce, Open University of Kaohsiung		—	—	—
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.	Ya-Hui Chi	F	20080601	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
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.	Shih-Cheng Chen	M	20050616	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Chia-Tsung Lin	M	20031027	(Note)	—	—	—	—	—	Master of Business Administration, National Cheng Kung 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-Liang Chen	M	20150320	(Note)	—	—	—	—	—	Master of Finance, National Kaohsiung First University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Tsung-Han Lu	M	20050617	(Note)	—	—	—	—	—	Bachelor of Finance, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Jung-Sung Hsu	M	20070625	(Note)	—	—	—	—	—	MBA, University of Houston		—	—	—
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.	Yi-Chung Hsiao	M	20050606	(Note)	—	—	—	—	—	Ph.D. in Commerce, Chung Yuan Christian University		—	—	—
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.	Ping-Hui Lin	M	20050301	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
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.	Chih-Wen Chang	M	20120628	(Note)	—	—	—	—	—	Master of Economics, National Taiwan 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.	Hung-Hsiao Tsai	M	20190916	(Note)	—	—	—	—	—	International MBA, Asia University Taiwan		—	—	—
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.	Ching-Sung Liu	M	20150320	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow 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.	Hsiao-Kuang Li	F	20030919	(Note)	—	—	—	—	—	MBA, Preston University, U.S.A		—	—	—
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.	Hsiu-Chin Huang	F	20050523	(Note)	—	—	—	—	—	MBA, National Pingtung 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.	Li-Ling Yang	F	20150320	(Note)	—	—	—	—	—	Department of International Trade, National Taipei University of Business		—	—	—
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.	Hsin-Chun Li	M	20040407	(Note)	—	—	—	—	—	Bachelor of International Trade, Feng Chia 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.	Mei-Ling Ting	F	20090826	(Note)	—	—	—	—	—	Department of International Trade, National Taipei University of Business		—	—	—
Branch Senior Vice President	R.O.C.	Li-Fen Huang	F	20080701	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Ling-Yu Lin	F	20031027	(Note)	—	—	—	—	—	Master of Business Administration, National Cheng Kung University		—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chi Chen	M	20190131	(Note)	—	—	—	—	—	Master of Finance, National Kaohsiung First University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chiu-Chin Chen	F	20180210	(Note)	—	—	—	—	—	Bachelor of Finance, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Ching Lin	F	20200201	(Note)	—	—	—	—	—	MBA, University of Houston		—	—	—
Branch Senior Vice President	R.O.C.	Chun-Ting Lin	M	20071015	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Su-Mei Chen	F	20050607	(Note)	—	—	—	—	—	MBA, Chiayi 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.	Chin-Ting Huang	M	20050425	(Note)	—	—	—	—	—	Department of Real Estate Management, Kun Shan University		—	—	—
Branch Senior Vice President	R.O.C.	Tsui-Chuan Yang	F	20050501	(Note)	—	—	—	—	—	Bachelor of Law, National Taiwan 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.	Ting-Sheng Lu	M	20070101	(Note)	—	—	—	—	—	MBA, Shih Chien University		—	—	—
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.	Kuo-Yang Wu	M	20190131	(Note)	—	—	—	—	—	Bachelor of Banking, National Chengchi 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.	Yu-Chu Hsiao	F	20040801	(Note)	—	—	—	—	—	MBA, University of Leicester		—	—	—
Branch Senior Vice President	R.O.C.	Kuang-Chung Chen	M	20031027	(Note)	—	—	—	—	—	MBA, Yuan Ze University		—	—	—
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.	Chien-Ming Chen	M	20180210	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture 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.	Ming-Jen Yang	M	20060829	(Note)	—	—	—	—	—	Master of Industrial Engineering, National Tsing Hua University		—	—	—
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.	Chih-Hao Hsiung	M	20040407	(Note)	—	—	—	—	—	Bachelor of Economics, National Taiwan University		—	—	—
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.	Hsiu-Chen Wu	F	20080908	(Note)	—	—	—	—	—	Bachelor of Accounting, Tamkang University		—	—	—
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.	Chia-Ching Lin	M	20180210	(Note)	—	—	—	—	—	Bachelor of International Trade, National Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chi Hsu	M	20170126	(Note)	—	—	—	—	—	MBA, Feng Chia 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.	Pi-Wei Hsu	M	20130715	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Hsing 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.	Chien-Hui Yu	F	20150320	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—
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.	Chien-Cheng Tsung	M	20090826	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Hsing University		—	—	—
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.	Sung-Hsing Chen	M	20110101	(Note)	—	—	—	—	—	Department of Business Administration, Tamsui Institute of Business Administration		—	—	—
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.	Li-Ping Hsu	F	20070401	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Feng Chia University		—	—	—
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.	Mei-Ling Chen	F	20080430	(Note)	—	—	—	—	—	Bachelor of Banking, National Chengchi 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		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chuan Chou	F	20190131	(Note)	—	—	—	—	—	Bachelor of International Trade, Yung Ta Institute of Technology and Commerce		—	—	—

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.	Chien-Chang Tseng	M	20180210	(Note)	—	—	—	—	—	MBA, St. John's 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.	Chung-Ping Jen	M	20080822	(Note)	—	—	—	—	—	Bachelor of Statistics, National Chung Hsing 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.	Yun-Chuan Yu	M	20081104	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture 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.	Cheng-Tsung Yen	F	20200201	(Note)	—	—	—	—	—	Department of Banking and Insurance, Ming Chuan 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.	Yi-Che Su	M	20200201	(Note)	—	—	—	—	—	Department of Business Administration, Chihlee Institute of Technology		—	—	—
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.	Yao-Yi Huang	M	20150821	(Note)	—	—	—	—	—	Bachelor of Law, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Hsin-Chi Chen	M	20100429	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Chungyu Institute of Technology		—	—	—
Branch Senior Vice President	R.O.C.	Yung-Sung Ku	M	20050701	(Note)	—	—	—	—	—	Bachelor of Accounting, National Chung Hsing 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.	Chih-Chun Chung	M	20190722	(Note)	—	—	—	—	—	Bachelor of Banking and Insurance, Shih Chien 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.	Shih-Wei Li	M	20190916	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Hsun Chang	M	20180210	(Note)	—	—	—	—	—	MBA, Tamkang 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-Tsai Chen	M	20031027	(Note)	—	—	—	—	—	Master of Financial Management, National Kaohsiung First University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chia-Ching Shen	F	20161114	(Note)	—	—	—	—	—	Bachelor of International Trade, Fu Jen Catholic University		—	—	—
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.	Feng-Hsu Ko	M	20110315	(Note)	—	—	—	—	—	MBA, University of Illinois		—	—	—
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.	Chun-Huan Chiang	F	20090826	(Note)	—	—	—	—	—	Department of International Trade, National Taipei University of Business		—	—	—
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.	Jung-Tsung Tsao	M	20100429	(Note)	—	—	—	—	—	Bachelor of Business Administration, Fu Jen Catholic 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.	Shih-Kuang Yueh	M	20100901	(Note)	—	—	—	—	—	Department of Electrical Engineering, National Kaohsiung Institute and Technology		—	—	—
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.	Wen-Feng Chen	F	20061110	(Note)	—	—	—	—	—	MBA, Schiller International 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.	Yung-Ching Hung	M	20031027	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chi Hsu	F	20190907	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Central 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.	Shih-Hui Lu	M	20080822	(Note)	—	—	—	—	—	Master of Finance, National Taiwan 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.	Ya-Hui Lan	F	20150320	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Hung Chen	M	20080101	(Note)	—	—	—	—	—	MBA, City University of New York		—	—	—
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.	Neng-Che Shih	M	20200201	(Note)	—	—	—	—	—	Master of Finance, National Chung Cheng 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.	Chen-Chen Kuo	F	20070101	(Note)	—	—	—	—	—	MBA, Feng Chia 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.	Shih-Lin Sung	M	20140827	(Note)	—	—	—	—	—	Master of Accounting, National Changhua University of Education		—	—	—
Branch Senior Vice President	R.O.C.	Yu-Teng Hsueh	M	20160401	(Note)	—	—	—	—	—	Master of Social Science, National Chung Hsing University		—	—	—
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.	Sheng-Hsieh Ho	M	20070401	(Note)	—	—	—	—	—	MBA, Chaoyang University of Technology		—	—	—
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.	Chi-Jen Yeh	M	20200312	(Note)	—	—	—	—	—	Bachelor of International Trade, Tunghai 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.	Chi-Wei Lu	M	20141113	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai University		—	—	—
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.	Ya-Ling Hsieh	F	20050520	(Note)	—	—	—	—	—	M.B.A, Yuan Ze University		—	—	—
Branch Senior Vice President	R.O.C.	Ssu-Wei Chang	M	20031223	(Note)	—	—	—	—	—	Bachelor of Economics, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Fu-Yao Hsieh	M	20190816	(Note)	—	—	—	—	—	Master of Finance, Fu Jen University		—	—	—
Branch Senior Vice President	R.O.C.	Hui-Ying Chiang	F	20050615	(Note)	—	—	—	—	—	MBA, Providence University		—	—	—
Branch Senior Vice President	R.O.C.	Ching-Yu Lin	M	20070101	(Note)	—	—	—	—	—	Department of Architecture Design, Ming-Dao High School		—	—	—
Branch Senior Vice President	R.O.C.	Min-Cheng Chiang	M	20110503	(Note)	—	—	—	—	—	International MBA, National Changhua University of Education		—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Kuan Yu	M	20190131	(Note)	—	—	—	—	—	Department of Business Administration, Overseas Chinese University ,O.C.U.		—	—	—
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.	Cheng-Hsien Yu	M	20070101	(Note)	—	—	—	—	—	Master of Electrical Engineering, National Changhua University of Education		—	—	—
Branch Senior Vice President	R.O.C.	Yu-Chi Yu	M	20050701	(Note)	—	—	—	—	—	Master of Public Affairs Management, Sun Yat-Sen 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.	Ming-Chin Chuang	M	20080725	(Note)	—	—	—	—	—	Bachelor of Business Administration, Shih Chien 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.	Yu-Wei Chen	M	20180210	(Note)	—	—	—	—	—	Bachelor of Finance, Aletheia 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.	Jen-Yi Huang	M	20180210	(Note)	—	—	—	—	—	Bachelor of Urban Planning and Development, Chinese Culture 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.	Ting-Huai Lin,	M	20190516	(Note)	—	—	—	—	—	Master of Economics, National Taiwan University		—	—	—
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.	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.	Chang-Jung Chen	M	20100802	(Note)	—	—	—	—	—	Bachelor of Commerce, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiang-Lan Chang Chien	F	20070401	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai University		—	—	—

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

(III) Information about Chairman and Presidents rehired as consultant after retiring: None

III. Remuneration paid to non-independent Directors, Independent Directors, Supervisors, President, Executive Vice Presidents and consultants, and allocation of employee remuneration

(1-1) There was no occurrence that required individual disclosure of directors' names and remuneration.

(1-2-1) Remuneration to non-independent and independent directors:

December 31, 2019

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 investments other than subsidiaries
		Compensation (A)		Pension upon retirement (B)		Remuneration (C)		Service Expenses (D)				Base Compensation, Bonuses, and Allowances (E)		Pension upon retirement (F)		Amount of 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	NT\$ 54,311,000	NT\$ 54,311,000	NT\$ 900,000	NT\$ 900,000	NT\$ 3,900,000	NT\$ 3,900,000	NT\$ 6,146,000	NT\$ 6,718,000	0.299%	0.293%	NT\$ 82,630,000	NT\$ 82,630,000	-	-	NT\$ 8,000	-	NT\$ 8,000	-	0.678%	0.660%	NT\$ 94,642,000
Vice Chairman	Tzung-Han Tsai																					
Managing Director	Alan Lee																					
Director	Wei-Hua Chou																					
Managing Director	Chun-Wei Yang																					
Managing Director	Chung-Yi Teng																					
Director	Jian-Hsing Wu																					
Director	Tsung-Hsien Tsai																					
Director	Chi-Wei Joong																					
Director	Han-Kuo Chen																					
Director	Chang-Ken Lee																					
Director	Grace Chen																					
Director	Po-Tsang Hsieh																					
Independent Director (Managing Director)	Ching-Yuan Huang	-	-	-	-	NT\$ 1,200,000	NT\$ 1,200,000	NT\$ 787,000	NT\$ 787,000	-	-	-	-	-	-	-	-	-	-	0.009%	0.009%	NT\$ 16,087,000
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.																						

Note: Salaries paid to drivers amounted to NT\$3,955,000.

(1-2-1) 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 I	The Bank	Consolidated subsidiaries J
Under NT\$1,000,000	Alan Lee, Wei-Hua Chou, Chun-Wei Yang, Chung-Yi Teng, Jian-Hsing Wu, Ching-Yuan Huang, Tang-Chieh Wu, Feng-Chiang Miao, Edward Yung-Do Way, Tsung-Hsien Tsai, Chi-Wei Joong, Han-Kuo Chen, Chang-Ken Lee, Grace Chen, Po-Tsang Hsieh	Alan Lee, Wei-Hua Chou, Chun-Wei Yang, Chung-Yi Teng, Jian-Hsing Wu, Ching-Yuan Huang, Tang-Chieh Wu, Feng-Chiang Miao, Edward Yung-Do Way, Tsung-Hsien Tsai, Chi-Wei Joong, Han-Kuo Chen, Chang-Ken Lee, Grace Chen, Po-Tsang Hsieh	Ching-Yuan Huang, Tang-Chieh Wu, Feng-Chiang Miao, Edward Yung-Do Way, Tsung-Hsien Tsai, Chi-Wei Joong, Han-Kuo Chen, Chang-Ken Lee, Grace Chen, Po-Tsang Hsieh	Ching-Yuan Huang, Tang-Chieh Wu, Feng-Chiang Miao, Edward Yung-Do Way, Tsung-Hsien Tsai, Chi-Wei Joong, Han-Kuo Chen, Chang-Ken Lee, Grace Chen, Po-Tsang Hsieh
1,000,000 (inclusive) ~ 2,000,000 (exclusive)				
2,000,000 (inclusive) ~ 3,500,000 (exclusive)				
3,500,000 (inclusive) ~ 5,000,000 (exclusive)				
5,000,000 (inclusive) ~ 10,000,000 (exclusive)			Chung-Yi Teng	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, Alan Lee, Wei-Hua Chou, Chun-Wei Yang	Tzung-Han Tsai, Alan Lee, Wei-Hua Chou, Chun-Wei Yang
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	Andrew Ming-Jian Kuo	Andrew Ming-Jian Kuo	Andrew Ming-Jian Kuo	Andrew Ming-Jian Kuo
50,000,000 (inclusive) ~ 100,000,000 (exclusive)				
Over NT\$100,000,000				
Total	17	17	17	17

* 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.

(2-1) There was no occurrence that required individual disclosure of supervisor' names and remuneration.

(2 2-1) Supervisors' remuneration:

December 31, 2019

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	Peggy Wang	-	-	NT\$ 2,355,000	NT\$ 2,355,000	NT\$ 900,000	NT\$ 900,000	NT\$ 342,000	NT\$ 342,000	0.016%	0.016%	NT\$ 370,000
Resident Supervisor	Yiao-Chiun Lai											
Supervisor	Liang-Lin Chien											

(2-2-2) Supervisor remuneration range

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)	Li-Hui Wang, Yiao-Chiun Lai	Li-Hui Wang, 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	3	3

* 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.

(3-1) There was no occurrence that required individual disclosure of President's and Executive Vice Presidents' names and remuneration.
(3-2-1) Remuneration paid to Presidents and Executive Vice Presidents:

December 31, 2019

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	NT\$ 134,349,000	NT\$ 134,349,000	NT\$ 9,285,000	NT\$ 9,285,000	NT\$ 163,523,000	NT\$ 163,613,000	NT\$ 41,000	-	NT\$ 41,000	-	1.408%	1.367%	NT\$ 39,815,000
Senior Executive Vice President	Wei-Hua Chou													
Senior Executive Vice President	Chun-Wei Yang													
Senior Executive Vice President	Chung-Yi Teng													
Senior Executive Vice President	Jian-Hsing Wu													
Executive Vice President	Yi-Fang Chan													
Executive Vice President	Hsing-Ming Li													
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	Feng-Chih Hsu													
Executive Vice President	Tung-Wen Li													
Executive Vice President	Cho-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													
Executive Vice President	Ching-Li Chang													
Executive Vice President	Chih-Feng Wang													
Executive Vice President	Yu-Chin Cheng													
Executive Vice President	Hsiang-Hsin Tsai													
Executive Vice President	Yun-Wei Huang													

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	Chen-Tung Chang													
Executive Vice President	Ching-Hsiang Chan													
Executive Vice President	Xu-Jie Yao													
Executive Vice President	Chien-Hui Hung													
Executive Vice President	Po-Sheng Fu													
Executive Vice President	Chen-Han Wen													
Executive Vice President	Fa-Hsiang Chang													
Executive Vice President	Hua-Pen Miao													
Executive Vice President	Chi-Yuan Chien													
Executive Vice President	Winston Quek													
Executive Vice President	Shang-Min Lin													

Note: Salaries paid to drivers amounted to NT\$9,800,000.

(3-2-2) Presidents and Executive Vice President remuneration range

Range of remuneration paid to President and Executive Vice President	President & Executive Vice President Name	
	The Bank	All companies included in consolidated statements (E)
Under NT\$1,000,000		
1,000,000 (inclusive) ~ 2,000,000 (exclusive)		
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Fa-Hsiang Chang	Fa-Hsiang Chang
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	Chang-Li Tsao, Cho-Min Chin	Chang-Li Tsao, Cho-Min Chin
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Chung-Yi Teng, Hsing-Ming Li, Hung-Chang Yang, Chao-Kuei Kuo, Tsung-Meng Huang, Feng-Chih Hsu, Tung-Wen Li, Hsiu-Chu Chuang, Su-Chu Li, Francis Peng, Ching-Yuan Kung, Ching-Li Chang, Chih-Feng Wang, Hsiang-Hsin Tsai, Yun-Wei Huang, Chen-Tung Chang, Xu-Jie Yao, Chien-Hui Hung, Po-Sheng Fu, Winston Quek, Shang-Min Lin	Chung-Yi Teng, Hsing-Ming Li, Hung-Chang Yang, Chao-Kuei Kuo, Tsung-Meng Huang, Feng-Chih Hsu, Tung-Wen Li, Hsiu-Chu Chuang, Su-Chu Li, Francis Peng, Ching-Yuan Kung, Ching-Li Chang, Chih-Feng Wang, Hsiang-Hsin Tsai, Yun-Wei Huang, Chen-Tung Chang, Xu-Jie Yao, Chien-Hui Hung, Po-Sheng Fu, Winston Quek, Shang-Min Lin

Range of remuneration paid to President and Executive Vice President	President & Executive Vice President Name	
	The Bank	All companies included in consolidated statements (E)
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	Jian-Hsing Wu, Yi-Fang Chan, Yu-Chin Cheng, Ching-Hsiang Chan, Chen-Han Wen, Hua-Pen Miao, Chi-Yuan Chien	Jian-Hsing Wu, Yi-Fang Chan, Yu-Chin Cheng, Ching-Hsiang Chan, Chen-Han Wen, Hua-Pen Miao, Chi-Yuan Chien
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Alan Lee, Wei-Hua Chou, Chun-Wei Yang	Alan Lee, Wei-Hua Chou, Chun-Wei Yang
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	34	34

* 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.

(4-1) There was no applicable situation in which individual disclosure of top-5 paid managers is required.

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

Title	Name	Stock Amount	Cash Amount	Total	Total as a Percentage of Net Income (%)
Please see P34-49		-	NT\$297,000	NT\$297,000	0.00136%

- (IV) 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 2019 amounted to NT\$377,998,000 (representing 1.73% of net income in 2019), up 3.65% from the NT\$364,674,000 reported in 2018. 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 purposes.

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 twice a year, for which it is compensated with travel allowance of US\$6,000 per session. 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:

(1) **Functionality of the Board of Directors**

A total of 7 meetings (A) were held in the last year (2019); 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	7	0	100%	Re-elected June 26, 2019
Vice Chairman	(representative for Cathay Financial Holding Co., Ltd.) Tzung-Han Tsai	7	0	100%	Re-elected June 26, 2019
Managing Director (Independent Director)	(representative for Cathay Financial Holding Co., Ltd.) Tang-Chieh Wu	3	0	100%	Newly appointed on June 26, 2019; required attendance: 3 sessions.
Managing Director	(representative for Cathay Financial Holding Co., Ltd.) Alan Lee	6	1	85.71%	Re-elected June 26, 2019
Managing Director	(representative for Cathay Financial Holding Co., Ltd.) Chung-Yi Teng	7	0	100%	Re-elected June 26, 2019

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	(representative for Cathay Financial Holding Co., Ltd.) Feng-Chiang Miao	7	0	100%	Re-elected June 26, 2019
Independent Director	(representative for Cathay Financial Holding Co., Ltd.) Edward Yung-Do Way	7	0	100%	Re-elected June 26, 2019
Director	(representative for Cathay Financial Holding Co., Ltd.) Tsung-Hsien Tsai	5	2	71.43%	Re-elected June 26, 2019
Director	(representative for Cathay Financial Holding Co., Ltd.) Chi-Wei Joong	6	1	85.71%	Re-elected June 26, 2019
Director	(representative for Cathay Financial Holding Co., Ltd.) Han-Kuo Chen	6	1	85.71%	Re-elected June 26, 2019
Director	(representative for Cathay Financial Holding Co., Ltd.) Chang-Ken Lee	7	0	100%	Re-elected June 26, 2019
Director	(representative for Cathay Financial Holding Co., Ltd.) Grace Chen	3	0	100%	Newly appointed on June 26, 2019; required attendance: 3 sessions.
Director	(representative for Cathay Financial Holding Co., Ltd.) Jian-Hsing Wu	7	0	100%	Re-elected June 26, 2019
Director	(representative for Cathay Financial Holding Co., Ltd.) Wei-Hua Chou	6	1	85.71%	Re-elected June 26, 2019
Resident Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Yiao-Chiun Lai	6	0	100%	Newly appointed on January 31, 2019; Re-elected June 26, 2019; required attendance: 6 sessions.
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Liang-Lin Chien	7	0	100%	Re-elected June 26, 2019
Managing Director (Independent Director)	(representative for Cathay Financial Holding Co., Ltd.) Ching-Yuan Huang	4	0	100%	Resigned on June 14, 2019; required attendance: 4 sessions.
Managing Director	(representative for Cathay Financial Holding Co., Ltd.) Chun-Wei Yang	5	1	83.33%	Resigned on September 2, 2019; required attendance: 6 sessions.
Director	(representative for Cathay Financial Holding Co., Ltd.) Po-Tsang Hsieh	4	0	100%	Service ended June 25, 2019; required attendance: 4 session(s).
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Peggy Wang	0	0	0%	Service ended January 31, 2019; required attendance: 1 session(s).

Note: The Bank 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
11th interim meeting of the 15th board of directors on January 30, 2019	◎ Decision to introduce new services including “structured foreign currency deposit with foreign currency trust swap/swap options/options (principal-protected and non-principal protected)” and “structured foreign currency deposits with foreign currency swap/forward exchange (principal-protected).” ◎ Sharing of information resources with Cathay Financial Holdings and Cathay Life Insurance Co., Ltd., and participation/signing of “Cathay Financial Holdings and Subsidiaries Information System Equipment and Personnel Sharing Framework Agreement.” ◎ Purchase of required hardware and equipment for the “Smart Financial Service Platform” created in collaboration with Ant Financial. ◎ Removal of restrictions imposed against Director Han-Kuo Chen for involving in competing businesses. ◎ Passed allocation of 2018 year-end bonus, special incentive and long-term incentive for Chairman and Vice Chairman. ◎ Application to convert the Bank's equity investment in a listed company in Thailand to “finance-related business” defined in Article 74 of the Banking Act. ◎ Appointment of Ching-Hsiang Chan, Executive Vice President of Treasury Division, as the head of finance to be registered as insider in the Market Observation Post System.	None.

Board meeting date/session	Motion	Company's response to all independent directors' opinions
11th meeting of the 15th board of directors on March 21, 2019	◎ The Bank's 2018 cash issue and capital-raising draft plans. ◎ Amendments to the Bank's "Asset Acquisition and Disposal Procedures" and "Internal Control System." ◎ Leasing transaction with Cathay Real Estate Development Co., Ltd. ◎ Removal of restrictions imposed against Executive Vice Presidents Mr. Yo-Chin Cheng and Madam Su-Chu Li for involving in competing businesses. ◎ Participation in the underwriting of international bonds (including Formosa bonds) by companies including Goldman Sachs and branches, subsidiaries and affiliated enterprises. ◎ Underwriting for the primary market offering of corporate bonds issued by Taiwan Power Company. ◎ Authorization for the Treasury Department to lend the Bank's securities to stakeholder - Cathay Securities Corporation at fixed price or through bidding. ◎ Co-underwriting with Cathay Securities Corporation for the corporate bonds issued by Cathay Financial Holding Co., Ltd. ◎ SMS service arrangement with Symphox Information Co., Ltd. ◎ Appointment of chief internal auditor for the Bank's concurrent roles as bank and securities firm.	None.
12th interim meeting of the 15th board of directors on May 3, 2019	◎ Removal of restrictions imposed against the Bank's Independent Director Edward Yung-Do Way and Director Chi-Wei Joong for involving in competing businesses.	None.
12th meeting of the 15th board of directors on May 15, 2019	◎ Removal of restrictions imposed against Director Po-Tsang Hsieh for involving in competing businesses. ◎ Procurement of year-end concessions with Symphox Information Co., Ltd. ◎ Extension of short-term secured lending and treasury limit for Cathay Securities Corporation. ◎ Transaction with Cathay Life Insurance Co., Ltd.	None.

Board meeting date/session	Motion	Company's response to all independent directors' opinions
1st interim meeting of the 16th board of directors on June 26, 2019	◎ Election of the Bank's 16th Managing Directors, Vice Chairman and Chairman.	None.
1st meeting of the 16th board of directors on August 15, 2019	◎ Discussion of private cash issue ◎ Participation in the underwriting of international bonds (including Formosa bonds) by companies including Goldman Sachs and branches, subsidiaries and affiliated enterprises. ◎ Underwriting for the primary market offering of corporate bonds issued by CPC. ◎ Removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo, Vice Chairman Tzung-Han Tsai, Managing Director Alan Lee, Managing Director Chung-Yi Teng, Independent Director Feng-Chiang Miao, Independent Director Edward Yung-Do Way, Director Chi-Wei Joong, Director Chang-Ken Lee, Director Han-Kuo Chen, Director Wei-Hua Chou and Director Chun-Wei Yang for involving in competing businesses.	None.
2nd meeting of the 16th board of directors on November 13, 2019	◎ Appointment of financial statement auditors and review of audit remuneration for 2020. ◎ Amendments to the Bank's "Treasury Limit Authorization Guidelines," "Derivatives Service Guidelines" and "Capital Authorization Guidelines." ◎ Equipment lease and buyback with Symphox Information Co., Ltd. ◎ Purchase of branch backup lines with Symphox Information Co., Ltd. ◎ Extension of treasury limit for Cathay Century Insurance Co., Ltd. ◎ Transaction with Cathay Life Insurance Co., Ltd.	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
Tzung-Han Tsai (Vice Chairman), Chang-Ken Lee and Tsung-Hsien Tsai	Sharing of information resources with Cathay Financial Holdings and Cathay Life Insurance Co., Ltd., and participation/signing of “Cathay Financial Holdings and Subsidiaries Information System Equipment and Personnel Sharing Framework Agreement.”	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	Purchase of required hardware and equipment for the “Smart Financial Service Platform” created in collaboration with Ant Financial	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)	Allocation of 2018 year-end bonus, special incentive and long-term incentive for Chairman and Vice Chairman	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Alan Lee, Chung-Yi Teng and Wei-Hua Chou	Allocation of equipment and personnel expenses on shared information system used by the Bank, Cathay United Bank (China) Ltd., Cathay United Bank (Cambodia) Corporation Limited and overseas branches	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chung-Yi Teng and Wei-Hua Chou	Removal of restrictions against competing business involvement for the mentioned directors	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Han-Kuo Chen	Removal of restrictions against competing business involvement for the mentioned directors	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Chang-Ken Lee	Participation in the underwriting of international bonds (including Formosa bonds) by companies including Goldman Sachs and branches, subsidiaries and affiliated enterprises.	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 Taiwan Power Company	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
Chang-Ken Lee	Authorization for the Treasury Department to lend the Bank's securities to stakeholder - Cathay Securities at fixed price or through bidding	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Co-underwriting with Cathay Securities for the corporate bonds issued by Cathay Financial Holdings	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tsung-Hsien Tsai	SMS service arrangement with Symphox Information Co., Ltd.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Edward Yung-Do Way (Independent Director) and Chi-Wei Joong	Removal of restrictions against competing business involvement for the mentioned directors	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Po-Tsang Hsieh	Removal of restrictions against competing business involvement for the mentioned directors	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Tsung-Hsien Tsai	Procurement of year-end concessions with Symphox Information Co., Ltd.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Extension of short-term secured lending and treasury limits for 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 Chang-Ken Lee	Co-underwriting with Cathay Securities for the corporate bonds issued by Cathay Life Insurance	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Participation in the underwriting of international bonds (including Formosa bonds) by companies including Goldman Sachs and branches, subsidiaries and affiliated enterprises.	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

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Andrew Ming-Jian Kuo (Chairman), Chung-Yi Teng, Feng-Chiang Miao (Independent Director), Chi-Wei Joong and Chang-Ken Lee	Removal of restrictions against competing business involvement for the mentioned directors	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman), Alan Lee, Edward Yung-Do Way (Independent Director), Han-Kuo Chen, Chun-Wei Yang and Wei-Hua Chou	Removal of restrictions against competing business involvement for the mentioned directors	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Alan Lee, Chung-Yi Teng, Jian-Hsing Wu, Wei-Hua Chou	2020 audit plan	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Tsung-Hsien Tsai	Equipment lease and buyback with Symphox Information Co., Ltd.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tsung-Hsien Tsai	Purchase of branch backup lines with Symphox Information Co., Ltd.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tsung-Hsien Tsai	Extension of treasury limit for Cathay Century Insurance	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman)	Increase and extension of treasury limit for Cathay Life	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman)	Leasing transaction with Cathay Life	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting

III. TWSE/TPEX listed companies are required to disclose the cycle, duration, scope, method and detail of board performance self (or peer) evaluations performed: The Bank is not listed on TWSE or TPEX.

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.

1. Cathay FHC has appointed 12 directors, 3 independent directors and 2 supervisors to assemble the 16th board of directors for the Bank.
2. The Bank established “Rules of Procedures for Board Meetings” on February 6, 2004 and made amendments in 2005, 2006, 2008, 2009, 2011, 2012, 2016, 2017, 2018 and 2019.
3. The Bank outlined “Guidelines on the Scope of Responsibility of Independent Directors” on April 26, 2007, and made later amendments in 2007, 2011 and 2019.
4. The Bank has created a corporate governance section on its website to disclose information relating to directors and supervisors.
5. The Bank established a set of “Mergers and Acquisitions Special Committee Organizational Charter” on January 28, 2016, and the committee consists entirely of independent directors.
6. Execution of board 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 2019 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.

Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
Once a year	January 1, 2019 ~ December 31, 2019	Board of directors performance valuation	Board of directors internal self-assessment	1. Level of participation in the Bank'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	January 1, 2019 ~ December 31, 2019	Performance assessment of individual directors	Director self-assessment	1. Attendance (excluding proxy attendance) at board meetings. 2. Supervision over business execution.

Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
				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	January 1, 2019 ~ December 31, 2019	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.
Once every three years	January 1, 2019 ~ December 31, 2019	Board of directors performance valuation	Appointment of external institutions and experts	1. Professional capacity: composition, structure and education 2. Decision capacity: participation in operations and improvement of decision quality 3. Internal control: check & balance and compliance 4. Corporate social responsibilities: sustainable development

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, 2019, 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.

(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 7 meetings (A) were held in the last year (2019); 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%	Newly appointed on January 31, 2019; Re-elected June 26, 2019; required attendance: 6 sessions.
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Liang-Lin Chien	7	100%	Re-elected June 26, 2019.
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Peggy Wang	0	0%	Service ended 2019.01.31; required attendance: 1 session(s).

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 Bank 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 Auditor and the internal audit unit through meetings on an unscheduled basis (at least once a year). Meeting proceedings are recorded in minutes and reported to the board of directors.
2. The Bank's supervisors and Chief Auditor are invited to take part in board meetings. The Chief 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 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 Bank'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 Bank 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/>

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 who are their ultimate owners? (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. Cathay FHC being the Bank' only shareholder, there are no shareholders' recommendations or disputes occurring to the Bank. (II) The Bank is a 100%-owned subsidiary of Cathay FHC. (III) 1.The Bank has implemented "Policy of Governing Credit Extension and Transactions Engagement with Interested Parties," "Guidelines Governing Credit Extension and Transactions Engaged with Interested Parties" and "Self-discipline Guidelines for Transactions with Transactional Observation Objects" to ensure: control over stakeholder risk, compliance with requirements of the Banking	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	V		Act and Financial Holding Company Act regarding credit extension and transaction with interested parties, and that all transactions with interested parties involve no conflict of interest and do not compromise the Bank's operational stability in any way.	No significant difference
(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?			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 and software 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 FHC. (I) 1. All of the Bank's directors and supervisors are appointed by Cathay FHC, the only corporate shareholder. All remuneration-related matters are handled according to Cathay FHC's policies. 2. The Bank's 16th board of directors comprises	Being a 100%-owned subsidiary of Cathay FHC, the Bank's directors and supervisors are appointed by Cathay FHC. Cathay FHC may

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	V		3 independent directors, 11 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. 3. The Bank established a set of “Mergers and Acquisitions Special Committee Organizational Charter” 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.” (II) Board performance assessment is performed once a year according to “Regulations Governing the Evaluation of Board of Directors and Functional Committee Performance”; outcome of the 2019 performance assessment	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	
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		was reported during board meeting. The Bank also has “Regulations Governing the Evaluation of Director and Supervisor Performance” in place that outlines the rules and methods of board member performance evaluation; it examines performance of board members on a yearly basis. (III) Financial statement auditors' independence is evaluated on a yearly basis. Supervisors are able to communicate with CPAs on issues concerning the Bank's financial and business performance. The Bank has assigned a corporate governance officer and specialists to oversee corporate governance-related affairs including: 1. Furnishing information and materials 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 meetings. 4. Assisting in onboarding and continuing training courses of directors and supervisors. 5. Assisting directors and supervisors in complying	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		with laws and regulations. 6. Other matters set out in the Articles of Incorporation or Charter. Ever since the establishment of “Cathay United Bank Principles Governing the Management of External Events Regarding Environmental, Social and Governance (ESG)” in 2018, the Bank has been investigating ESG issues that stakeholders have raised in regards to the Bank's credit service, and taking proper responses and action plans to ensure that all issues of concern are addressed. The Bank has diverse and open channels available for stakeholders to communicate with the Bank, including phone, e-mail, Internet, written correspondence and meeting. 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.” CS webpage of the financial holding company:	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	V		https://www.cathayholdings.com/holdings/csr/intro/te/sustainability-disclosure#first-tab-02 CS webpage of the Bank: https://www.cathaybk.com.tw/cathaybk/csr/equator-principles (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	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	
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? 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		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. 1. The Bank convenes regular labor-management conferences as required by Labor Standards Act. These conferences 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. 2. Progress of the directors' and supervisors' education has been disclosed on the MOPS. (http://mops.twse.com.tw/mops/web/t93sc03_1) 3. "Director, Supervisor and Manager Liability Insurance" is collectively purchased by Cathay FHC. The insurance policy covers the Bank's directors and supervisors. 4. The Bank has established its "Regulations	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		Governing the Evaluation of Board of Directors and Functional Committees Performance” to involve the board of directors, functional committee members and meeting organizers in annual performance review of board 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 2019 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	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		approved during the board of directors meeting dated March 11, 2020, and is indicative of the progress the Bank has made to enhance board functionality. Furthermore, the Bank expects to engage an independent third party to evaluate performance of the board of directors for year 2019 in 2020; this practice should improve the objectivity and effectiveness of board performance evaluation and contribute to sound corporate governance. The Bank has “Regulations Governing the Evaluation of Director and Supervisor Performance” in place to supervise directors in fulfilling their duties, which in turn improves corporate performance and achieves sustainability goals. Indicators used in performance evaluation comprise two categories: directors' duty (e.g.: supervision over business execution, financial position, internal audit, internal control, risk management and compliance) and other references (e.g.: company credit rating, fulfillment of corporate social responsibilities, participation in board meetings, hours of corporate governance training completed etc.). Performance is self-assessed by directors,	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		verified by independent directors and approved by Chairman (directors do not assess their own performance); performance of the Chairman is evaluated by Chairman of Cathay FHC after taking into account independent directors' opinions. 5. 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. 6. The Bank has implemented “Donation Operation Guidelines for Cathay United Bank and Subsidiaries.” All donations to political parties, stakeholders and non-profit organizations since 2008 to date have been 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 Bank 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 remuneration-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		Following the establishment of “Cathay United Bank Principles Governing Corporate Loans by Environmental, Social and Governance (ESG) Criteria” in 2017, the Bank has been evaluating borrowers' ESG conducts based on public records and those that failed to meet sustainability requirements are denied business dealing outright. Businesses that meet sustainability requirements are subjected to tier management based on the level of ESG risk identified, and in doing so, the Bank is able to incorporate CSR factors into operating activities and growth strategies.	Not required
II. Whether the Bank establishes a dedicated unit (concurrently engaged in) to promote corporate social responsibility under supervision by the high-rank			1. The Bank has assembled a “Corporate Sustainability (CS) Team” (CS Team) based on the structure of Cathay FHC's “CS Committee” to execute and manage CSR-related practices. The CS Team comprises representatives from various departments, and enforces	

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	
management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	V		CS on three main aspects: environmental (E), social (S) and governance (G). It represents the Bank's primary CS enforcer, is supervised by the President and has six working groups established under to promote “responsible investment, responsible products and services, sustainable governance, green operation, employee happiness and social prosperity.” Together, they work toward fulfilling the Bank's vision of “creating a sustainable future through green banking.” 2. The CS Team 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.	Not required

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 its 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 has been simultaneously certified for ISO14001 - Environmental Management System and ISO50001 - Energy Management System; it adopts numerous environmental protection and energy/carbon reduction measures such as energy conservation challenge, placement of resource recycling container at branches, solar-powered branch, digitalization of advertising and promotional materials etc. as means to bring employees' attention to Earth's environment. (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\$105 million of green purchase was made in 2019. (III) The Bank has long devoted attention to climate change issues, carefully evaluates their risks, opportunities and impacts, and responds with green banking and green operations. The Bank was the first among peers to engage in the financing of green projects including solar power stations and offshore wind power; it has been certified for ISO14001 - Environmental Management System and ISO50001 - Energy Management System, and actively incorporates environmental protection	Not required

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?	V		elements into daily business operations. (IV) Greenhouse gas surveys in the last two years have been certified for ISO14064-1, and the Bank supports the Group's goal of reducing carbon by 5%~10% over 5 years. Water usage survey and waste survey are also being conducted, and the Bank has set its goals to reduce both figures by 1% over the previous year. Several carbon reduction, water conservation and waste reduction measures are being adopted to achieve the above goals, including: implementation of energy management system, energy conservation challenge, replacement of outdated and energy-intensive equipment, placement of faucet dispense sensor and recycling container etc.	Not required
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?			(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 had been no violation of workers'	

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) 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		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). 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.	Not required
(III) Whether the Bank provides the existence of a safe and healthy work environment; regular safety and health training to its			(III) 1. Workplace carbon dioxide levels and lighting are inspected once every six months, whereas drinking dispensers are subjected to water quality tests once every quarter. The Bank has a total of 31 nursery	

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	
employees?	V		rooms at 12 office locations to provide employees with safe and comfortable work environment.	Not required
(IV) Has the Bank established some effective career development training plan for employees?			2. 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. 3. The Bank hosts occupational safety and health training courses and occupational hazard prevention awareness programs 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. 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. (IV) In addition to providing convenient, professional and innovative financial services for better customer experience, the Bank also emphasizes diversity in	

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) 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		employees' career development potentials. A career roadmap has been designed to highlight growth opportunities and learning goals for employees, while a systematic training program supported by the use of digital technology has been implemented to improve learning motivation and outcome within the organization. Furthermore, skill and performance evaluation systems are constantly adjusted to ensure high degree of association between employee growth and corporate targets. (V) All investment products and services offered by the Bank are fully compliant with laws and rules of the authority. Rigorous risk controls and thorough risk disclosures are being made to protect customers' interest. Product/service marketing and labeling are entirely compliant with laws, instructions of the Financial Supervisory Commission, and terms of the Financial Consumer Protection Act pertaining to specific industries. All information has been disclosed to consumers in the utmost integrity, credibility, and protection for financial consumers' rights. By ensuring the completeness and accuracy of financial information delivered, the Bank aims to help customers make the correct decisions.	Not required

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 32 of "Cathay 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." Cathay FHC, 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 2019, the parent company and subsidiaries engaged suppliers in a number of events including online training, self-assessment and supplier conference to communicate issues concerning sustainability, human rights and environmental	Not required

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		protection. The Bank passed certification for CNS45001 and ISO 45001 - Occupational Health and Safety in 2019, which requires establishment of supplier management policy. Cathay FHC, the Bank's parent company, has been publishing “Corporate Social Responsibility Reports” once a year since 2012. The report mainly covers CSR progress and outlook of 6 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).	Not required
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 Principles” 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 pioneer in the financial industry, 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 public welfare activities including offering study aid, supporting charity sponsorship, holding cultural/arts/charity				

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	
events, and consignment charity. The Bank is highly committed in fulfilling corporate social responsibilities and organizes charity events through Cathay United Bank Foundation. A list of major events organized by the Foundation in 2019 are 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 for a total of NT\$11 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 942 elementary and junior high schools in Miaoli County, Changhua County, Yunlin County, Chiayi County, Taitung County and Yilan County to a total of 7,934 beneficiaries. The Foundation has also been running a separate Elevated Tree Program - Vietnam since 2008 in collaboration with Cathay United Bank Chu Lai Branch and local charity organizations in Vietnam, and a total of NT\$1 million in tuition aid were donated to children in Vietnam in 2019. To date, the Foundation has helped nearly 120,000 students thrive amidst hardship by giving them access to equitable education. ② Donation of “charity coats” in collaboration with business: Chairman Jinzhu 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 2019, they donated 2,500 new winter coats to students in remote areas. ③ Elevated Tree Program Public Welfare Lectures: 11 lectures were held in Taipei City, Taichung City and Taitung County to an audience size of nearly 3,000. Since the Program first began in 2008, more than 170 lecture sessions have been held to an audience size of more than 20,000. ④ Love Without Barriers: In order to fully preserve the contents of “Elevated Tree Program Public Welfare Lectures,” the Bank published the 7th volume of “Love Without Barriers,” which features a collection of knowledge verbally communicated by experts and scholars of parental education. 13,000 copies of the publication were printed and placed at Cathay United Bank branches where customers and the general public may access free of charge. A total of 100,500 copies have been printed to date since the first publication was made in 2013.				

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	
2. Art and cultural events:				
① Art exhibitions at Cathay United Art Center:				
In an attempt to promote art and charity, Cathay United Art Center not only invited numerous artists to hold exhibitions and seminars in 2019, but also hosted “Love and Hope Charity Art Exhibition” at its new office premise in Xinyi District (relocated in December) to showcase the latest artworks of 10 artists from Republic of China Oil Painting Association. These artists also took part in the Foundation's Elevated Tree Program and the group's Cathay Arts Festival – Cathay Art Competition to display their award-winning creations. A total of 6 art exhibitions were held during the year. The art center provides the public with a comfortable space to admire art free of charge.				
② “Art Talk Lectures” held at Cathay United Art Center:				
Driven by the mission to promote art education, Cathay United Art Center hosted several free sessions of “Art Talk Lecture” at night time. For the 2019 “Art Talk Lecture,” artists were involved to share knowledge on art and introduce the audience to various art galleries. Prominent figures including Professor Kuang-Yi Chen from NTUA Department of Fine Arts, artist Jen-Shan Lin and Professor Yung-Yuan Yang from NTNU Department of Fine Arts were invited to speak on: “Contemporary Watercolor Painting in Taiwan,” “17th-20th Century French Landscape Paintings - Pushkin Museum Collection,” and “Major UK Galleries and Collections” for a total of 9 sessions. The art center also coordinated with Taipei Literature Festival to provide the public with opportunities to learn about art free of charge.				
③ Charity auction of specially designed calendar:				
In 2019, Cathay United Art Center created a calendar that comprised artworks of 12 artists including Hsien-Fa Su. With this calendar, the art center hoped to bring art into people's lives and promote peace in mind. As part of its relocation exhibition, the art center organized a charity auction of “Love and Hope” publication and specially designed cushions, and donated all proceeds to finance education for socially disadvantaged students, thereby spreading acts of kindness in the society.				
3. Sponsored events:				
The “82nd Tai-Yang Arts Exhibition” by Tai-Yang Art Association; R.O.C.“43rd Oil Painting Competition and Exhibition” by Republic of China Oil Painting Association; R.O.C.2019 Charity Run Up by Down Syndrome Foundation of the R.O.C.; financial				

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	
			aid to Bunun Cultural and Education Foundation for renovation works, and thereby maintain park operations for tourism income and employment opportunities for the Bunun people; financial aid to Puzangalan Children's Choir for participation in the “11th International Johannes Brahms Choir Festival & Competition”; and support to persons with disability who lack the capacity to engage in competitive employment. Cathay group has also been stimulating demand and supply through real purchases, and a “Mid-autumn Charity Auction” was organized in collaboration with UBS and participation from Taipei Happy Mount, Down Syndrome Foundation, Yu-Cheng Social Welfare Foundation and St. Anne's Home to consolidate acts of kindness toward generating income for social welfare organizations. As an encouragement for physical education and to improve students' sport skills in international games, Cathay group sponsored the hockey team of National Chushan Senior High School for participating in the “2019 California Cup International Field Hockey Tournament,” the weightlifting team of Tainan Danei Junior High School for participating in the Asian Junior Weightlifting Championships, and organized the 10th Cathay United Xucun Cup International Soccer Competition. 4. Charity events co-sponsored with group affiliates: The Bank participated in the “Cathay Scholarship,” “Teach For Taiwan (TFT),” “Cathay Children's Camp,” “New Immigrant Offspring After-school Care,” “Giving Winter Warmth,” and “Eden Charity Auction,” and was involved in the preparation of the Cathay Charity Group annual report. The diverse activities and services mentioned above are a good indication of the Bank’s commitment in charity and social responsibilities. In the future, the Bank will continue to support charity events of all kinds so that love and warmth can be spread to all corners of the society. (II) To support the government’s policies of helping social enterprises grow and obtain the required funding, Cathay United Bank collaborated with Taipei City Government on the launch of “Social Enterprise Financing Program” and invited Small and Medium Enterprise Credit Guarantee Fund to provide guarantee on low-interest loans for borrowers that met the required eligibility criteria. By leveraging the strength of the government, non-profit organizations and the business world, the Bank hoped to introduce a financial platform in favor of social enterprises. Since the program started in April 2017, the Bank had lent to 8 social enterprises for a sum of NT\$21.32 million by the end of 2019, and supported their efforts toward caring for the socially disadvantaged and fostering a sustainable environment. Cathay United Bank pays constant attention to society’s needs and movements, and was the first in the	

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	
industry to apply its expertise into introducing “Social Enterprise Financing Program”. This initiative was intended to provide liquidity for social enterprises in Taiwan and create a better commercial environment where they may thrive and realize their visions of an inclusive society. (III) 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 2019, the Bank managed NT\$37.63 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. By the end of 2019, a total of 202 existing professional baseball players had engaged Cathay United Bank in trust arrangements, and NT\$132 million in capital were placed under professional baseball players trust. Since 2015, the Bank has been sponsoring the “Feedback” program organized by CPBL Players Development Association on a yearly basis, which aims to develop young baseball talents and convey healthy exercise to the general public. (IV) 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 2019, 3,662 pieces of equipment had been donated through this arrangement. (V) In August 2019, the Bank joined Lanyang Museum in the “Yilan Coastal Cleanup” event, during which 200 employees, family members and supplier partners contributed to clearing 524 kg of waste at Zhuan Estuary, Yilan. Furthermore, through a series of experience-based activities such as plastic-free market, the Bank advocated reduction at the source and attempted to enforce green living in people's lives. (VI) In December 2019, the Bank held a social enterprise Christmas market event at the headquarter building and invited 9 social enterprises to share philosophy on the products they sell. The event provided opportunity for social enterprises to gain exposure,				

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	
market products, and engage consumers for the creation of a better society. (VII) Below is a summary of main health promotion events the Bank had organized in 2019: 1. Cathay Financial Group has been organizing a “Weight Loss Program” for the purpose of promoting healthy lifestyle, proper exercise habits, healthy diet, and improving health and energy of its employees. A pedometer-based jogging challenge was added to the program in 2019, and the Bank's employees achieved a total weight loss of 4.6 tons, for which the financial holding company had honored its commitment and made a donation of NT\$2 million to charity causes. 2. The Bank organized the “2019 Cathay United Parental Engagement” event along with a series of interactive courses and parenting lectures to help employees understand better the growth of their children. The Bank also hosted its 2nd baby crawling contest to help babies develop hand-eye coordination, balance and brain function, while at the same time promoting parental interaction and making the workplace friendly to employees with child. The event received a total of 2,315 participants. 3. The Bank organized its “2019 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 8 sessions were held in northern, central and southern Taiwan, all of which received overwhelming responses from the local community, and resulted in 1,515 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 Bank organized “THSR Tours” during the year and invited employees to take their families on a light trip so that they may return to work fully charged. A total of 1,048 enrollments were received, and 262 people won THSR concession tickets. Through these activities, the Bank hopes to promote work-life balance among employees. 5. In 2019, the Bank supported influenza vaccination and worked with public health service centers in organizing 3 mobile healthcare events. A total of 145 employees received the influenza vaccine. 6. The Bank has been running a Female Workers Protection Program since June 2016; in 2019, an awareness campaign called “New Dad Challenge” was organized, during which first-time fathers were invited to complete a series of challenges such as accompanying wife to prenatal screening, bathing baby, and accompanying wife to first-time parent courses. Those who completed the challenge and the accompanying questionnaire were given a set of birth gifts. Physical and mental health state of employees				

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	
who are pregnant or have recently given birth are evaluated continuously so that they can work with peace of mind. The Bank has devoted significant efforts into creating a female-friendly workplace and addressing feminine issues that are critical to corporate sustainability. (VIII) 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 2019: 1. Online credit card application: Using credit cards or accounts held with another bank instead of signature, customers are able to verify their identity and populate details such as deposit balance and personal background with minimal paper work. A total of 382,084 applications were received digitally in 2019 by December, up 26% compared to 2018. 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 129,000 e-mail and SMS notifications were sent in 2019 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 16.77 million sheets of A4 paper in 2019. 4. Credit card online donation: Cardholders can make donations to 44 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\$392 million were donated to the Bank's partnered charity organizations via credit card in 2019. 5. Reward point online donation: The Bank currently works with 9 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 the Bank credit card). In 2019, cardholders made 1,122 donations for a sum of NT\$1.718 million, including 9.14 million reward points (equivalent to NT\$548,000) and NT\$1.17 million in credit card spending.				

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	
6. Reward point fax donation: The Bank currently works with 28 charity organizations to accept reward point donation over fax. In 2019, a total of 253 reward point donations were made over fax for a sum of 3.29 million points (equivalent to NT\$197,000).				
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\$154,754,000 were charged to credit cards in relation to the above in 2019.				

(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 integrity policy, and stated in its internal regulation or external correspondence about the policies and practices it implements, and the commitment of board of directors and the senior	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. Cathay holds “Integrity” as its	Not required

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	
management to fulfill business integrity?	V		most important core value, for which Cathay FHC has established “Code of Operation Integrity” and “Procedures and Guidelines of Conduct for Ethical Management” 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 its 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 “Cathay United Bank Procedures and Guidelines of Conduct for Ethical Management” based on Cathay Financial Holdings' “Code of Operation Integrity” and local laws relevant to operations of the Bank and group affiliates, and enforced them with the Chairman's approval. The guidelines 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.	Not required

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 before launch for the protection of consumers' and stakeholders' interests. (III) “Cathay Financial Holdings Code of Operation Integrity Policy” and “Cathay United Bank Procedures and Guidelines of Conduct for Ethical Management” 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, charity donation, confidentiality, fair trading, insider trading, AML and maintenance of	Not required

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 integrity management clause in the contract to be signed with the trading counterpart?	V		work environment; all of which have been duly implemented. Meanwhile, other policies such as “Cathay United Bank Guidelines Governing Report and Complaint Handling” and “Cathay United Bank Employee Rewards and Discipline Guidelines” have also been 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	Not required

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 that facilitate the report of conflicting interests?	V		principals. (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 Procedures and Guidelines of Conduct for Ethical Management,” 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 guidelines are bound to report to the	Not required

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	V		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, 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	Not required

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	
dishonest conduct? (V) Has the Bank organized internal/external education training program for ethical management periodically? 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?	V		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 2019 (e.g.: training on integrity and ethics, compliance training etc.). These sessions received a total of 17,620 enrollments and delivered 3,409 man-hours of training. (I) “Cathay United Bank Whistle-blowing System Guidelines” and “Cathay United Bank Whistle-blowing System 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.	Not required

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 implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation? (III) Has the Bank adopted any measures to prevent the complainants from being abused after filing complaints?	V		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 established investigation procedures based on the above whistle-blowing guidelines and Rules, and outlined subsequent actions and confidentiality measures to be undertaken after completion of investigation. (III) The Bank has adopted principles of protection for whistleblower to protect whistleblowers from improper treatments, including: 1. The identity of the whistleblowers shall be treated as confidentiality and shall not be disclosed in any format. 2. The whistleblowers shall be protected against any form of retaliations for filing a report, such as termination/dismissal, demotion, salary cut, depriving of his/her rights and/or benefits entitled under law, contracts or customs, or any other prejudicial treatments.	Not required

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. Enhancing Information Disclosure Has the Bank disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?	V		The Bank has disclosed “Cathay United Bank Procedures and Guidelines of Conduct for Ethical Management” on its Chinese and English website at: https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/#first-tab-04 The Bank complies 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/finafin/	Not required
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.				
VI. Other information material to the understanding of integrity 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				

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	
transactions through its internal audit system, and has outlined the behaviors that employees are bound to obey in its work rules and policies 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.

Cathay Financial Holdings, Cathay United Bank and Cathay Life Insurance participated in the “Corporate Governance Assessment” of Taiwan Corporate Governance Association for the first time in 2018, and managed to claim the highest “Exceptional” rating on the first attempt. This certification is valid until December 24, 2020.

(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, 2019, 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 11, 2020.

To:

Financial Supervisory Commission

Stated by:

Chairman: Andrew Ming-Jian Kuo

President: Alan Lee

Chief Auditor: Hung-Chang Yang

Chief Compliance Officer: Yun-Wei Huang

March 11, 2020

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

(Baseline date: December 31, 2019)

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
I. Customer due diligence and know-your-customer processes were not properly performed during deposit account opening.	Additional checks have been implemented for account opening.	Rectified
II. Customer identity check and account/transaction monitoring were not properly performed when carrying out deposit service.	The Bank has undertaken tightened controls, enhanced training and ongoing check for discrepancies between the remittance applicant and the capital provider.	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 2019. 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, 2020

(XI) Penalties imposed against the Bank in the last 2 years up till the publication date of this annual report; the weaknesses found and the improvements made are disclosed as follows:

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 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 Banking 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 Bank 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. 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) Defects in the offering of structured notes posed concern to the Bank's operations, for which an order of correction was imposed according to Paragraph 1, Article 61-1 of the Banking Act. [Letter Jin-Guan-Yin-Kong-Zi No. 10702083860 of July 17, 2018] (II) Misuse of customer's personal information for credit card applications involving a former branch staff posed concern to the Bank's operations, for which an order of correction was imposed according to Paragraph 1, Article 61-1 of the Banking Act. [Letter Jin-Guan-Yin-Kong-Zi No. 10701140880 of December 6, 2018] (III) 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 July 13, 2019]	The Bank has implemented control measures before, during and after transaction of structured notes. The risk declaration part is now displayed in bolded text. A digital training course has been produced and branch managers are being instructed to convey the underlying knowledge to branch staff, and thereby promote compliance awareness. Additional checks have been implemented for account opening.
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 accounting, chief auditor and corporate governance officer) in the most recent year up till the publication date of this annual report:

There had been no resignation or dismissal of managers of related duty.

V. Professional Fees to the CPAs:

Range of Professional Fees to the CPAs

Name of Accounting Firm	Names of CPAs	Audit Period	Remarks
Deloitte & Touche	Li-Chi Chen, Hsu-Jan Cheng	2019.01.01~2019.12.31	—

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	

Amount Unit: NT\$ thousand

Name of Accounting Firm	Names of CPAs	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	11,022	14,438	-	-	537	14,975	2019.01.01 ~ 2019.12.31	—

Note 1: If the CPAs or public accounting firms for the Bank 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 :

None.

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.

Information of Related Parties of the top ten shareholders

Baseline date: March 31, 2020

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	Name	Relationship	
Cathay Financial Holding Co., Ltd.	10,165,835,208	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, 2020 Unit: shares; %

Invested enterprise	Owned by the Bank		Owned by Directors, Supervisors, President, 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	643,853	0.17%	-	-	643,853	0.17%
Taipei Forex Inc.	800,000	4.04%	-	-	800,000	4.04%
Global Securities Finance Corporation	456,912	2.46%	3,124	0.00%	460,036	2.46%
Taiwan Futures Exchange	2,211,578	0.62%	-	-	2,211,578	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.	79,964,807	10.32%	-	-	79,964,807	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%

Invested enterprise	Owned by the Bank		Owned by Directors, Supervisors, President, 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
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%
Quantifeed Holdings Limited	2,829,225	8.66%	-	-	2,829,225	8.66%
Cathay United Bank (China) Co., Ltd.	-	100.00%	-	-	-	100.00%
Srisawad Corp PCL	63,127,254	4.72%	-	-	63,127,254	4.72%
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.	450,296	5.00%	-	-	450,296	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: Alliance Digital Technology Co. passed a resolution to dissolve during its 2018 annual general meeting; the dissolution baseline date was set at December 31, 2018.

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 Bank has a total capital of NT\$ 101,658,352,080, issued in 10,165,835,208 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 Bank from that day onwards. A breakdown of issued share is presented below:

(I) Capital Stock Source:

Baseline date: March 31, 2020 Unit: shares/\$

Date	Issue price	Registered Capital		Total Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Capital Stock 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 \$ 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

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.

Unit: shares/\$

Share Type	Registered Capital			Remarks
	Outstanding shares	Un-issued shares	Total	
Common shares	10,165,835,208	0	10,165,835,208	-

(II) Shareholder structure

Baseline date: March 31, 2020

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	—	1	—	—	—	1
Number of shares held	—	10,165,835,208	—	—	—	10,165,835,208
Ratio of shareholding	—	100%	—	—	—	100%

(III) Distribution of equity

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

Baseline date: March 31, 2020

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	10,165,835,208	100%
Total	1	10,165,835,208	100%

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

2. Preferred shares: None.

(IV) List of major shareholders

Major Shareholders \ Shares	Number of shares held	Ratio of shareholding
Cathay Financial Holding Co., Ltd.	10,165,835,208	100%

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

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

Item \ Year (Note 8)			2018	2019	As of March 31, 2020
Market Share per share (Note 1)	Highest		-	-	-
	Lowest		-	-	-
	Average		-	-	-
Net worth per share (Note 2)	Before payout		22.12	22.38	22.73
	After payout		21.03	Not yet resolved in a shareholder meeting	-
Earnings Per Share (Note 3)	Weighted Average Number of Shares		9,119,762 thousand shares	10,165,835 thousand shares	10,165,835 thousand shares
	Earnings Per Share	Before Adjustment: 2.30	2.25	0.74	
		After Adjustment: 2.17			
Dividend Per Share	Cash Dividend		1.10	Not yet resolved in a shareholder meeting	-
	Stock Dividend	From Retained Earnings	0.60	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: 2018 - 2019 figures were prepared according to International Accounting Standards (IAS), whereas financial information up till March 31, 2020 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 2019 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\$(147,494,195)
- (2) Net fair value impact from disposal of investment property: NT\$292,280,181.
- (3) Legal reserve: NT\$6,590,231,770
- (4) Reversal of special reserve: (NT\$49,730,618)
- (5) Distribution of stock dividends: NT\$5,327,476,840
- (6) Distribution of cash dividends: NT\$10,000,000,006

(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 2019:

- (1) Proposal was made to pay out employee remuneration of NT\$12,660,657 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 2019.

(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	\$10 million	\$10 million	\$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%	1.48%/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\$95.198 billion	NT\$98.178 billion	NT\$98.178 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	1.58	4.07	8.35
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	August 7, 2012	April 24, 2013	May 19, 2014
Face value	\$10 million	\$10 million	\$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\$10 billion (7-year/10-year, NT\$0.1 billion/NT\$9.9 billion)	NT\$15 billion (7-year/10-year, NT\$3 billion/NT\$12 billion)
Interest rate	1.65%	1.55%/1.70%	1.70%/1.85%
Duration	10 years Expiration date: August 7, 2022	7-year/10-year Expiration date: April 24, 2020/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\$10 billion	NT\$15 billion
Paid-up capital in the previous year	NT\$52.277 billion	NT\$52.277 billion	\$64.668 billion
Audited net worth in the previous year	NT\$98.178 billion	NT\$103.045 billion	\$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	14.06	23.10	31.77
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	2015 1st 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. 10300338550 dated December 3, 2014 by FSC
Date of issue	2014.10.08	2014.10.08	2015.3.30
Face value	\$1 million	\$1 million	\$1 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	US\$	US\$	US\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	US\$660 million	US\$330 million	US\$180 million
Interest rate	5.10%	4.00%	0.00% (internal rate of return: 4.20%)
Duration	No maturity date	15 years Expiration date: October 8, 2029	Matures on March 30 ,2045, unless the Bank exercises "issuer's right of recall"
Priority of repayment	Subordinated	Subordinated	Ordinary
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Cathay Securities, E.Sun Bank (primary)	Cathay Securities, E.Sun Bank (primary)	Cathay Securities, Yuanta Securities (primary)
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	Bullet repayment at maturity, unless recalled by exercising "issuer's right of recall"
Outstanding balance	US\$660 million	US\$330 million	US\$180 million
Paid-up capital in the previous year	\$64.668 billion	\$64.668 billion	\$67.113 billion
Audited net worth in the previous year	\$122.11 billion	\$122.11 billion	\$122.11 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	Two 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	None	None
Restriction Clause	Subordinated	Subordinated	None
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	48.26	56.51	61.13
Whether regarded as eligible capital	Yes. Tier 1 non-common share equity	Yes/Tier 2	No
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: March 9, 2015, twAA+

Type of bank debenture	2017 1st financial debenture issue	2017 2nd financial debenture issue	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	Letter No. Jin-Guan-Yin-Kong-Zi No. 10600042300 dated 2017.3.7 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10600042300 dated 2017.3.7 by FSC
Date of issue	2017.4.11	2017.4.18	2017.11.24
Face value	\$1 million	\$10 million	\$1 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	US\$	NT\$	US\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	US\$195 million	NT\$15.1 billion (7-year/10-year, NT\$2.4 billion/NT\$12.7 billion)	US\$300 million
Interest rate	0.00% (internal rate of return: 4.30%)	1.50%/1.85%	0.00% (internal rate of return: 4.10%)
Duration	Matures on April 11, 2047, unless the Bank exercises "issuer's right of recall"	7-year/10-year Expiration date: April 18, 2024/ April 18, 2027	Matures on November 24, 2047, unless the Bank exercises "issuer's right of recall"
Priority of repayment	Ordinary	Subordinated	Ordinary
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Self-underwritten	Yuanta Securities, MasterLink Securities, Taiwan Cooperative Securities, Cathay Securities	Self-underwritten
Certifying attorney	None	None	None
Certifying CPA	None	None	None
Certifying financial institutions	None	None	None
Repayment method	Bullet repayment at maturity, unless recalled by exercising "issuer's right of recall"	Repayment of principal on due date	Bullet repayment at maturity, unless recalled by exercising "issuer's right of recall"
Outstanding balance	US\$195 million	NT\$15.1 billion	US\$300 million
Paid-up capital in the previous year	\$72.1 billion	\$72.1 billion	\$72.1 billion
Audited net worth in the previous year	\$142.586 billion	\$142.586 billion	\$160.274 billion
Fulfillment conduct	Normal	Normal	Normal
Terms for redemption or early repayment	One year after the bond is issued, the Bank is entitled to recall on various dates specified in the Bond Recall/Repayment Chart	None	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	None	None
Restriction Clause	None	Subordinated	None
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	56.54	67.13	65.34
Whether regarded as eligible capital	No	Yes/Tier 2	No
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: September 29, 2016, twAA+	Taiwan Ratings: September 29, 2016, twAA+	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. Global Depository receipts:

None.

V. Disclosure relating to employee warrants and restricted employee shares:

None.

VI. Merger or acquisition of other financial institution:

None.

VII. Implementation of the Capital Utilization Plans:

(I) Plan details

In an attempt to increase capital adequacy ratio and to reserve the capital needed for medium and long-term lending as well as to 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\$15.1 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 (3) years but without significant benefits as yet: None.

(II) Implementation Status

The Bank utilized US\$495 million (equivalent to NT\$14.9 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. The remaining limits may be utilized depending on market condition and capital requirements.

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 2019 was reported at 15.09%; 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 services

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.

■ Financial payment service

1. Transaction acquisition service

The Bank provides merchants with a diverse range of payment service (online, offline, installment purchase, reward point offset, TW Pay, Alipay and e-wallet acquisition interfacing).

2. New payment service

The Bank cooperates actively with major merchants to accept mobile devices (smartphones, etc.) as payment tool for the optimal online to offline (O2O) consumer experience. It enables innovative payment solutions and financial services to be introduced for various applications and scenarios, helps merchants integrate payment tools into their APPs or e-wallets in a fast and secure manner, and opens up opportunities for customized service and marketing for strengthened customer attachment.

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.

■ 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 solutions packaged with cardholder-exclusive privileges, campaigns and rewards to create a financial ecosystem that accommodates customers' spending habits. Using data analysis, the Bank is able to gain insight into customers' needs, apply customer segment management and recommend the most suitable financial products. It is the Bank's ultimately goal to satisfy customers' every financial need while being able to provide each customer with a customized solution.

■ Wealth management service

The Bank offers a diverse range of services from investment, insurance, trust planning to insurance planning to help customers build a robust portfolio that addresses their financial needs and goals.

■ 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.

■ Corporate banking service

1. Corporate finance

The Bank offers an extensive variety of corporate financing solutions to meet customers' requirements, from working capital, capital expenditure, negotiable instrument, SME to businesses of the creativity 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 developed 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.

■ International Financial services

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 notes, 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.

■ Digital banking services

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 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.

■ Investment and treasury marketing

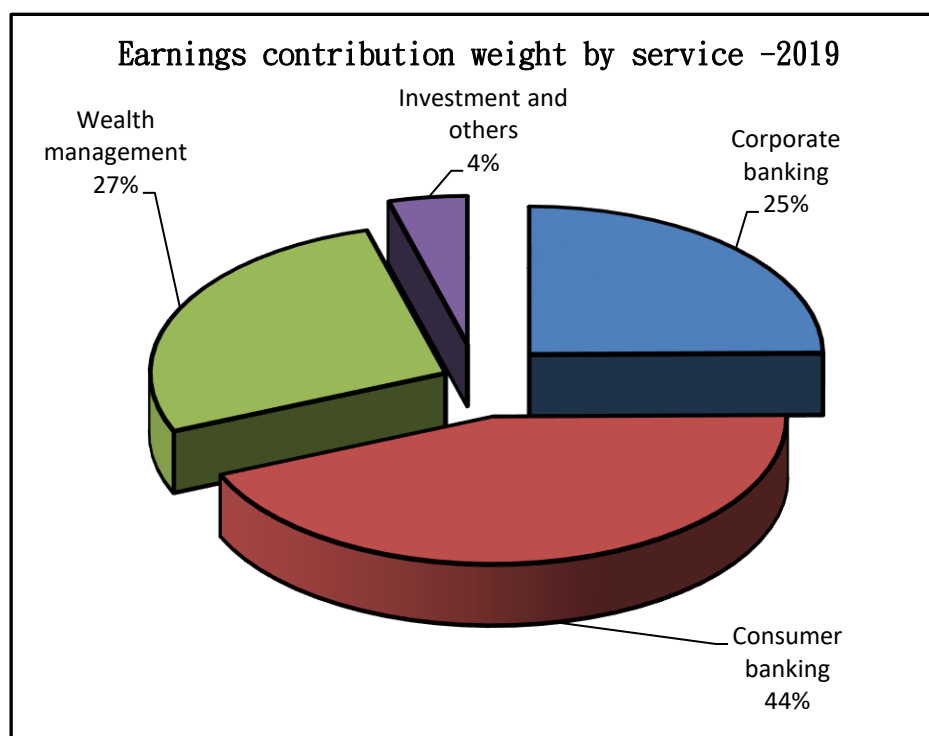
In terms of treasury marketing, the Bank offers new derivatives, designs financial products and supports customers with quotation and consultation services. Training

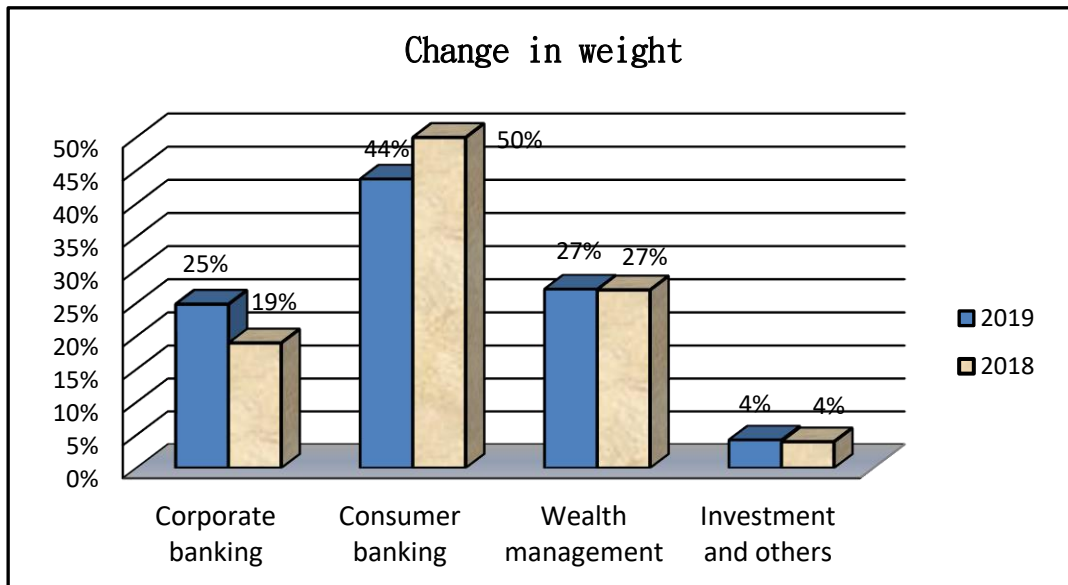
and promotional programs are organized for business departments.

■ Overseas operations

The Bank actively explores expansion in Greater China and Southeast Asian markets. In the Southeast Asian market, relationships are formed with local and multinational businesses to secure syndicated loan (as a lead arranger or participating lender) opportunities, and efforts are being committed to expand existing products and services (such as corporate Internet banking, global transactions, green project financing, 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.

(II) Revenue weight by business category:





(III) 2020 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 financial group 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/mobile features. Attract potential customers through the use of digital marketing tools, and introduce diverse 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.

■ Financial payment service

1. Transaction acquisition: Value customer experience and solve customers' pain points; create an environment that accepts diverse payment tools; develop automated services and apply segment management for high-value customers; aim to raise market share and profitability of transaction acquisition service.
2. New payment: Grow relationship with prominent merchants; optimize user experience, create data engine and explore collaborative opportunities within the group to introduce new payment functions that connect a wider range of financial service providers for total payment solutions targeted at merchants. Explore opportunities to work with prominent or new channel partners, and expand the payment ecosystem by establishing connection across store chains, third-party payment service providers and merchants.
3. Automated channels: Optimize the efficiency and user interface of automated equipment with customers' experience in mind; cooperate with distribution partners on service differentiation.

■ Credit card service

1. Utilize big data analysis to predict customers' needs and preferences, and to connect merchants with consumers on a multitude of dimensions. Satisfy target customers' lifestyle and entertainment needs by packaging a diverse range of privileges from tourism, dining, shopping, travel, recreation to entertainment, and thereby increase both the amount and market share of credit card spending.
2. Utilize new data analytical tools to keep track of customers' online and offline activities, and apply machine learning algorithms to create value from the data obtained. Incorporate data analysis into financial service scenarios and introduce one-stop financial services ahead of market.
3. Optimize interest-bearing products and enable/promote multi-channel application for improved customer experience and satisfaction. Offer customers

the most suitable product portfolio and apply differentiated, risk-based pricing to increase revenues for the entire bank.

4. Improve competitiveness of credit card offerings, offer differentiated interest rates and pricing based on customers' risks, and attract customers with new digital experience as well as situational dialogs. Satisfy customers' liquidity needs and increase bank-wide revenues.

■ Wealth management service

1. Improve professional capacity of financial advisors and quality of online service; satisfy investment needs of all customer segments through the use of financial technologies and big data analysis, and help customers achieve financial goals in various stages of life.
2. Promote investment-linked and protection-oriented insurance policies in line with changes in insurance regulations and policies, and thereby satisfy customers' needs for personal and family protection.
3. Adopt robust after-sale service and risk management systems; assist customers with risk and return management for improved service experience.
4. Enhance data-driven portfolio management; monitor quality of key assets and ensure the soundness of investment positions held on hand.

■ 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.

■ Corporate banking service

1. Improve asset quality by enhancing corporate credit assessment, increasing disclosure of credit risk, enforcing post loan management, and enhancing customer risk management.
2. Enhanced training system for professional banking talents: improve course quality/job rotation/promotion program for more effective selection, retention and development of wholesale banking talents.
3. Introduce innovative offerings of NTD and foreign currency deposit products; raise competitiveness and market share by enriching the digital deposit platform with better quality and more convenient products and services.
4. Promote cash management platform that spans across the Greater China Region

to capitalize on the close trade relations and future deregulations on cross-border RMB service. Aim to become customers' main funding platform by providing more convenient services to corporate customers.

5. Develop complete range of trade financing and cash management products from customers' perspective. Promote transaction-based banking services, particularly import/export trade financing and cash management within the Greater China Region and Southeast Asia, and provide cross-border cash flow services to meet the needs of customers local and abroad.
6. 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.
7. Develop the diversity of GTS 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.
8. Design solutions based on the scale and needs of corporate customers, and provide customers with a more efficient and suitable service.
9. 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.
10. Provide new foreign currency services through digital channels, and satisfy remittance needs for a larger number of locals and foreigners.
11. Grow domestic businesses, follow the group's customer management strategy, continue offering niche products and services such as project financing and capital market financing and aim to become the best partner for businesses. Grow wealth management service with customers' satisfaction in mind and thereby improve overall performance.
12. 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.

■ Digital banking services

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-oriented digital channels: Create digital pipelines with a customer-centric focus, and aim to increase the size of customers attracted and their profit contribution.

■ Investment and treasury marketing

1. Implement systems and service processes with a customer-centric focus.
2. Expand product line for increased transaction with customers of all attributes.

■ 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.

(IV) Market analysis

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

(1) Supply

Following the authority's deregulation for online-only bank, customers will be able to open deposit account, place time deposit, exchange currency and make investments entirely online. Although digital bank services do bring convenience to customers, they pose additional competition to the financial industry.

(2) Demand and growth

Repercussions of the China-USA trade conflict will continue to affect

future economic growth by a significant degree. International Monetary Fund (IMF) has already revised downward its global economic growth forecast for 2020, and the outbreak of COVID-19 in the beginning of the year brings even more uncertainty to economic performance. For this reason, risk management is currently the priority of the organization's investment management efforts. Meanwhile, the government's annuity reform has brought the public's attention to retirement planning, and it is expected that consumers will look toward protection-oriented products and bond-centric portfolios for stable income in periods of sustained low interest rate, and have greater demand for total asset allocation planning.

(3) Competitive advantage

Due to saturation and high degree of homogeneity within the domestic financial market, it is necessary for banks to compete on financial innovation and service differentiation in the future, which is why the Bank will be cooperating and integrating with partners from different industries to develop innovative practices that are different from traditional banking.

With a vast customer base, financial technologies and big data analysis at disposal, the Bank is able to monitor market changes and customers' needs, and quickly satisfy them with investment and insurance products/services with group support.

While market uncertainty remains high, the Bank will focus on enforcing after-sale and risk management and making adjustments to customers' portfolio. Doing so helps build a professional image and win customers' trust.

The Bank possesses exceptional corporate image along with many advantages including a vast customer base, diverse range of service, expansive business network, access to virtual channels, and support of group resources that can be exploited for cross-selling synergy. All of which have the potential to strengthen customer relations and improve overall satisfaction.

The Bank actively explores expansion opportunities in Greater China and Southeast Asian markets by forming relationship with local and multinational businesses. Cross-border deployment involves long-term planning and is an extension of the Bank's existing advantage. The purpose of such an expansion plan is generally to leverage the growth momentum of the target market and serve customers within the area.

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. The same strategy is being applied in Greater China Region and ASEAN countries, as it creates a stronger relationship with the local market that would benefit the Bank's operating efficiency and profit performance over the long term.

There have been signs of saturation in Taiwan's economic activities in recent years; meanwhile, intensive competition among banks makes business retention and expansion all the more difficult. However, the Bank possesses the advantage to compete in virtually all aspects of financial service. It currently leads the industry in wholesale banking and consumer banking performance, and will continue investing into its establishments in Taiwan to create the foundational support needed for overseas growth.

2. Future opportunities, threats, and response strategies

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

■ Opportunities

- ① The Bank has a large customer base and is capable of applying financial technologies to analyze customers' needs. Furthermore, the Bank operates an extensive branch network and has the support of group affiliates to deliver suitable financial products and services to customers in a timely and localized manner.
- ② 2019 had been a fruitful year for mobile payments, as annual transaction volume surpassed NT\$100 billion for the first time, achieving above 100% growth for the 3rd year in a row. The result shows increasing acceptance for mobile payment solutions not only by consumers, but by channels as well. With public and private sectors both advocating for cashless payment, the Bank expects more deregulations in the future that will help new payments prosper even further.
- ③ The Bank currently operates 165 branches domestically. This coverage enables it to build relationship and offer full range of financial services to local customers and related parties for additional revenues and mutual benefits.
- ④ The size of the credit card market continues to grow as consumers become accustomed to using plastic currency and mobile payment in daily activities. This shift in habit not only brings banks, merchants and

consumers closer, but also provides abundant supply of valuable data that can be analyzed to achieve precision marketing and satisfy customers' needs in a more timely manner.

- ⑤ Combining digital technology with banking opens up tremendous opportunities, whereas the addition of small loan platform makes application and information easily accessible, and further expansion of the online insurance platform provides customers with streamlined and more satisfactory digital banking service experience.
- ⑥ Research institutions are generally conservative about the short-term and medium-term outlook of the global economy and expect lower growth rate in 2020 for a number of reasons including the low-interest environment, the China-USA trade war, China's economic slowdown, and stagnation of advanced economies (such as EU). Businesses have also grown conservative toward borrowing and investment, but the conservatism is somewhat mitigated by the trade war as Taiwanese enterprises return with demands for borrowing and capital investment. The banking industry continues to monitor credit risks and industry changes, and aims to improve business performance by shifting focus toward asset quality and service diversity.

■ Threats

- ① Some banks are offering high credit card rewards and privileges in an attempt to expand market share; as a result, competition has grown intense to the point that the Bank is required to work harder to maintain market share and cardholder service, which undermines profitability.
- ② Controls over automated channels have tightened, and it is increasingly difficult to maintain system usability and improve performance at the same time.
- ③ Banks are undertaking their own channel integrations and creating proprietary payment ecosystems that, with the addition of online-only banks, intensifies competition even further. Being able to establish collaborative relationship with key merchants and build up visibility and user habit amidst competition will be the key to sustainable success.
- ④ The addition of financial technology service providers and online-only banks into the banking industry has made financial services homogeneous across industry participants. There is no doubt that the

financial industry will continue facing challenge from new service providers in the future.

- ⑤ The authority has tightened control and supervision over product sales to the point that impacts business development and increases compliance cost. One of the challenges faced by the Bank is to find ways to grow business and revenues while catering for business risk and compliance.
- ⑥ It is difficult for banks to enjoy excess profit margins 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 challenges to future operations.
- ⑦ As domestic interest rates remain low, growth potential of wealth management service is somewhat limited. Furthermore, customers' shift toward digital transactions takes margin away from conventional service and detracts overall business performance.

■ Response measures

- ① Place greater emphasis on analyzing big data as a means to monitor customers' spending pattern and preference; introduce flexible and personalized products and campaigns to strengthen relationship with cardholders and increase marketing yield as a result.
- ② Associate products and services with lifestyle scenarios for enhanced competitiveness; offer differentiated and innovative financial services that aim to satisfy customers' diverse needs anytime, anywhere, and avoid engaging peers in price competition.
- ③ Develop strategic relationship with key channel partners and make financial products more readily available; improve user experience and explore collaborative opportunities to expand financial service scenarios further; strengthen attachment of existing users and attract new customers.
- ④ Value customers' needs and shift service emphasis from profits and savings to investment planning at various stages in customers' life; direct attention toward after-sale management and exercise sound risk control.
- ⑤ Leverage expertise of the financial advisory team and offer customized

solutions from investment, wealth transfer to taxation that meet the expectation of high net worth customers; for young and tech-savvy customers, introduce new functions such as smart investment, online interactive platform and investment/trading over Internet banking for total relationship management.

- ⑥ Improve user friendliness and information content of the online trading platform through Fintech; integrate investment and insurance advisory services and adjust sales approach according to changes in the economy, regulations and customers' needs; escalate service transformation to deliver win-win solutions for the Bank and its 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 New financial products continue to be introduced at a fast rate. With online-only banks scheduled to commence business in 2020, banks are compelled by changes in the business environment to adopt digital and more flexible solutions. The financial industry remains desperately in need of competent talents, which is why the Bank will continue improving its training system and aim to build a workforce of adequate quality, quantity and professional characters to support corporate banking growth.

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

■ Opportunities

The Bank's target markets still presents significant business opportunities given their strong growth potentials and favorable conditions.

■ Threats

Supervisory standards have tightened around the world, increasing overall compliance cost.

■ Response measures

- ① China and ASEAN countries have attracted the attention of businesses

around the world not only for their 6% average GDP growth, but also for their population dividend and enormous domestic demand. In light of the fact that many Taiwanese enterprises have already tapped into the local industry chain and are desperately in need of financial service, the Bank responded with action, coordinating its China subsidiary, Cambodian subsidiary and branches throughout ASEAN to execute localized strategies with full product, marketing and risk management support from the Head Office, so that customers may access the same services in the home country as they would abroad. Interest rates in China and ASEAN countries are still relatively high compared to Taiwan, Japan, Europe and America, which offer higher spread for lending businesses. Involvement in these emerging markets can be rewarded with growth in terms of both business volume and profit margin, subject to proper risk control.

- ② The Bank foresees its corporate banking and consumer banking activities to be largely in line with existing trends such as technology, environmental protection and green energy. Big data-driven customer service, smart investment service, process automation and financing projects that conform to Equator Principles are some of the areas that the Bank will be committing resources into to better satisfy customers' needs. Internally, a “Digital Transformation Program” has been, and will be continuously implemented to help employees expand professional capacity while at the same time identify potential talents that play a key role in the Bank's long-term competitiveness.

(V) Research and development of new financial instruments

1. Main financial instruments and business departments introduced in the last 2 years, and their current size and profitability up till the publication date of annual report:

(1) Consumer banking

Item	End of 2019	End of 2018
Deposit balance	\$2,310.7 billion	\$2,204.2 billion
Mortgage (including: home equity loan) credit balance	\$699 billion	\$724.9 billion
Unsecured credit balance	\$87.3 billion	\$71.3 billion

- ① Deposit balance amounted to NT\$2,310.7 billion at the end of December 2019, up NT\$106.5 billion or 4.8% from the end of 2018. and NT\$1,460 billion of which were demand deposit while NT\$850.7 billion of which were time deposit.
- ② At the end of December 2019, outstanding balance across mortgage products (including: home equity loan) totaled NT\$699 billion, down NT\$25.9 billion or 3.57% from the end of 2018.
- ③ At the end of December 2019, outstanding balance across personal loan products totaled NT\$87.3 billion, up NT\$16 billion or 22.44% from the end of 2018.

(2) Treasury

- ① Introduced new service: NTD non-delivery forwards at overseas branches (February 20, 2017).
- ② Introduced new service: Redeemable and non-redeemable structured foreign currency deposit with foreign currency trust swap/swap options/options (principal-protected and non-principal protected) (September 2019).

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

(1) Research and development expenses in the last 2 years:

Unit: NT\$ thousand

Year	2018	2019	2020 estimate
Amount	376,710	459,218	691,488
Growth rate (%)	26.72%	21.90%	50.58%

(2) Research and development outcomes completed in 2019

Name of major project	Costs invested (NT\$ thousand)
AA mode upgrade for Card pool	15,784
Performance analysis (PA)	20,557
IVR - automated voice system upgrade	16,136
Introduction of robotic process automation (RPA)	9,715
Intelligent customer service (ChatBot Fa)	23,443
Corporate banking eLoan+CRM system development	122,966
.Net applications Framework	15,090

(3) Future R&D plans and progress

March 31, 2020

Plan/project in the recent years	Progress	Additional budget required (NT\$ thousand)	Estimated time of completion	Factors critical to the success of research and development
Cross-industry collaboration and service expansion with Payment Hub	Planning	41,750	2020/7/31	System load and business model promotion
New lending system/platform	Planning	30,000	2020/10/31	Effective communication with the departments in need
Smart voice	Planning	45,000	2020/11/30	Effective communication with the departments in need
Establishment of new credit card reward platform	User needs survey and development are progressing concurrently	11,000	2020/Q3	Effective communication with the departments in need
Client cloud virtualization	In progress (80% incomplete)	54,670	2020/Q4	System integration and optimization
Introduction of server room smart monitoring for business units bank-wide	In progress (80% incomplete)	81,000	2020/Q4	System integration and optimization
Centralized group information security monitoring center (SOC)	Planning in progress	27,000	2021	System integration and optimization

Plan/project in the recent years	Progress	Additional budget required (NT\$ thousand)	Estimated time of completion	Factors critical to the success of research and development
New fund platform	In progress (40% incomplete)	26,760	2021	Effective communication with the departments in need
Smart quotation system	Planning	11,588	2021	Effective communication with the departments in need
Smart workstation	In progress (90% incomplete)	17,355	2021	Effective communication with the departments in need
Implementation of new private banking system for Singapore, Taiwan, and Hong Kong	Planning	398,989	2022	Effective communication with the departments in need

(VI) Long and short-term business plans

1. Short-term plan:

(1) Consumer banking

- ① Optimize the 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 create 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 Offer diverse financial products and tools supported by a professional and versatile financial advisory team to provide customers with complete and customized financial services for improved customer experience.

(2) Trust service

Combine trust service with investment products to offer protection over customers' assets, and satisfy their needs to transfer wealth or business across

generations.

(3) Credit card service

- ① Form strategic alliance and engage large merchants in data exchange to gain insight into target customers' needs; strengthen relationship with young and valuable customers, and build a high loyalty customer base.
- ② Develop innovative combinations of product privilege and structure, and create a reward points ecosystem that generates synergies for the Bank. Succeed in the competition of new payment tools by shift emphasis toward income-based products; aim to maximize earnings followed by spending for maximum yield.
- ③ In light of the ever-changing market competition and consumer preference, the Bank will continue building its ability to respond to changes and complete customers' financial service journey by creating products and experiences to their satisfaction.

(4) Corporate banking

- ① Expand, train and deploy workforce in line with corporate strategies and organizational adjustments with a sustainable focus, and build the foundation needed to support organizational growth and business targets.
- ② Increase the size of transactions and contributions from top-tier customers, as well as the weight of target segments including trade financing, foreign currency hedging, investment and high net worth customers. Introduce integrated products and services that are aimed at strengthening the Bank's relationship with businesses, business owners and employees; strive to create synergy and raise contribution across all financial services for profit and business growth.

(5) Offshore banking

- ① Coordinate with offices in Greater China and Southeast Asian regions for the development of localized services; expand product and service offerings (such as 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, the Bank will be supporting retail banking and investment services in its Mainland subsidiary with a strong business team, and continuing performance enhancement and digital transformation across all branches

under its 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.

(6) Digital banking

Adopt a user-centric approach and integrate online with offline services for optimal digital experience.

(7) Financial payment service

- ① Transaction acquisition: Coordinate with external partners for business referral, and explore opportunities to work with prominent customers.
- ② New payment: Incorporate innovative payment services to help customers develop new forms of digital operation.
- ③ Automated channels: Cooperate with channel partners to provide customers with more comprehensive and convenient financial services.

(8) Investments and financial products

- ① Strengthen end-to-end sales coordination system between channels and explore active traders.
- ② Online availability for standardized derivatives.
- 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 Create good customer experience through a customer-centric business approach.
- 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' primary banker.

- ⑤ Utilize group resources and integrate manpower, sales channels and product lines into coordinated marketing efforts and create synergy in business development.
- ⑥ Cooperate with third parties to bring banking service into customers' lifestyles and business operations; expand customer base and strengthen their attachment to banking service.
- ⑦ Make total and suitable product offerings after taking into consideration customers' investment needs and risk tolerance at various stages in life. Ensure best allocation of customers' core and satellite assets and apply automated monitoring of position shift, thereby helping customers with risk management, income diversification and value preservation.
- ⑧ Utilize group resources for the introduction of diverse investment and insurance solutions that conform with customers' needs and market segmentation. Create value through service and synergy through coordination for improved customer experience.
- ⑨ Apply financial technologies for the development of services such as self-guided investment and digital insurance that appeal to digital customers, and for building relationship with all customer segments.
- ⑩ Escalate customer risk identification through KYC and adopt KYP practices to ensure suitability of the products offered.

(2) Trust service

Enrich the existing trust product line to accommodate customers' needs and market changes

(3) Credit card service

- ① 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.
- ② Enforce active digital transformation; apply big data and mobile analyses on the vast number of credit card customers to explore hidden demands; strive to bring financial service into different scenarios and create a

lifestyle banking ecosystem.

- ③ Master the AI technology and increase data processing capacity. Form alliance with participants of different industries for game-changing innovation; exchange data with strategic partners on multiple dimensions, convert data into useful information and into actual services for revenue. Aim to develop one-stop financial services that are centered around customers' lifestyle.

(4) Corporate banking

- ① Adhere to sustainable strategies and adopt focused, localized business management. Make ongoing upgrades to organization, personnel development, training and system hardware/software. Optimize internal processes for responsiveness and to achieve medium-term and long-term organizational goals of the corporate banking segment.
- ② Optimize service procedures, product breadth and depth and expand digital channels to deliver to customers the most suitable solutions with real-time support; support local industry clusters and build the reputation needed to attract new customers into the Bank's service network. Combine the Bank's extensive experience in syndicated lending and structured financing with its distinctive advantages in the capital market to introduce localized products and services, and create synergies.

(5) 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 the 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.

(6) Digital banking

Become the key service channel that customers may depend upon for transactions.

(7) Financial payment service

- ① Transaction acquisition: Securing top-3 ranking in transaction acquisition service and maintain profitability.
- ② New payment: Expand service model and improve service efficiency in line with market and distribution trends.
- ③ Automated channels: Expand cooperation with channel partners to develop innovative business models, and thereby create a complete financial service ecosystem.

(8) Investments and financial products

- ① Develop a 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, 2020

Year		2018	2019	As of March 31, 2020
Number of employees	Managers	737	725	756
	General employees	10,008	9,860	9,726
	Total	10,745	10,585	10,482
Average Age		36.39	37.34	37.98
Average years of services		8.33 years	8.60 years	9.24 years
Highest educational attainment	Doctorate	0.16%	0.13%	0.13%
	Master	18.55%	19.12%	19.02%
	University/college	77.15%	76.63%	76.66%
	High School	4.12%	4.10%	4.18%
	Below High School	0.02%	0.02%	0.01%
Professional certificates held by employees	Proficiency Test for Financial Planning Personnel	1,689	1,698	1,684
	Basic Proficiency Test for Junior Credit Personnel	3,444	3,574	3,525
	Basic Proficiency Test for Bank Internal Controls	7,106	7,315	7,161
	Basic Proficiency Test for Junior Foreign Exchange Personnel	2,845	2,967	2,934
	Qualification Exam for Personal Insurance Representative	6,795	6,870	6,707
	Qualification Exam for Non-Life Insurance Representative	6,767	6,891	6,738
	Proficiency Test for Trust Operations Personnel	6,460	6,493	6,313
	Qualification Exam for Investment-orientated Insurance Product Representative	3,234	3,329	3,296
	Real Estate Appraiser	2	2	2
	Lawyer Qualification	4	4	4
	Certified Public Accountant	9	8	8
	Certified Internal Auditors (CIA)	13	13	13
	Financial Risk Manager (FRM)	29	25	25
	Chartered Financial Analyst (CFA)	25	23	23
	Certified Anti-Money Laundering Specialist (CAMS)	21	27	28
	Certified Financial Service Auditor(CFSA)	7	7	7
	Project Management Professional (PMP)	60	58	58
	Certified Financial Planner (CFP)	129	187	187
	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 was the pioneer in the financial industry, 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 public welfare activities including offering of study aid, supporting charity sponsorship, holding cultural/arts events, and consignment charity. The Bank is highly committed in fulfilling corporate social responsibilities and organizes charity events through Cathay United Bank Foundation. A list of major events organized by the Foundation in 2019 are 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 for a total of NT\$11 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 942 elementary and junior high schools in Miaoli County, Changhua County, Yunlin County, Chiayi County, Taitung County and Yilan County to a total of 7,934 beneficiaries. The Foundation has also been running a separate Elevated Tree Program - Vietnam since 2008 in collaboration with Cathay United Bank Chu Lai Branch and local charity organizations in Vietnam, and a total of NT\$1 million in tuition aid were donated to children in Vietnam in 2019. To date, the Foundation has helped nearly 120,000 students thrive amidst hardship by giving them access to equitable education.

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

Chairman Jinzhu Shen of Ever Shine Y&F Co., Ltd. and Chairman Shu-Li Yeh of Ever Shine I&F Co., Ltd. have always been valuable customers to Cathay United Bank and supported the Elevated Tree Program each year through action. In 2019, they donated 2,500 new winter coats to students in remote areas.

③ Elevated Tree Program Public Welfare Lectures:

11 lectures were held in Taipei City, Taichung City and Taitung County to an audience size of nearly 3,000 people. Since the Program first began in 2008, more than 170 lecture sessions have been held to an audience size of more than 20,000 people.

④ Love Without Barriers:

In order to fully preserve the contents of “Elevated Tree Program Public Welfare Lectures,” the Bank published the 7th volume of “Love Without Barriers,” which features a collection of knowledge verbally communicated by experts and scholars of parental education. 13,000 copies of the publication were printed and placed at the Bank’s branches where customers and the general public may access free of charge. A total of 100,500 copies have been printed to date since the first publication was made in 2013.

2. Art and cultural events:

① Art exhibitions at Cathay United Art Center:

In an attempt to promote art and charity, Cathay United Art Center not only invited numerous artists to hold exhibitions and seminars in 2019, but also hosted “Love and Hope Charity Art Exhibition” at its new office premise in Xinyi District (relocated in December) to showcase the latest artworks of 10 artists from Republic of China Oil Painting Association. These artists also took part in the Foundation's Elevated Tree Program and the group's Cathay Arts Festival – Cathay Art Competition to display their award-winning creations. A total of 6 art exhibitions were held during the year. The art center provides the public with a comfortable space to admire art free of charge.

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

Driven by the mission to promote art education, Cathay United Art Center hosted several free sessions of “Art Talk Lecture” at night. For the 2019 “Art Talk Lecture,” artists were involved to share knowledge on art and introduce the audience to various art galleries. Prominent figures including Professor Kuang-Yi Chen from NTUA Department of Fine Arts, artist Jen-Shan Lin and Professor Yung-Yuan Yang from NTNU Department of Fine Arts were invited to speak on: “Contemporary Watercolor Painting in Taiwan,” “17th-20th Century French Landscape Paintings - Pushkin Museum Collection,” and “Major UK Galleries and Collections” separately for a total of 9 sessions. The art center also coordinated with Taipei Literature Festival to provide the public with opportunities to learn about art free of charge.

③ Charity auction of specially designed calendar:

In 2019, Cathay United Art Center created a calendar that comprised artworks of 12 artists including Hsien-Fa Su. With this calendar, the art center hoped to bring art into people's lives and promote peace in mind. As part of its relocation exhibition, the art center organized a charity auction of “Love and Hope” publication and specially designed cushions, and donated all proceeds to

finance education for socially disadvantaged students, thereby spreading acts of kindness in the society.

3. Sponsored events:

The “82nd Tai-Yang Arts Exhibition” by Tai-Yang Art Association; “43rd Oil Painting Competition and Exhibition” by Republic of China Oil Painting Association; 2019 Charity Run Up by Down Syndrome Foundation of the R.O.C.; financial aid to Bunun Cultural and Education Foundation for renovation works, and thereby maintain park operations for tourism income and employment opportunities for the Bunun people; financial aid to Puzangalan Children's Choir for participation in the “11th International Johannes Brahms Choir Festival & Competition”; and support to persons with disability who lack the capacity to engage in competitive employment. Cathay group has also been stimulating demand and supply through real purchases, and a “Mid-autumn Charity Auction” was organized in collaboration with UBS and participation from Taipei Happy Mount, Down Syndrome Foundation, Yu-Cheng Social Welfare Foundation and St. Anne's Home to consolidate acts of kindness toward generating income for social welfare organizations. As an encouragement for physical education and to improve students' sport skills in international games, Cathay group sponsored the hockey team of National Chushan Senior High School for participating in the “2019 California Cup International Field Hockey Tournament,” the weightlifting team of Tainan Danei Junior High School for participating in the Asian Junior Weightlifting Championships, and organized the 10th Cathay United Xucun Cup International Soccer Competition.

4. Charity events co-sponsored with group affiliates:

The Bank participated in “Cathay Scholarship,” “Teach For Taiwan (TFT),” “Cathay Children's Camp,” “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. The diverse activities and services mentioned above are a good indication of the Bank's commitment in charity and social responsibilities. In the future, the Foundation will continue to support charity events of all kinds so that love and warmth can be spread to all corners of the society.

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	2018	Difference
Number of full-time non-managerial employees	9,860	10,008	-148
Mean salary of full-time non-managerial employees	1,225	1,169	56
Median salary of full-time non-managerial employees	1,025	-	-

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: IBM RS/6000 P795 and P770.
- (2) Core system software: IBM AIX operating system, Oracle DB and IBM DB2 for database
- (3) Credit card hardware: IBM 2965-N01.
- (4) Software of credit card server: IBM Z/OS, CICS TS, VTAM/NCP
- (5) FX hardware: IBM P770.
- (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 Operating system: Windows Server, Red Hat Enterprise Linux
- ② Database: MSSQL DB, Oracle DB, Hadoop, IBM DB2, Teradata

(II) Future development or procurement plans:

1. Host:

- (1) Mainframe host upgrade
- (2) IBM RS/6000 server upgrade (E980, S922 and S822).
- (3) Upgrade to Windows 2016 operating system
- (4) Consolidation and upgrade of MS SQL database
- (5) 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 equipment

- (1) Completed assessment of Client cloud virtualization
- (2) Introduction of new multimedia ticket-collecting machine

4. Information security

- (1) Implement Intranet APT behavior detection protection equipment
- (2) Upgrade of web application firewall (WAF).
- (3) Replacement of the intrusion prevention system (IPS)
- (4) Replacement of the APT 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

Important servers use storage area network (SAN) technology to engage in real-time data remote DR so that CUB's major operation won't be interrupted accordingly.

(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. Labor 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 dispute in the last year up till the publication date of annual report:
1. According to the decision letter issued by Taoyuan City Government on September 9, 2019, the Bank exhibited violation against Paragraph 1, Article 24 of Labor Standards Act during the previous labor inspection and for which it was fined NT\$150,000. Remedial measures and rectifications were taken shortly after the decision.
 2. The Bank has made changes, including improvements to work rules and attendance policies, in line with rising labor awareness and Labor Standards Act amendments. As a result, no losses have occurred in recent years in relation to employment dispute. In addition to complying with laws, the Bank will continue to protect employees' rights through means such as meetings and system reminders. Issues concerning workers' rights will also be monitored closely to avoid losses in relation to employment dispute.

VII. Important contracts and commitments

Contract Type	Contracting Party	Valid Period	Major Content of the Contract	Restriction Clause
Assignment of performing loan assets	KGI Bank	2019/1/4	To assign performing loan assets in the amount of US\$10,000,000	None
	Yuanta Commercial Bank, Co., Ltd	2019/1/25	To assign performing loan assets in the amount of US\$20,000,000	
	Bank Sinopac Co., Ltd.	2019/1/25	To assign performing loan assets in the amount of US\$15,000,000	
	Hua Nan Bank	2019/1/30	To assign performing loan assets in the amount of US\$10,000,000	
	Taiwan Shin Kong Commercial Bank	2019/2/14	To assign performing loan assets in the amount of NT\$700,000,000	
	1. Mega International Commercial Bank Co., Ltd. 2. Bank of China Limited 3. Land Bank of Taiwan 4. Bank of Taiwan 5. First Commercial Bank, Ltd. 6. Hua Nan Commercial Bank, Ltd. 7. Taiwan Business Bank 8. E.Sun Commercial Bank, Ltd. 9. Bank of Kaohsiung 10. The Export-Import Bank of the Republic of China 11. The Gunma Bank, Ltd. 12. The Korea Development Bank 13. The Shanghai Commercial & Savings Bank, Ltd 14. Sunny Bank Ltd. 15. PT Bank SBI Indonesia	2019/3/25	To assign performing loan assets in the amount of US\$10,000,000	
	Yuanta Commercial Bank Co., Ltd.	2019/4/23	To assign performing loan assets in the amount of US\$11,750,000	

Contract Type	Contracting Party	Valid Period	Major Content of the Contract	Restriction Clause
Assignment of performing loan assets	E.SUN Bank	2019/4/23	To assign performing loan assets in the amount of US\$11,750,000	None
	Taiwan Shin Kong Commercial Bank Co., Ltd.	2019/4/26	To assign performing loan assets in the amount of NT\$385,568,229	
	1. Yuanta Commercial Bank Co., Ltd. 2. King's Town Bank	2019/6/25	To assign performing loan assets in the amount of NT\$1,269,543,000	
	Woori Bank (Singapore Branch)	2019/7/5	To assign performing loan assets in the amount of US\$10,000,000	
	CHINA WEALTH GROWTH FUND IV L.P.	2019/7/22	To assign performing loan assets in the amount of US\$17,000,000	
	Oversea-Chinese Banking Corporation Limited	2019/9/18	To assign performing loan assets in the amount of NT\$393,998,487	
	Jih Sun International Bank	2019/9/25	To assign performing loan assets in the amount of NT\$400,000,000	
	1. China Development Bank 2. China Construction Bank 3. The Norinchukin Bank 4. Chang Hwa Commercial Bank 5. Bank of Taiwan 6. First Commercial Bank 7. Hua Nan Commercial Bank, Ltd. 8. Musashino Bank, Ltd.	2019/10/23	To assign performing loan assets in the amount of US\$53,000,000	
	ANZ, ING Bank Singapore Branch, HSBC, Mizuho Bank Hong Kong Branch	2019/11/7	To assign performing loan assets in the amount of US\$59,375,000	
	1. Entie Commercial Bank 2. The Shanghai commercial & Savings Bank, Ltd.	2019/11/18	To assign performing loan assets in the amount of NT\$1,500,000,000	
	Industrial and Commercial Bank of China Limited (Manila	2019/12/13	To assign performing loan assets in the	

Contract Type	Contracting Party	Valid Period	Major Content of the Contract	Restriction Clause
Assignment of performing loan assets	Branch)		amount of US\$10,000,000	None
	Yuanta Commercial Bank, Co., Ltd	2019/12/17	To assign performing loan assets in the amount of NT\$967,886,693	
	The Hong Kong and Shanghai Banking Corporation Limited	2019/12/23	To assign performing loan assets in the amount of US\$25,000,000	
Acquisition of right-of-use assets	Cathay Life Insurance Co., Ltd.	2019/11/13	32 right-of-use assets were acquired for a sum of: NT\$806,153,607	None
Disposal of real estate property	Hong Hui Plastics Co., Ltd.	2019/11/14	Disposal of real estate property NT\$560,001,000	None

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

None in 2019.

Six. Financial Status

I. Summary balance sheet and statement of comprehensive income for the last 5 years

(I) Summary consolidated balance sheet

Unit: NT\$ thousand

Item	Financial information for recent years (Note 1)				
	2019	2018	2017	2016	2015
Cash and cash equivalents, due from the Central Bank and call loans to banks	163,943,090	172,080,779	191,122,312	135,225,335	163,643,976
Financial assets at fair value through profit or loss	298,874,753	250,685,216	311,985,059	199,317,591	254,927,251
Financial assets at fair value through other comprehensive income	324,130,110	200,572,902	-	-	-
Investment in debt instruments at amortised cost	444,934,985	421,022,506	-	-	-
Financial assets available for sale	-	-	148,480,669	156,153,959	134,023,021
Derivative financial assets for hedging	-	-	-	-	-
Securities purchased under resale agreements	14,295,350	44,612,132	87,483,656	38,139,919	44,508,936
Receivable - net	100,888,023	85,978,726	76,980,817	80,268,406	82,020,776
Current income tax assets	-	-	-	-	-
Assets held for sale - net	-	-	-	-	-
Discount and Loans - net	1,553,150,906	1,595,323,251	1,434,558,167	1,437,530,908	1,127,807,127
Held to maturity financial assets	-	-	34,345,085	47,938,864	52,518,777
Investments measured by equity method - net	1,776,839	1,768,874	1,744,047	1,708,349	1,723,177
Assets subject to restriction	-	-	-	-	-
Other financial assets - net	909	1,271	388,288,869	397,478,381	442,765,488
Property and equipment - net	25,774,420	25,440,564	24,873,298	24,898,412	25,221,503
Right-of-use asset - net	4,226,097	-	-	-	-
Investment properties - net	857,504	1,439,686	1,547,372	1,554,600	1,635,249
Intangible assets - net	8,153,189	8,020,939	7,785,984	7,821,006	7,579,638
Deferred tax assets - net	3,864,923	1,872,542	2,223,266	1,410,010	1,864,066
Other assets	28,625,256	35,061,248	24,285,305	37,222,811	43,137,917
Total assets	2,973,496,354	2,843,880,636	2,735,703,906	2,566,668,551	2,383,376,902
Due to the Central Bank and banks	84,108,128	81,432,233	90,417,859	77,493,795	41,226,909
Fund borrowed from the Central Bank and other banks	-	-	-	-	-

Year		Financial information for recent years (Note 1)				
		2019	2018	2017	2016	2015
Financial liabilities at fair value through profit or loss		106,770,939	103,407,778	87,407,651	88,136,984	100,397,997
Derivative financial liabilities for hedging		-	-	-	-	-
Notes and bonds issued under repurchase agreements		48,180,452	55,974,509	109,941,425	56,752,751	54,037,877
Payables		26,864,803	24,912,970	23,457,177	24,001,845	18,313,238
Current tax liabilities		395,561	184,817	439,896	294,602	416,788
Liabilities directly related to assets pending for sale		-	-	-	-	-
Deposit and remittances		2,335,331,108	2,227,661,690	2,098,367,963	2,032,599,788	1,881,657,210
Financial debentures payable		53,900,000	55,600,000	63,350,000	51,900,000	51,900,000
Special stock liabilities		-	-	-	-	-
Other financial liabilities		65,604,222	76,509,334	66,057,646	61,566,809	67,227,106
Provisions		3,698,353	3,421,427	3,187,664	3,053,964	3,199,030
Lease liability		4,246,381	-	-	-	-
Deferred income tax liabilities		3,250,712	1,657,768	1,712,831	1,611,210	1,936,821
Other liabilities		9,250,515	7,311,083	9,056,227	9,288,867	6,295,131
Total liabilities	Before distribution	2,741,601,174	2,638,073,609	2,553,396,339	2,406,700,615	2,226,608,107
	After distribution	(Note 3)	2,648,073,609	2,553,396,339	2,417,515,587	2,237,030,047
Equity attributable to the owner of parent company		227,485,604	201,765,546	178,463,478	156,090,779	153,007,894
Capital stock	Before distribution	101,658,353	91,197,623	78,604,060	72,099,815	69,479,605
	After distribution	(Note 3)	96,658,353	91,197,623	73,247,631	72,099,815
Capital surplus		38,687,276	33,610,983	33,610,983	23,969,412	23,969,412
Retained earnings	Before distribution	81,794,948	75,580,519	67,103,367	59,763,752	55,594,202
	After distribution	(Note 3)	70,119,789	54,509,804	47,800,964	42,552,052
Other equity		5,345,027	1,376,421	(854,932)	257,800	3,964,675
Treasury stock		-	-	-	-	-
Non-controlling interests		4,409,576	4,041,481	3,844,089	3,877,157	3,760,901
Total equity	Before distribution	231,895,180	205,807,027	182,307,567	159,967,936	156,768,795
	After distribution	(Note 3)	195,807,027	182,307,567	149,152,964	146,346,855

Note 1: Data from 2015 to 2019 have been audited and certified by the independent auditors.

Note 2: 2019 financial statements were audited by CPA Li-Chi Chen and CPA Hsu-Jan Cheng; 2018 and 2017 financial statements were audited by CPA Bob Chang and CPA James Huang; 2016 and 2015 financial statements were audited by CPA Bob Chang and James Wang.

Audit opinions: 2019, 2018, 2017 and 2016 - unqualified; 2015 - modified unqualified.

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

Note 4: As of the publication date of this annual report, no financial information of 2020 had been audited or reviewed by CPAs.

(II) Summary consolidated statement of comprehensive income

Unit: NT\$ thousand

Item \ Year	Financial information for recent years (Note 1)				
	2019	2018	2017	2016	2015
Interest income	58,126,269	53,787,868	46,240,981	40,722,609	42,472,485
Less: Interest expenses	(21,680,489)	(20,390,612)	(16,540,184)	(14,812,568)	(15,743,917)
Net interest revenue	36,445,780	33,397,256	29,700,797	25,910,041	26,728,568
Net revenue other than interest	26,680,068	27,457,788	25,520,973	25,244,080	21,323,232
Net revenue	63,125,848	60,855,044	55,221,770	51,154,121	48,051,800
Bad debts expense, commitment and guarantee liability provision	(2,852,780)	(5,031,541)	(3,494,144)	(4,455,361)	(1,921,512)
Operating expenses	(33,805,682)	(31,340,148)	(29,301,447)	(26,958,742)	(24,850,807)
Profit before income tax from continuing operations	26,467,386	24,483,355	22,426,179	19,740,018	21,279,481
Income tax (expense) benefit	(3,980,972)	(3,230,004)	(2,762,573)	(2,228,758)	(2,512,583)
Net profit this term of the units in continued business operations	22,486,414	21,253,351	19,663,606	17,511,260	18,766,898
Profit (loss) of the unit discontinued from business operation	-	-	-	-	-
Net profit (net loss) this term	22,486,414	21,253,351	19,663,606	17,511,260	18,766,898
Other comprehensive income (loss) (net amount after tax)	3,918,860	(671,291)	(1,283,203)	(3,793,150)	664,574
Total comprehensive income (loss)	26,405,274	20,582,060	18,380,403	13,718,110	19,431,472
Net profit attributable to the owner of parent company	21,822,653	21,020,332	19,302,403	17,211,700	18,598,294
Net profit belonging to non-controlling equity	663,761	233,019	361,203	299,560	168,604
Total amount of comprehensive profit (loss) attributable to the owner of parent company	25,643,765	20,103,126	18,189,671	13,504,825	19,130,578
Total amount of comprehensive profit (loss) belonging to non-controlling equity	761,509	478,934	190,732	213,285	300,894
Earnings Per Share	2.25	2.17	2.17	2.35	2.58

Note 1: Data from 2015 to 2019 have been audited and certified by the independent auditors.

Note 2: 2019 financial statements were audited by CPA Li-Chi Chen and CPA Hsu-Jan Cheng; 2018 and 2017 financial statements were audited by CPA Bob Chang and CPA James Huang; 2016 and 2015 financial statements were audited by CPA Bob Chang and James Wang.

Audit opinions: 2019, 2018, 2017 and 2016 - unqualified; 2015 - modified unqualified.

Note 3: As of the publication date of this annual report, no financial information of 2020 had been audited or reviewed by CPAs.

(III) Summary standalone balance sheet

Unit: NT\$ thousand

Item \ Year	Financial information for recent years (Note 1)				
	2019	2018	2017	2016	2015
Cash and cash equivalents, due from the Central Bank and call loans to banks	159,935,997	169,358,457	180,202,438	124,793,752	152,914,704
Financial assets at fair value through profit or loss	294,191,635	246,407,565	309,972,777	196,166,871	254,226,830
Financial assets at fair value through other comprehensive income	293,510,005	180,253,805	-	-	-
Investment in debt instruments measured at amortized cost	443,835,161	419,828,413	-	-	-
Financial assets available for sale	-	-	142,212,975	151,932,723	130,557,629
Derivative financial assets for hedging	-	-	-	-	-
Securities purchased under resale agreements	9,780,448	40,462,461	85,388,175	36,466,540	44,508,936
Receivable - net	99,115,885	85,277,180	76,953,234	79,273,844	81,027,553
Current income tax assets	-	-	-	-	-
Assets held for sale - net	-	-	-	-	-
Discount and Loans - net	1,487,889,877	1,533,747,366	1,399,567,004	1,403,835,506	1,101,512,688
Held to maturity financial assets	-	-	31,853,543	42,894,957	49,612,107
Investments measured by equity method - net	25,617,511	25,501,114	9,017,435	7,877,956	7,783,391
Assets subject to restriction	-	-	-	-	-
Other financial assets - net	909	1,271	388,288,869	397,478,381	442,765,488
Property and equipment - net	24,554,606	24,755,100	24,262,267	24,208,305	24,485,549
Right-of-use asset - net	3,717,597	-	-	-	-
Investment properties - net	857,504	1,439,686	1,547,372	1,554,600	1,635,249
Intangible assets - net	7,628,450	7,509,044	7,398,865	7,413,407	7,161,759
Deferred tax assets - net	3,860,039	1,861,573	2,223,266	1,410,010	1,864,066
Other assets	28,401,262	34,418,482	23,704,316	36,538,491	42,545,783
Total assets	2,882,896,886	2,770,821,517	2,682,592,536	2,511,845,343	2,342,601,732
Due to the Central Bank and other banks	70,709,191	67,728,200	84,375,047	67,298,569	38,639,771
Fund borrowed from the Central Bank and other banks	-	-	-	-	-
Financial liabilities at fair value through profit or loss	106,531,886	102,960,537	87,305,126	88,060,416	100,397,997
Derivative financial liabilities for hedging	-	-	-	-	-

Year		Financial information for recent years (Note 1)				
		2019	2018	2017	2016	2015
Notes and bonds issued under repurchase agreement		43,710,339	55,974,509	109,941,425	56,752,751	54,037,877
Payables		23,858,296	23,816,109	22,794,360	22,183,733	17,848,009
Current income tax liabilities		241,436	87,061	408,947	269,766	415,211
Liabilities directly related to assets pending for sale		-	-	-	-	-
Deposit and remittances		2,276,606,769	2,174,157,863	2,056,168,811	1,993,999,765	1,847,919,684
Bonds payable		53,900,000	55,600,000	63,350,000	51,900,000	51,900,000
Special stock liabilities		-	-	-	-	-
Other financial liabilities		60,218,085	76,509,334	66,057,646	61,566,809	67,227,106
Provisions		3,682,517	3,389,976	3,187,664	3,053,964	3,199,030
Lease liability		3,739,711	-	-	-	-
Deferred tax liabilities		3,046,972	1,645,038	1,580,152	1,552,030	1,919,645
Other liabilities		9,166,080	7,187,344	8,959,880	9,116,761	6,089,508
Total liabilities	Before distribution	2,655,411,282	2,569,055,971	2,504,129,058	2,355,754,564	2,189,593,838
	After distribution	(Note 3)	2,579,055,971	2,504,129,058	2,366,569,536	2,200,015,778
Capital stock	Before distribution	101,658,353	91,197,623	78,604,060	72,099,815	69,479,605
	After distribution	(Note 3)	96,658,353	91,197,623	73,247,631	72,099,815
Capital surplus		38,687,276	33,610,983	33,610,983	23,969,412	23,969,412
Retained earnings	Before distribution	81,794,948	75,580,519	67,103,367	59,763,752	55,594,202
	After distribution	(Note 3)	70,119,789	54,509,804	47,800,964	42,552,052
Other equity		5,345,027	1,376,421	(854,932)	257,800	3,964,675
Treasury stock		-	-	-	-	-
Total equity	Before distribution	227,485,604	201,765,546	178,463,478	156,090,779	153,007,894
	After distribution	(Note 3)	191,765,546	178,463,478	145,275,807	142,585,954

Note 1: Data from 2015 to 2019 have been audited and certified by the independent auditors.

Note 2: 2019 financial statements were audited by CPA Li-Chi Chen and CPA Hsu-Jan Cheng; 2018 and 2017 financial statements were audited by CPA Bob Chang and CPA James Huang; 2016 and 2015 financial statements were audited by CPA Bob Chang and James Wang.
Audit opinions: 2019, 2018, 2017 and 2016 - unqualified; 2015 - modified unqualified.

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

Note 4: As of the publication date of this annual report, no financial information of 2020 had been audited or reviewed by CPAs.

(IV) Summary standalone statement of comprehensive income

Unit: NT\$ thousand

Item \ Year	Financial information for recent years (Note 1)				
	2019	2018	2017	2016	2015
Interest income	51,391,239	49,156,871	42,724,485	37,666,600	40,186,848
Less: Interest expenses	(18,742,159)	(18,330,503)	(15,037,732)	(13,558,911)	(14,743,422)
Net interest revenue	32,649,080	30,826,368	27,686,753	24,107,689	25,443,426
Net revenue other than interest	27,464,942	27,659,677	25,268,099	25,395,260	21,306,628
Net revenue	60,114,022	58,486,045	52,954,852	49,502,949	46,750,054
Bad debts expense, commitment and guarantee liability provision	(2,871,227)	(4,341,281)	(2,729,328)	(4,069,204)	(1,656,210)
Operating expenses	(31,940,142)	(30,118,732)	(28,399,121)	(26,166,045)	(24,079,250)
Net profit this term of the units in continued business operations	25,302,653	24,026,032	21,826,403	19,267,700	21,014,594
Income tax (expense) benefit	(3,480,000)	(3,005,700)	(2,524,000)	(2,056,000)	(2,416,300)
Net profit this term of the units in continued business operations	21,822,653	21,020,332	19,302,403	17,211,700	18,598,294
Profit (loss) of the unit discontinued from business operation	-	-	-	-	-
Net profit (net loss) this term	21,822,653	21,020,332	19,302,403	17,211,700	18,598,294
Other comprehensive income (loss) (net amount after tax)	3,821,112	(917,206)	(1,112,732)	(3,706,875)	532,284
Total comprehensive income (loss)	25,643,765	20,103,126	18,189,671	13,504,825	196,130,578
Earnings Per Share	2.25	2.17	2.17	2.35	2.58

Note 1: Data from 2015 to 2019 have been audited and certified by the independent auditors.

Note 2: 2019 financial statements were audited by CPA Li-Chi Chen and CPA Hsu-Jan Cheng; 2018 and 2017 financial statements were audited by CPA Bob Chang and CPA James Huang; 2016 and 2015 financial statements were audited by CPA Bob Chang and James Wang.
Audit opinions: 2019, 2018, 2017 and 2016 - unqualified; 2015 - modified unqualified.

Note 3: As of the publication date of this annual report, no financial information of 2020 had been audited or reviewed by CPAs.

II. Financial analysis for the most recent five years

Unit: %, NT\$ thousand

Analysis Item (Note 3)		Financial analysis for the most recent years									
		2019		2018		2017		2016		2015	
		Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Operational ability	Deposit to loan ratio (%)	66.58	65.52	71.34	70.66	68.42	68.33	70.62	70.63	60.05	54.93
	NPL ratio (%)	0.15	0.15	0.16	0.16	0.21	0.21	0.15	0.15	0.14	0.14
	Interest expense as a % of yearly average deposit balance	0.74	0.64	0.69	0.61	0.60	0.54	0.59	0.55	0.67	0.63
	Interest revenue as a % of yearly average credit balance	2.51	2.28	2.44	2.28	2.19	2.05	2.18	2.05	2.37	2.27
	Total assets turnover (times)	2.17	2.13	2.18	2.14	2.08	2.04	2.07	2.04	2.02	2.00
	Average revenues per employee	5,203	5,704	4,987	5,458	4,738	5,058	4,572	4,925	5,378	5,232
	Average earnings per employee	1,835	2,071	1,742	1,962	1,687	1,844	1,565	1,712	2,100	2,082
Profitability	Return on tier 1 capital (%)	12.18	12.38	12.44	12.76	12.78	12.73	12.10	12.08	13.62	13.76
	ROA (%)	0.77	0.77	0.76	0.77	0.74	0.74	0.71	0.71	0.81	0.82
	ROE (%)	10.27	10.17	10.86	10.96	11.49	11.54	11.06	11.14	12.33	12.53
	Net profit margin (%)	35.62	36.30	34.92	35.94	35.61	36.45	34.23	34.77	39.06	39.78
	Earnings Per Share (NTD)	2.25	2.25	2.30	2.30	2.53	2.53	2.35	2.35	2.58	2.58
Financial structure	Liabilities to total assets ratio (%)	92.20	92.11	92.76	92.72	93.34	93.35	93.77	93.79	93.42	93.47
	Property, plant, and equipment as a percentage of shareholders' equity	11.11	10.79	12.36	12.27	13.64	13.60	15.56	15.51	16.09	16.00
Growth rate (%)	Asset growth rate (%)	4.56	4.04	3.95	3.29	6.59	6.80	7.69	7.22	6.21	5.94
	Profitability growth rate (%)	8.10	5.31	9.17	10.08	13.61	13.28	-7.23	-8.31	2.80	2.99
Cash flows	Cash flow ratio (%)	-18.29	-21.26	-16.78	-10.81	25.81	26.01	-13.19	-14.62	-35.5	-36.63
	Net cash flow adequacy rate (%)	-246.17	-237.41	48.33	95.13	298.83	312.92	31.51	160.61	222.60	397.41
	Cash flow coverage ratio (%)	-681.20	-644.39	-514.39	134.36	926.46	1,054.54	-544.13	-547.34	(Note)	(Note)
Liquidity reserve ratio		36.59	36.59	34.22	34.22	31.88	31.88	38.39	38.39	39.54	39.54

Outstanding secured loans to stakeholders		7,738,185	7,738,185	7,374,185	7,374,185	6,975,529	6,975,529	6,604,829	6,604,829	5,216,607	5,216,607
Outstanding secured loans to stakeholders as a percentage of total credit balance		0.51	0.51	0.47	0.47	0.49	0.49	0.46	0.46	0.45	0.45
Scale of operation	Market share of asset (%)	4.46	4.32	4.43	4.32	4.43	4.34	4.32	4.22	4.12	4.05
	Market share of net worth (%)	5.04	4.94	4.83	4.74	4.54	4.45	4.16	4.06	4.30	4.20
	Market share of deposits	5.35	5.20	5.33	5.18	5.02	5.04	5.14	5.06	4.92	4.83
	Market share of loans	5.45	5.22	5.85	5.63	5.41	5.57	5.80	5.77	4.71	4.23
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 63% increase in the growth rate of “Security and derivative investments” at the end of 2019 compared to the end of 2018.											
2. [Profit growth rate] decreased: Mainly attributed to a NT\$1.4 billion reduction in the variation of “Gain or loss on exchange” in 2019 compared to 2018.											
3. [Cash flow ratio], [cash flow adequacy ratio] and [cash flow coverage ratio] decreased: Due to decreased net cash flow from operating activities in 2019.											
Consolidated:											
1. [Cash flow ratio], [cash flow adequacy ratio] and [cash flow coverage ratio] decreased: Due to decreased net cash flow from operating activities in 2019.											

(Note): Net cash flow from investing activities was negative, hence not calculated.

* 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 2015 to 2019 have been audited and certified by the independent auditors.

Note 2: 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 credit balance = total interest revenue from credit / yearly average credit balance
- (5) Total assets turnover = net income/average total assets
- (6) Revenues per employee (Note 7) = net income / total employees
- (7) Average earnings per employee = net profit after tax / total number of employees

2. Profitability

- (1) Return on tier 1 capital = net profit before tax / average tier 1 capital.
- (2) Return on assets = net profit after tax/ average total assets.
- (3) Return on equity = net profit after tax / average shareholders' equity.
- (4) Net profit margin = net profit after tax/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 / shareholders' equity.
4. Growth rate (%)
 - (1) Asset growth rate = (total assets in current period – total assets in previous period) / total assets in previous period.
 - (2) Profitability growth rate = (net profit before tax in current period – net profit before tax in previous period) / net profit before tax in previous period
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 profit or loss+ Notes and bonds issued under repurchase agreements + accruals payable within one year).
 - (2) Net cash flow adequacy ratio = net cash flows from operating activities in the last 5 years / (capital expenditure + cash dividend) in the last 5 years.
 - (3) Cash flow coverage ratio = net cash flow from operating activities / net cash flow from investing activities.
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 3: Total liabilities are net of provisions for guarantees and accidental losses.

Note 4: 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 preferred shares are not accumulative in nature, dividend for preferred shares shall be deducted from net profit after tax, if any. In case of loss, no adjustment shall be made.

Note 5: 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 6: Revenue refers to the sum of interest and non-interest revenues.

Note 7: 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							
					2019		2018		2017		2016	
			Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Capital	Common share equity		193,317,039	186,226,591	173,805,139	166,969,563	151,860,690	149,392,107	145,012,403	142,855,418	139,878,041	137,882,930
	Tier 1 non-common share equity		33,059,261	27,099,093	34,304,206	28,371,343	33,690,073	31,871,917	20,424,620	18,882,425	20,879,203	19,364,361
	Tier 2 capital		61,447,606	48,554,797	64,789,659	51,801,638	68,268,776	64,210,868	55,891,566	52,872,412	60,968,543	57,726,827
	Capital		287,823,906	261,880,481	272,899,004	247,142,544	253,819,539	245,474,892	221,328,589	214,610,255	221,725,787	214,974,118
Risk weighted assets	Credit Risk	Standardized approach	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	1,182,259,577	1,135,664,668
		Internal ratings based approach	-	-	-	-	-	-	-	-	-	-
		Asset securitization	22,228,869	22,228,869	20,415,153	20,415,153	10,723,549	10,723,549	14,450,816	14,450,816	9,457,049	9,457,049
	Operation Risk	Basic indicator approach	-	-	-	-	-	-	-	-	-	-
		Standardized approach/ alternative standardized approach	97,006,726	92,046,240	90,566,602	86,475,368	83,373,850	80,117,028	80,755,109	78,301,308	75,650,146	73,462,830
		Advanced measurement approach	-	-	-	-	-	-	-	-	-	-
	Market Risk	Standardized approach	171,196,678	162,655,085	104,686,276	96,881,010	140,437,191	138,476,930	89,365,378	86,019,841	94,072,547	92,982,057
		Internal model approach	-	-	-	-	-	-	-	-	-	-
	Total risk weighted assets		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	1,361,439,319	1,311,566,604
Capital adequacy ratio			15.67%	15.09%	15.67%	14.99%	15.78%	15.89%	14.05%	14.19%	16.29%	16.39%
Tier 1 capital as a % of risky assets			12.32%	12.30%	11.95%	11.85%	11.54%	11.74%	10.50%	10.70%	11.81%	11.99%
Common share equity as a % of risky assets			10.52%	10.73%	9.98%	10.13%	9.44%	9.67%	9.21%	9.45%	10.27%	10.51%
Leverage ratio (Note 5)			7.18%	7.01%	6.81%	6.59%	6.27%	6.25%	5.99%	5.99%	6.19%	6.17%
Reasons for changes in capital adequacy in the last 2 years. (Analysis is not required for changes of less than 20%)												
Standalone and Consolidated												
[Standard approach] increased: Mainly attributed to the adoption of simplified approach for options and an increase in the risk exposure of equity securities compared to the previous year.												

- All financial information from 2015 to 2019 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 2019 business report, consolidated financial statements (including standalone financial statements), and earnings appropriation proposal (for the period January 1 to December 31, 2019) 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 11, 2020

Supervisors' Review Report

We have reviewed the Bank's 2019 business report, consolidated financial statements (including standalone financial statements), and earnings appropriation proposal (for the period January 1 to December 31, 2019) 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: Liang-Lin Chien

March 11, 2020

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	2019	2018	Difference	
			Amount	Percentage (%)
Total assets	2,973,496,354	2,843,880,636	129,615,718	4.56%
Total liabilities	2,741,601,174	2,638,073,609	103,527,565	3.92%
Total shareholders' equity	231,895,180	205,807,027	26,088,153	12.68%

II. Analysis of Financial Performance

Unit: NT\$ thousand

Item \ Year	2019	2018	Change in amount	Variation (%)
Interest income	\$ 58,126,269	\$ 53,787,868	\$4,338,401	8.07%
Interest expenses	(21,680,489)	(20,390,612)	(1,289,877)	6.33%
Net interest revenue	36,445,780	33,397,256	3,048,524	9.13%
Net revenue other than interest	26,680,068	27,457,788	(777,720)	-2.83%
Net revenue	63,125,848	60,855,044	2,270,804	3.73%
Bad debts expense	(2,852,780)	(5,031,541)	2,178,761	-43.30%
Operating expenses	(33,805,682)	(31,340,148)	(2,465,534)	7.87%
Profit before income tax from continuing operations	26,467,386	24,483,355	1,984,031	8.10%
Income tax expense	(3,980,972)	(3,230,004)	(750,968)	23.25%
Net income from continuing operations	22,486,414	21,253,351	1,233,063	5.80%
Net profit	\$ 22,486,414	\$ 21,253,351	\$1,233,063	5.80%

III. Cash flows

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

Item \ Year	2019	2018	Increase/ decrease
Cash flow ratio (%)	-18.29%	-16.78%	-9.00%
Net cash flow adequacy rate (%)	-246.17%	48.33%	-609.35%
Cash flow coverage ratio (%)	-681.20%	-514.39%	-32.43%

2. Cash liquidity 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
109,736,446	56,803,286	37,868,542	128,671,190	-	-

IV. Major capital expenditures in the most recent year

None.

V. The investment strategy in the most recent 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

2019

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

Item	Details
	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.
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 exposure 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, 2019

Unit: NT\$ thousand

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Accrued capital charge (Note)
Sovereigns	673,761,558	538,623
Non Central -Government Public Sector Entities	3,997,856	75,445
Banks (Multilateral Development Banks included)	222,097,728	8,024,413
Corporates(Securities firms and insurance companies included)	540,182,019	41,198,134
Retailed credit	673,203,622	46,175,885
Residential Property	350,061,107	15,241,526
Equity-securities investment	308,356	24,669
Other assets	80,781,764	4,869,393
Total	2,544,394,010	116,148,088

Note: The required capital refers to the exposure upon mitigation of risk multiplied by the statutory minimum capital adequacy ratio.

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 “Cathay United Bank Capital Authorization Guidelines” 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

2019

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 Unites 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

Updates on asset securitization:

December 31, 2019

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

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

December 31, 2019

Unit: NT\$ thousand

Exposure category Book category Bank's role		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	64,858,495			64,858,495	1,710,248	-	-	64,858,495	1,710,248	
		Commercial mortgage-backed securities (CMBS)	1,154,485			1,154,485	36,944	-	-	1,154,485	36,944	
		Leases and accounts receivable	777,957			777,957	31,118			777,957	31,118	
	Trading book	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	
	Subtotal	-	66,790,937			66,790,937	1,778,310			66,790,937	1,778,310	
Originating bank	Banking book	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
	Trading book	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-	-	-	-
Total		-	66,790,937			66,790,937	1,778,310			66,790,937	1,778,310	-

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, 2019

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	22,373,960	452,546	-550	22,825,956
(2) CMO	Financial assets at fair value through other comprehensive income	4,874,860	241,288	-282	5,115,866
(3) CMO	Investment in debt instruments measured at amortized cost	38,617,743	-545,615	-1,809	38,070,319
(4) CBO	Investment in debt instruments measured at amortized cost	775,778	2,479	-300	777,957

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

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 \$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)
FN_MA3834	FVOCI	USD	SPV(USA)	2019/10/28	2049/11/01	3.00%	AAA	Monthly interest payment and monthly prepayment according to schedule	6,995,223.18	1,124.61	168.08	6,946,605.04	n.a.	Prime Mortgage
GNR_2017_8_IO	AC	USD	SPV(USA)	2017/1/13	2058/08/16	0.72%	AAA	Same as above	6,031,728.73	n.a.	23.24	310,094.81	n.a.	Prime Mortgage
FN_MA3802	FVOCI	USD	SPV(USA)	2019/9/17	2049/10/01	3.00%	AAA	Same as above	5,180,748.67	491.30	123.91	5,116,605.37	n.a.	Prime Mortgage
GNR_2016_132_IO	AC	USD	SPV(USA)	2016/9/23	2056/07/16	0.94%	AAA	Same as above	4,663,117.50	n.a.	15.66	206,301.75	n.a.	Prime Mortgage
GNR_2016_165_IO	AC	USD	SPV(USA)	2016/12/20	2057/12/16	0.96%	AAA	Same as above	3,765,625.69	n.a.	17.40	231,643.43	n.a.	Prime Mortgage
GNR_2016_137_IO	AC	USD	SPV(USA)	2016/10/26	2056/10/16	0.95%	AAA	Same as above	3,472,052.48	n.a.	15.83	210,704.44	n.a.	Prime Mortgage
GNR_2016_105_IO	AC	USD	SPV(USA)	2016/10/8	2057/10/16	1.04%	AAA	Same as above	3,348,675.06	n.a.	14.60	192,675.26	n.a.	Prime Mortgage
FR_SD8004	FVOCI	USD	SPV(USA)	2019/7/8	2049/07/01	3.00%	AAA	Same as above	2,945,684.40	610.38	69.40	2,855,104.32	n.a.	Prime Mortgage
GNR_2019_158_ZJ	AC	USD	SPV(USA)	2019/12/13	2049/12/20	3.50%	AAA	Same as above	2,614,050.39	n.a.	-	2,614,050.68	n.a.	Prime Mortgage
FN_MA3774	FVOCI	USD	SPV(USA)	2019/8/14	2049/09/01	3.00%	AAA	Same as above	2,453,874.20	- 283.11	58.27	2,404,036.79	n.a.	Prime Mortgage
FNR_2019_33_Z	AC	USD	SPV(USA)	2019/6/12	2049/07/25	3.50%	AAA	Same as above	1,887,416.55	n.a.	81.30	1,340,840.20	n.a.	Prime Mortgage
FHR_3958_PZ	FVOCI	USD	SPV(USA)	2011/10/24	2041/11/15	4.50%	AAA	Same as above	1,211,807.51	236.30	11.23	200,506.57	n.a.	Prime Mortgage
FNR_2019_30_AZ	AC	USD	SPV(USA)	2019/5/17	2049/07/25	4.00%	AAA	Same as above	1,201,041.24	n.a.	19.88	123,472.03	n.a.	Prime Mortgage
FNR_2016_55_Z	AC	USD	SPV(USA)	2016/7/7	2046/08/25	3.00%	AAA	Same as above	1,133,640.37	n.a.	30.24	520,026.26	n.a.	Prime Mortgage
GNR_2019_70_AZ	AC	USD	SPV(USA)	2019/6/3	2049/06/20	3.50%	AAA	Same as above	1,083,818.86	n.a.	41.17	735,531.75	n.a.	Prime Mortgage
FN_BO0961	FVOCI	USD	SPV(USA)	2019/7/12	2049/06/01	3.50%	AAA	Same as above	1,047,141.83	247.64	24.28	995,369.08	n.a.	Prime Mortgage
FNR_2018_1_CZ	AC	USD	SPV(USA)	2018/1/16	2048/02/25	3.50%	AAA	Same as above	1,016,977.04	n.a.	5.84	8,332.23	n.a.	Prime Mortgage
FHR_4936_Z	AC	USD	SPV(USA)	2019/11/19	2049/12/25	3.50%	AAA	Same as above	1,006,012.26	n.a.	56.47	966,854.24	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	4.50%	AAA	Same as above	1,004,093.64	264.71	8.61	153,709.65	n.a.	Prime Mortgage
FNR_2011_117_LZ	FVOCI	USD	SPV(USA)	2011/10/17	2041/11/25	4.50%	AAA	Same as above	1,000,167.44	462.01	13.33	237,986.53	n.a.	Prime Mortgage
FNR_2019_50_ZC	AC	USD	SPV(USA)	2019/8/13	2049/09/25	3.50%	AAA	Same as above	993,015.88	n.a.	54.24	968,258.80	n.a.	Prime Mortgage
FHR_3950_ZA	FVOCI	USD	SPV(USA)	2011/11/18	2041/11/15	4.50%	AAA	Same as above	990,494.42	358.91	10.79	192,694.46	n.a.	Prime Mortgage
FHR_4753_ZW	AC	USD	SPV(USA)	2018/1/18	2048/02/15	3.50%	AAA	Same as above	914,232.22	n.a.	0.43	7,757.66	n.a.	Prime Mortgage
GNR_2019_153_UZ	AC	USD	SPV(USA)	2019/12/12	2049/12/20	3.50%	AAA	Same as above	913,156.04	n.a.	-	913,156.04	n.a.	Prime Mortgage
GNR_2019_145_Z	AC	USD	SPV(USA)	2019/11/8	2049/11/20	3.50%	AAA	Same as above	900,772.44	n.a.	50.09	894,959.30	n.a.	Prime Mortgage
FNR_2015_27_MZ	AC	USD	SPV(USA)	2015/5/13	2044/10/25	3.50%	AAA	Same as above	900,042.68	n.a.	9.26	165,423.31	n.a.	Prime Mortgage
FNR_2016_50_ZB	AC	USD	SPV(USA)	2016/6/21	2046/08/25	3.00%	AAA	Same as above	891,315.32	n.a.	45.10	805,987.19	n.a.	Prime Mortgage
FHR_3935_Z	FVOCI	USD	SPV(USA)	2011/10/4	2041/10/15	4.50%	AAA	Same as above	874,099.17	1,199.88	11.87	211,870.41	n.a.	Prime Mortgage
FNR_2016_74_Z	AC	USD	SPV(USA)	2016/9/13	2046/10/25	3.00%	AAA	Same as above	872,150.08	n.a.	32.15	549,215.71	n.a.	Prime Mortgage
FNR_2012_16_ZN	FVOCI	USD	SPV(USA)	2012/1/31	2042/03/25	4.00%	AAA	Same as above	815,705.45	338.32	6.26	111,725.21	n.a.	Prime Mortgage
FNR_2016_52_ZM	AC	USD	SPV(USA)	2016/6/30	2046/08/25	3.00%	AAA	Same as above	800,580.21	n.a.	19.69	340,649.51	n.a.	Prime Mortgage
FNR_2019_69_Z	AC	USD	SPV(USA)	2019/10/26	2049/12/25	3.50%	AAA	Same as above	749,367.96	n.a.	-	730,601.94	n.a.	Prime Mortgage
GNR_2018_122_KZ	AC	USD	SPV(USA)	2018/9/14	2048/09/20	4.50%	AAA	Same as above	689,354.57	n.a.	6.01	107,230.40	n.a.	Prime Mortgage
FNR_2016_66_PZ	AC	USD	SPV(USA)	2016/8/8	2046/09/25	3.00%	AAA	Same as above	668,897.62	n.a.	28.01	484,128.14	n.a.	Prime Mortgage
FHR_4861_CZ	FVOCI	USD	SPV(USA)	2019/1/7	2049/02/15	4.00%	AAA	Same as above	629,064.87	30.91	6.93	123,709.37	n.a.	Prime Mortgage
FHR_4886_ZM	FVOCI	USD	SPV(USA)	2019/4/25	2049/06/15	4.00%	AAA	Same as above	623,946.85	812.32	35.71	637,893.56	n.a.	Prime Mortgage
GNR_2019_152_ZL	AC	USD	SPV(USA)	2019/12/9	2049/12/13	3.50%	AAA	Same as above	611,148.96	n.a.	-	611,148.97	n.a.	Prime Mortgage
FHR_4599_Z	AC	USD	SPV(USA)	2016/6/28	2046/07/15	3.00%	AAA	Same as above	609,874.25	n.a.	15.27	272,870.12	n.a.	Prime Mortgage
FN_BJ1662	FVOCI	USD	SPV(USA)	2019/3/21	2047/12/01	3.50%	AAA	Same as above	608,893.85	385.88	11.67	467,409.86	n.a.	Prime Mortgage
FN_BM5159	FVOCI	USD	SPV(USA)	2019/1/8	2046/12/01	3.50%	AAA	Same as above	603,531.22	672.32	12.20	494,530.76	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_3959_PZ	FVOCI	USD	SPV(USA)	2011/10/27	2041/11/15	4.50%	AAA	Same as above	601,402.66	896.63	15.07	269,063.55	n.a.	Prime Mortgage
FN_BH4101	FVOCI	USD	SPV(USA)	2019/1/17	2047/10/01	3.50%	AAA	Same as above	601,367.35	661.48	11.99	489,228.35	n.a.	Prime Mortgage
FN_BH9277	FVOCI	USD	SPV(USA)	2019/1/17	2048/02/01	3.50%	AAA	Same as above	601,367.35	688.98	12.44	509,562.60	n.a.	Prime Mortgage
FNR_2011_128_Z	FVOCI	USD	SPV(USA)	2011/10/25	2041/12/25	4.50%	AAA	Same as above	600,901.31	350.84	2.11	37,610.48	n.a.	Prime Mortgage
FNR_2016_54_Z	AC	USD	SPV(USA)	2016/7/13	2046/07/25	3.00%	AAA	Same as above	598,839.61	n.a.	23.84	413,913.75	n.a.	Prime Mortgage
GNR_2019_152_DZ	AC	USD	SPV(USA)	2019/12/9	2049/08/20	3.50%	AAA	Same as above	598,329.46	n.a.	-	598,329.47	n.a.	Prime Mortgage
FNR_2016_53_ZA_1	AC	USD	SPV(USA)	2016/6/21	2046/08/25	3.00%	AAA	Same as above	596,383.90	n.a.	28.20	503,912.02	n.a.	Prime Mortgage
FHR_4929_HZ	AC	USD	SPV(USA)	2019/10/15	2049/11/25	3.50%	AAA	Same as above	586,217.15	n.a.	31.43	518,953.51	n.a.	Prime Mortgage
FNR_2019_64_CZ	AC	USD	SPV(USA)	2019/10/24	2049/11/25	3.50%	AAA	Same as above	576,914.21	n.a.	29.59	491,935.60	n.a.	Prime Mortgage
FNR_2016_53_KZ	AC	USD	SPV(USA)	2016/7/7	2046/08/25	3.00%	AAA	Same as above	564,091.06	n.a.	28.23	504,532.46	n.a.	Prime Mortgage
GNR_2019_152_ZT	AC	USD	SPV(USA)	2019/12/23	2049/11/20	3.50%	AAA	Same as above	561,246.29	n.a.	-	561,246.29	n.a.	Prime Mortgage
FNR_2019_34_Z	AC	USD	SPV(USA)	2019/5/31	2049/07/25	4.00%	AAA	Same as above	557,382.47	n.a.	11.81	152,127.91	n.a.	Prime Mortgage
GNR_2019_99_JZ	AC	USD	SPV(USA)	2019/8/7	2049/08/20	3.50%	AAA	Same as above	548,803.42	n.a.	30.19	539,423.56	n.a.	Prime Mortgage
GNR_2019_74_CZ	AC	USD	SPV(USA)	2019/5/23	2049/06/20	4.00%	AAA	Same as above	546,072.65	n.a.	27.82	496,911.37	n.a.	Prime Mortgage
FNR_2019_36_CZ	AC	USD	SPV(USA)	2019/5/28	2049/07/25	4.00%	AAA	Same as above	523,527.58	n.a.	20.98	301,659.84	n.a.	Prime Mortgage
FHR_3752_JZ	FVOCI	USD	SPV(USA)	2011/10/12	2040/11/15	4.50%	AAA	Same as above	515,441.76	1,270.75	17.93	320,128.70	n.a.	Prime Mortgage
FNR_2016_48_ZA	AC	USD	SPV(USA)	2017/1/12	2046/08/25	3.00%	AAA	Same as above	513,978.72	n.a.	20.48	366,018.20	n.a.	Prime Mortgage
GNR_2019_78_Z	AC	USD	SPV(USA)	2019/6/5	2049/06/20	4.00%	AAA	Same as above	507,622.91	n.a.	25.82	461,116.80	n.a.	Prime Mortgage
FNR_2018_11_ZQ	AC	USD	SPV(USA)	2018/3/5	2048/03/25	4.00%	AAA	Same as above	507,434.63	n.a.	16.27	254,992.48	n.a.	Prime Mortgage
GNR_2019_20_CZ	FVOCI	USD	SPV(USA)	2019/2/13	2049/02/20	4.25%	AAA	Same as above	498,850.29	- 0.01	0.41	7,258.67	n.a.	Prime Mortgage
FHR_4914_KZ	AC	USD	SPV(USA)	2019/8/7	2049/09/25	3.50%	AAA	Same as above	496,502.26	n.a.	27.31	471,285.84	n.a.	Prime Mortgage
FNR_2016_69_ZA	AC	USD	SPV(USA)	2016/9/14	2046/10/25	3.00%	AAA	Same as above	493,282.96	n.a.	16.58	278,606.47	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)
GNR_2019_140_Z	AC	USD	SPV(USA)	2019/11/1	2049/10/20	3.50%	AAA	Same as above	488,555.07	n.a.	25.28	451,568.70	n.a.	Prime Mortgage
FNR_2016_48_YZ	AC	USD	SPV(USA)	2016/6/30	2046/08/25	3.00%	AAA	Same as above	482,007.16	n.a.	17.18	302,907.14	n.a.	Prime Mortgage
FNR_2016_55_ZA	AC	USD	SPV(USA)	2016/7/15	2046/07/25	3.00%	AAA	Same as above	475,315.60	n.a.	11.34	202,604.70	n.a.	Prime Mortgage
GNR_2019_98_CZ	AC	USD	SPV(USA)	2019/11/4	2049/08/20	4.00%	AAA	Same as above	471,736.94	n.a.	22.00	392,865.28	n.a.	Prime Mortgage
FHR_4747_ZP	AC	USD	SPV(USA)	2017/12/4	2048/01/15	3.50%	AAA	Same as above	458,647.27	n.a.	8.14	145,350.62	n.a.	Prime Mortgage
FNR_2016_40_CZ	AC	USD	SPV(USA)	2016/6/16	2046/06/15	3.00%	AAA	Same as above	456,374.14	n.a.	12.46	197,595.55	n.a.	Prime Mortgage
FHR_4882_UZ	AC	USD	SPV(USA)	2019/4/11	2049/05/15	4.25%	AAA	Same as above	454,860.63	n.a.	12.80	228,648.39	n.a.	Prime Mortgage
FN_BM3260	FVOCI	USD	SPV(USA)	2019/1/23	2048/01/01	3.50%	AAA	Same as above	451,078.43	607.50	9.11	371,766.56	n.a.	Prime Mortgage
FN_MA3238	FVOCI	USD	SPV(USA)	2019/1/10	2048/01/01	3.50%	AAA	Same as above	451,025.51	492.00	8.95	363,896.55	n.a.	Prime Mortgage
FHR_4914_GZ	AC	USD	SPV(USA)	2019/8/6	2049/09/25	3.50%	AAA	Same as above	451,025.51	n.a.	24.47	434,960.58	n.a.	Prime Mortgage
FHR_4943_MZ	AC	USD	SPV(USA)	2019/12/16	2050/01/25	3.50%	AAA	Same as above	451,025.51	n.a.	-	451,025.56	n.a.	Prime Mortgage
FNR_2019_17_KZ	FVOCI	USD	SPV(USA)	2019/3/6	2049/04/25	4.50%	AAA	Same as above	450,771.27	- 2.96	7.95	88,315.86	n.a.	Prime Mortgage
GNR_2019_23_KZ	FVOCI	USD	SPV(USA)	2019/1/23	2049/02/20	4.25%	AAA	Same as above	449,332.05	48.95	11.23	200,467.37	n.a.	Prime Mortgage
GNR_2019_52_Z	AC	USD	SPV(USA)	2019/4/15	2049/04/20	4.00%	AAA	Same as above	449,049.81	n.a.	15.75	281,249.92	n.a.	Prime Mortgage
FNR_2019_45_ZA	AC	USD	SPV(USA)	2019/7/10	2049/08/25	3.50%	AAA	Same as above	440,794.64	n.a.	22.33	287,592.94	n.a.	Prime Mortgage
GNR_2019_78_MZ	AC	USD	SPV(USA)	2019/6/14	2049/06/20	4.00%	AAA	Same as above	440,195.81	n.a.	24.13	430,950.24	n.a.	Prime Mortgage
FNR_2016_71_ZN	AC	USD	SPV(USA)	2016/8/19	2046/10/25	3.00%	AAA	Same as above	429,216.99	n.a.	23.75	424,498.22	n.a.	Prime Mortgage
FHR_4941_ZM	AC	USD	SPV(USA)	2019/12/16	2049/12/25	3.50%	AAA	Same as above	422,069.67	n.a.	-	422,069.72	n.a.	Prime Mortgage
FNR_2018_15_ZD	AC	USD	SPV(USA)	2018/9/6	2048/03/25	4.50%	AAA	Same as above	419,891.33	n.a.	7.81	114,507.33	n.a.	Prime Mortgage
FNR_2019_62_ZM	AC	USD	SPV(USA)	2019/10/29	2049/11/25	3.50%	AAA	Same as above	413,114.80	n.a.	21.91	385,273.58	n.a.	Prime Mortgage
GNR_2019_120_GZ	AC	USD	SPV(USA)	2019/10/28	2049/09/20	3.50%	AAA	Same as above	409,959.19	n.a.	22.74	406,192.08	n.a.	Prime Mortgage
GNR_2019_61_KZ	AC	USD	SPV(USA)	2019/4/25	2049/05/20	4.00%	AAA	Same as above	405,414.92	n.a.	18.05	322,363.65	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_4875_DZ	FVOCI	USD	SPV(USA)	2019/3/20	2049/04/15	4.50%	AAA	Same as above	400,531.33	27.33	9.55	170,581.77	n.a.	Prime Mortgage
FHR_4904_EZ	AC	USD	SPV(USA)	2019/7/11	2049/08/25	3.75%	AAA	Same as above	399,990.81	n.a.	21.22	363,825.01	n.a.	Prime Mortgage
FNR_2016_57_Z	AC	USD	SPV(USA)	2016/7/14	2046/08/25	3.00%	AAA	Same as above	389,291.68	n.a.	8.72	150,826.96	n.a.	Prime Mortgage
FHR_4748_ZB	AC	USD	SPV(USA)	2017/12/1	2047/11/15	4.00%	AAA	Same as above	384,453.62	n.a.	5.63	100,552.67	n.a.	Prime Mortgage
FNR_2019_38_ZC	AC	USD	SPV(USA)	2019/7/3	2049/07/25	3.75%	AAA	Same as above	374,845.47	n.a.	18.19	308,730.90	n.a.	Prime Mortgage
GNR_2019_72_GZ	AC	USD	SPV(USA)	2019/6/14	2049/06/20	3.50%	AAA	Same as above	373,151.68	n.a.	18.88	337,348.97	n.a.	Prime Mortgage
FNR_2016_80_ZD	AC	USD	SPV(USA)	2016/10/6	2046/11/25	3.00%	AAA	Same as above	373,069.05	n.a.	14.72	255,292.44	n.a.	Prime Mortgage
FHR_4887_ZE	AC	USD	SPV(USA)	2019/5/9	2049/06/15	4.00%	AAA	Same as above	370,896.15	n.a.	17.07	304,873.76	n.a.	Prime Mortgage
GNR_2019_41_UZ	FVOCI	USD	SPV(USA)	2019/3/20	2049/03/20	4.50%	AAA	Same as above	366,830.20	1.89	3.72	66,401.55	n.a.	Prime Mortgage
GNR_2019_52_UZ	AC	USD	SPV(USA)	2019/4/12	2049/04/20	4.25%	AAA	Same as above	366,723.06	n.a.	9.96	177,826.33	n.a.	Prime Mortgage
GNR_2019_142_JZ	AC	USD	SPV(USA)	2019/11/14	2049/11/20	3.50%	AAA	Same as above	355,734.30	n.a.	19.97	356,751.89	n.a.	Prime Mortgage
GNR_2019_42_ZB	AC	USD	SPV(USA)	2019/4/10	2049/04/20	4.25%	AAA	Same as above	353,834.45	n.a.	7.69	137,266.28	n.a.	Prime Mortgage
GNR_2019_23_JZ	FVOCI	USD	SPV(USA)	2019/2/11	2048/09/20	4.25%	AAA	Same as above	353,620.05	1.39	3.56	63,585.33	n.a.	Prime Mortgage
GNR_2019_69_ZD	AC	USD	SPV(USA)	2019/6/13	2049/06/20	3.50%	AAA	Same as above	353,468.32	n.a.	19.29	344,558.73	n.a.	Prime Mortgage
FHR_4863_KZ	FVOCI	USD	SPV(USA)	2019/2/11	2049/03/15	4.25%	AAA	Same as above	350,411.66	8.69	5.40	96,345.62	n.a.	Prime Mortgage
FNR_2017_99_ZQ	AC	USD	SPV(USA)	2017/11/15	2047/12/25	4.00%	AAA	Same as above	342,726.58	n.a.	0.49	4,487.73	n.a.	Prime Mortgage
GNR_2019_38_AZ	FVOCI	USD	SPV(USA)	2019/3/6	2049/03/20	4.50%	AAA	Same as above	327,294.25	1.16	3.52	62,809.00	n.a.	Prime Mortgage
FNR_2019_31_EZ	AC	USD	SPV(USA)	2019/6/10	2049/07/25	3.50%	AAA	Same as above	323,582.98	n.a.	16.48	277,329.99	n.a.	Prime Mortgage
GNR_2019_82_CZ	AC	USD	SPV(USA)	2019/6/18	2049/06/20	3.50%	AAA	Same as above	317,047.77	n.a.	16.37	292,439.50	n.a.	Prime Mortgage
GNR_2019_89_KZ	AC	USD	SPV(USA)	2019/7/11	2049/07/20	3.75%	AAA	Same as above	313,618.00	n.a.	17.79	317,718.58	n.a.	Prime Mortgage
FNR_2019_28_CZ	AC	USD	SPV(USA)	2019/5/15	2049/06/25	4.13%	AAA	Same as above	312,754.38	n.a.	8.75	142,226.93	n.a.	Prime Mortgage
FNR_2019_76_PZ	AC	USD	SPV(USA)	2019/11/15	2049/12/25	3.50%	AAA	Same as above	311,881.29	n.a.	-	303,290.23	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_74_YZ	AC	USD	SPV(USA)	2019/11/13	2049/12/25	3.50%	AAA	Same as above	307,605.36	n.a.	17.27	265,744.49	n.a.	Prime Mortgage
FNR_2019_23_Z	AC	USD	SPV(USA)	2019/4/9	2049/05/25	4.00%	AAA	Same as above	305,131.72	n.a.	5.03	54,421.47	n.a.	Prime Mortgage
GNR_2019_11_ZB	FVOCI	USD	SPV(USA)	2019/1/11	2049/01/20	4.25%	AAA	Same as above	304,426.15	88.36	12.15	216,926.49	n.a.	Prime Mortgage
GNR_2018_121_YZ	AC	USD	SPV(USA)	2018/9/20	2048/09/20	4.25%	AAA	Same as above	301,060.00	n.a.	0.20	3,561.11	n.a.	Prime Mortgage
FNR_2019_13_UZ	FVOCI	USD	SPV(USA)	2019/3/13	2049/04/25	4.50%	AAA	Same as above	301,060.00	0.10	3.12	28,234.26	n.a.	Prime Mortgage
FNR_2019_36_JZ	AC	USD	SPV(USA)	2019/5/28	2049/07/25	4.00%	AAA	Same as above	300,683.68	n.a.	6.68	89,352.84	n.a.	Prime Mortgage
GNR_2019_15_ZP	FVOCI	USD	SPV(USA)	2019/2/12	2049/02/20	4.25%	AAA	Same as above	300,589.59	2.50	3.97	70,835.38	n.a.	Prime Mortgage
GNR_2019_30_PZ	FVOCI	USD	SPV(USA)	2019/3/8	2049/03/20	4.25%	AAA	Same as above	300,495.51	1.51	1.95	34,737.43	n.a.	Prime Mortgage
GNR_2019_30_ZY	FVOCI	USD	SPV(USA)	2019/3/14	2049/03/20	4.25%	AAA	Same as above	300,495.51	5.08	3.71	66,217.22	n.a.	Prime Mortgage
GNR_2019_99_GZ	AC	USD	SPV(USA)	2019/8/2	2049/08/20	3.50%	AAA	Same as above	300,316.42	n.a.	16.68	297,950.91	n.a.	Prime Mortgage
GNR_2019_112_ZP	AC	USD	SPV(USA)	2019/10/30	2049/09/20	3.50%	AAA	Same as above	300,307.35	n.a.	16.84	300,819.30	n.a.	Prime Mortgage
FHR_4879_ZG	AC	USD	SPV(USA)	2019/5/8	2049/05/15	4.00%	AAA	Same as above	300,307.35	n.a.	12.13	216,574.47	n.a.	Prime Mortgage
FHR_4776_ZP	AC	USD	SPV(USA)	2018/3/5	2048/03/15	4.00%	AAA	Same as above	300,119.19	n.a.	3.03	54,160.93	n.a.	Prime Mortgage
EIRLES_0_081546_CBA	AC	USD	SPV(Ireland)	2016/8/5	2046/8/15	0%	A+	Zero Callable Bullet Bond	1,505,300.00	n.a.	317.42	1,718,163.70	n.a.	US Treasuries
EIRLES_0_081546_NAB	AC	USD	SPV(Ireland)	2016/8/5	2046/8/15	0%	A+	Zero Callable Bullet Bond	1,505,300.00	n.a.	317.42	1,718,163.70	n.a.	US Treasuries

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

2019

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.

Item	Details
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 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 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 risk 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 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, 2019

Unit: NT\$ thousand

Year	Gross Profit	Accrued capital charge
2017	48,963,302	
2018	56,253,822	
2019	55,918,890	
Total	161,136,014	7,363,699

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

2019

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.

Item	Details
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	(1) Foreign currency options: Delta-Plus approach (2) Others: Standardized approach

Market risk capital requirement

December 31, 2019

Unit: NT\$ thousand

Type of Risk	Accrued capital charge
Interest rate risk	6,013,252
Equity risk	2,466,011
Foreign exchange risk	854,503
Commodity risk	834
Options accounted using the simple method	3,677,807
Total	13,012,407

5. (1) Maturity analysis of NTD capital:

Maturity analysis of NTD capital for the Bank

December 31, 2019

Unit: NT\$ thousand

	Total	Balance until maturity					
		0 day–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	2,753,664,691	512,917,202	279,534,600	326,611,389	212,034,471	388,992,625	1,033,574,404
Primary funds outflow upon 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: 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, 2019

Units: US\$ thousand

	Total	Balance until maturity				
		0 day–30 days	31 days–90 days	91 days–180 days	181 days–1 year	Over 1 years
Primary funds inflow upon maturity	61,759,110	17,781,993	16,890,342	8,748,684	7,808,402	10,529,689
Primary funds outflow upon 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 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

2019

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.

Item	Details
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. (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.
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,” “Maturity Analysis Report,” “Liquidity Gap Analysis Report,” “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 regularly and “NTD Maturity Analysis Report” is prepared on a monthly basis. 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 relative to total foreign currency assets, and provides decision makers with an indication of how to diversify capital source and maturity. (2) Overseas branches are required to devise capital plans 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. Branches are required to discuss capital plans with the Head Office so that funding can be arranged on a bank-wide basis. Any change in asset/liability allocation that requires an adjustment to the capital plan will have to be discussed with the Head Office before proceeding.

Item	Details
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, 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. 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. Whistleblower system

The Bank has developed “Whistle-blowing System Guidelines, Cathay United Bank” to support a corporate culture of integrity and transparency as well as sound business practices. These Guidelines are current in effect.

3. 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.

4. Continual enhancement of information security

The Bank engages independent professional consultants to conduct information security assessments and white hat hacker tests on a yearly basis, so that improvement measures can be made as necessary to enhance information security.

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

1. The Bank has been building a robust corporate banking database in recent years to accommodate its digital transformation. Using big data technology, new visual interfaces and automated service applications are being developed to explore new business opportunities under well-managed risks, and is a right step towards data-driven decision making.
2. Given the increasing dominance of Fintech in financial service and the government's licensing of online-only banks in recent years, the Bank has escalated the intensity of its digital transformation efforts including optimization of the online application feature, development of digital insurance service channels and full digitalization of the sales process. The ultimate goal is to give customers the ability to apply for all insurance and banking services online using the Internet banking and KOKO platforms.
3. Additionally, use of Fintech in customer data gathering and analysis allows more effective control over marketing and service timing, and therefore creates opportunities for better and more immediate interactive financial service experience.

4. Through integration of internal and external resources and cooperation with strategic partners and Fintech companies, the Bank is able to create a digital ecosystem that further enhances its competitive position within the industry.
5. Digital banking opens up innovations while payment service 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 invested actively into the development of corporate mobile banking systems to accommodate customers' mobile transformation.

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

1. Change of social responsibilities, image and other major events:
 - (1) Support for “2019 Cathay United Xucun Cup International Soccer Competition”
 - ① 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.
 - ② Player-exclusive uniforms were donated to encourage fundamental soccer training in Taiwan.
 - (2) The Bank was the first to introduce “Cathay Dad-to-be Handbook” as a way to promote healthy interaction and good parenting practices for new parents-to-be in Taiwan.
 - ① This handbook was jointly prepared by a team of professionals from “Cathay General Hospital/Cathay Healthcare Management/Cathay Postpartum Nursing Care Center” to give dads-to-be proper knowledge of changes that women go through during and after pregnancy, the proper care and techniques, and the importance of showing initiative.
 - ② This handbook has long been distributed through Cathay General Hospital along with Maternal Health Handbook and promoted by

Cathay Postpartum Nursing Care Center for the benefit of pregnant women and family members.

(3) The Bank continued its sponsorship to National Geographic Channel and became a partner of 2019 Earth Day Run, during which it advocated reduction of plastic materials.

① Support was rallied from business partners to contribute to the sustainability of the environment.

② Employees were mobilized to support the reduction of plastic materials for a sustainable environment.

2. Awards:

- Won Best green loan in Taiwan (by The Asset)
- Won Best syndicated loan in Taiwan (by The Asset)
- Won Best LBO Deal in Taiwan (by The Asset)
- Won Best Bond Adviser – domestic (international bonds) in Taiwan (by The Asset)
- Won Best FIG bond in China (by The Asset)
- Won Best green loan in China (by The Asset)
- Won Renewable Deal of the Year in Asia-Pacific (by The Asset)
- Won Excellence in Social Inclusion during 2019 Taipei Golden Eagle Micro-movie Festival organized by Taiwan Institute for Sustainable Energy
- Won Excellence in Environment Sustainability during 2019 Taipei Golden Eagle Micro-movie Festival organized by Taiwan Institute for Sustainable Energy
- Won Renewable Deal of the Year in Asia-Pacific (by The PFI Awards)
- Won Corporate Deal of the Year (by PFI Asia Awards)
- Won Best Private Bank - Taiwan Domestic (by Asian Private Banker)
- Won Winner: Best Customer Insight & Feedback Initiative (by The Digital Banker)
- Won Highly Acclaimed: Best Technology Implementation Front End (by The Digital Banker)
- Won Highly Acclaimed: Best Digital Customer Experience in Retail Banking (by The Digital Banker)
- Won Highly Acclaimed: Best Digital Bank for Customer Experience (by The Digital Banker)
- Won Excellence in Graduate Employment Programme (by Retail Banker International)
- Won Excellence in Employee Engagement (by Retail Banker)

International)

- Won Best Wealth Management in Wealth Magazine's 2019 Wealth Management Award
- Won Best Service in Wealth Magazine's 2019 Wealth Management Award
- Won Best Customer Recommendation in Wealth Magazine's 2019 Wealth Management Award
- Won Best Creative Marketing Video in Wealth Magazine's 2019 Wealth Management Award
- Won “National Industrial Innovation Award” in Team Category - Team Innovation
- Won Business Next Magazine's Best Innovative Experience Award
- Won Best Service Provider-E-Solutions Partner (by The Asset)
- Won Best Private Bank – Digital Client Communication (by The Digital Banker)
- Won Structured Products House of the Year – Taiwan (by The Asset)
- Won Best Structured Investment Products Awards, Equity – Sharkfin Linked to equity, Taiwan (by The Asset)
- Won Best Structured Investment Products Awards, FX – USDCNH no-touch, Taiwan (by The Asset)
- Won Best Structured Investment Products Awards, Rates – USD CMS 10Y-2Y, Taiwan (by The Asset)
- Won Gold Award in “The Reader's Digest Trusted Brand Survey (Bank)”
- Won Gold Award in “The Reader's Digest Trusted Brand Survey (Wealth Management Bank)”
- Won Gold Award in “The Reader's Digest Trusted Brand Survey (Online Banking Service Provider)” (by Reader's Digest)
- Won Gold Award in “The Reader's Digest Trusted Brand Survey (Credit Card Issuer)” (by Reader's Digest)
- Won Transaction Awards 2019 - Best Trade Finance Bank in Taiwan (by The Asian Banker)
- Won The Regional Energy/Renewable Energy Deal of the Year (by The Asset)
- Won The Taiwan Renewable Energy Deal of the Year (by The Asset)
- Won The Taiwan Project Finance House of the Year (by The Asset)
- Ranked first during Financial Supervisory Commission's “Fair Customer Treatment Evaluation - Financial Industry.”
- Won “Best Image Award” in the financial holding category during

Excellence Magazine's Bank Service Evaluation

- Won Taiwan Domestic Trade Finance Bank of the Year award in the ABF Wholesale Banking Awards 2019 (by Asian Banking & Finance)
- Won Best Wealth Management Bank from Business Today
- Won Best Sustainability Development from Business Today
- Won Best Digital Experience from Business Today
- Won Best Smart Investment from Business Today
- Won Best Financial Advisory Team from Business Today
- Won Best Marketing Creativity from Business Today
- Won Best Omni-channel Integration (by The Digital Banker)
- Won Best Customer Service Innovation (by The Digital Banker)
- Won Highly Acclaimed-Excellence in Digital Innovation (by The Digital Banker)
- Won Highly Acclaimed-Outstanding Staff Training, Learning & Development Program (by The Digital Banker)
- Won Best Data Award from JEM
- Won Outstanding Customer Service from JEM
- Won Excellent Financial Service during the “6th Top Solar System Award”
- Won “Best Banking Service - Gold” in Wealth Magazine's 2019 Taiwan Financial Award
- Won The Best Banks in Taiwan (by Global Finance)
- Won Best Talent Accelerator (by IDC)
- Awarded Best Digital Transformation Initiative, Application or Programme in Taiwan 2019 by The Asian Banker
- Won Next Magazine Top Service Awards - Top Service Award
- Won Bronze during the “National Corporate Environmental Protection Award”
- Won Top Investment House Taiwan Commercial and Investment Bank Rank 2 G3 (by The Asset)
- Won Top Investment House Taiwan Bank Rank 5 Asian Local Currency Bond (by The Asset)
- Won Top Investment House China/Hong Kong Commercial and Investment Bank Rank 8 G3 (by The Asset)
- Won “TCSA Climate Change Award” during the Taiwan Corporate Sustainability Awards organized by Taiwan Institute for Sustainable Energy
- Won “TCSA People Development Awards” during the Taiwan Corporate Sustainability Awards organized by Taiwan Institute for

Sustainable Energy

- Won “Top-10 Enterprises” during the Golden Torch Award organized by Outstanding Enterprise Manager Association
- Won “Innovative Design of the Year” during the Golden Torch Award organized by Outstanding Enterprise Manager Association
- Won “Electronic Banking Promotion Excellence Award” from Financial Information Service Co., Ltd.
- Won Labor Health Special Award during the “National Occupational Safety and Health Award”
- Ranked first among banking institutions in the service industry survey conducted by Global Views Monthly

(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 Bank 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 Bank 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:

Office locations increased from 164 to 165: East Linkou Branch was established in 2019, and five branches were relocated (namely Nangang, Fengchia, Danan, Songqin and Danfeng) to better satisfy customers' needs.

1. Expected benefits and potential risks associated with business office expansion

Office expansion decision is made primarily based on customers' needs; it increases channel coverage and enables delivery of comprehensive financial service to customers. However, Internet and mobile technologies have changed customers' habits significantly, shifting counter transactions over to the mobile banking platform. As a result, branches may begin to encounter reduced customer flow.

2. Response measures

(1) Improve customers' physical channel service experience: through changes including centralized operation, simplified procedures, deployment of automated equipment and shift of small-sum, over-counter transactions to automated channels.

(2) Consultation service on diverse range of expertise: through systematic training, the Bank will aim to expand employees' professional capacity and consultation skills from consumer banking, wealth management to wholesale banking, and focus on customer relationship management to maximize the potential of its distribution network.

(VII) Risk and response action from concentrated operations:

Form of risk incident	Nature	Controls
Internal fraud	Losses incurred due to the attempt of at least one	Accountability system, increased employee benefits,

	employee to commit fraud, embezzle corporate property, or avoid regulatory or internal requirements (excluding diversity/discrimination-related incidents).	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

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 2019.

- (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 2019.

- (X) Litigation and non-contentious cases:

As of December 31, 2019, 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 the 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) 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 by the General Affairs and Occupational Safety Department on a case-by-case basis.
2. Business hours during and after disaster are subject to the latest announcements of the authority, which the Human Resource Department will update onto the Bank's portal. Employees are required to report to duty 10 minutes before the scheduled business hour.
3. External support will be sought if the abovementioned disaster causes damage or loss to Bank premise, operating equipment or key files (data), renders employees unable to perform duty, or renders business activities unsustainable in any way.

■ Below is a description of the Bank's emergency response plan:

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
3. Business recovery measures:

A “Business Continuity Plan” has been implemented to serve as a guideline for business recovery, and therefore ensure that the

Bank is able to maintain normal operating activities and continue to serve customers in the event of natural disaster, disease, or other unexpected major occurrence.

4. Provisional customer service measures:

(1) Deposit service

If business operation is disrupted due to occurrence of a risk event, the Bank will initiate its critical service/process recovery plan and strive to recover operation in the shortest time possible given the limited resources, and thereby minimize damage and impact of such an incident.

(2) Credit service

- ① Check credit cases for any loss of debt certificate and undertake remedial measures as deemed appropriate.
- ② Extend care to victims and offer the needed assistance.
- ③ Coordinate with government authorities or departments in the offering of discount loans for victims, and assist with disaster recovery while introducing simplified loan application workflow for timely processing.
- ④ Reduce interest rate or extend grace period for victimized borrowers where appropriate and help lessen interest burden or amount of instalment. Allow payment deferral or extension for victimized borrowers who are unable to repay loans upon maturity, and help them recover from disaster.
- ⑤ Offer emergency financing at low interest rate when appropriate, and simplify/shorten operating procedures, review process and disbursement workflow for more rapid response.
- ⑥ Offer toll-free hotline (0800-818-001) for consultation.

(II) 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 Bank, 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.

(III) 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 to peer financial institutions 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 use it as a means to meet cash outflows.
3. Borrow from peer banks.
4. Recover interbank loans: Interbank loans maturing on that day will be recovered to cover liquidity gap.
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 Bank has maintained sound business relationship with.
7. Sale of assets: The Bank currently hold securities including government bonds, corporate bonds, bank debentures, shares, commercial papers and treasury bills that can be sold at any time to cover liquidity gap (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 from central bank to cover liquidity shortage.
9. The Bank may coordinate with government authorities such as FSC, central bank and Central Deposit Insurance Corporation to obtain

financing in various forms such as interbank borrowing and sale of time deposit, NCD, debenture and note issued by the Bank.

10. Other funding methods that comply with laws or are consistent with market customs.

(IV) Disease prevention:

The Bank has “Emergency Disease Prevention Rules” in place to contain communicable diseases of high mortality rate.

1. The Bank is constantly in preparation of possible diseases. In terms of infrastructure, disease prevention is coordinated at the Head Office and supported by business departments; as for the information system, off-site backup and recovery plans have been implemented for contingency.
2. The Bank has a “Notes on Prevention of Communicable Disease” in place to serve as guidance for disease prevention measures at business departments. These measures are being enforced as part of routine operations. If epidemic risk indicator turns red (local presence of new virus capable of human-to-human transmission and causing ongoing contagion), the Bank is able to activate emergency response immediately to maintain business operations and continue serving customers.

(V) 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 policy 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 Department 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 Attachments VI and VII.

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

Item	2019 first private placement (Note 1) Issuing date: December 4, 2019
Type of privately placed securities (Note 2)	Common shares
Date of shareholder meeting and amount approved (Note 3)	The decision was approved during the Bank's shareholder meeting (exercised by board of directors on shareholders' behalf) held on August 15, 2019. Sum of private placement is approved at NT\$10,000,000,000.
Pricing basis and rationality	This private placement of common shares was priced in reference to the price-to-book ratio of Cathay Financial Holdings (the parent company) and net worth per share of the Bank, at no lower than 80% of the reference price. Pricing method for the private common share placement, as described above, has been reviewed by CPAs, for which they have issued a letter of opinion to support the underlying rationality. The board of directors was authorized to set the actual private placement price according to the pricing principles mentioned above, subject to approval of the authority.
Selection of specific subscribers (Note 4)	Given the Bank's status as a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd., this private placement was entirely subscribed by the Bank's single corporate shareholder.
Reasons for private placement	The Bank is a public company organized by a single corporate shareholder. The cash issue did not proceed in the form of public offering due to the Bank's intention to maintain the simplicity of its shareholder structure. This cash issue is expected to provide the Bank with the additional working capital needed to increase capital adequacy ratio, enhance risk tolerance and support future business growth local and abroad.

Item	2019 first private placement (Note 1) Issuing date: December 4, 2019	
Payment completion date	December 4, 2019	
Subscriber's background	Subscriber of private placement (Note 5)	Cathay Financial Holding Co., Ltd.
	Eligibility (Note 6)	Subparagraph 1, Paragraph 1, Article 43-6 of the Securities and Exchange Act. [Note]: The Bank's private cash issue was approved by FSC under Letter No. Jin-Guan-Yin-Kong-Zi No. 10802216072 dated November 21, 2019; Cathay FHC's subscription to the Bank's cash issue was approved by FSC under Letter No. Jin-Guan-Yin-Kong-Zi No. 10802216071 dated November 21, 2019.
	Volume subscribed	Common shares - 500,000,000.
	Relationship to the Bank	Cathay FHC is the Bank's only corporate shareholder.
	Involvement in the Bank's management	The Bank's directors and supervisors are entirely appointed by the parent company.
Actual subscription (or conversion) price (Note 7)	NT\$ 20 per share.	
Difference between the actual subscription (or conversion) price and the reference price (Note 7)	There was no difference between the actual subscription price and the reference price.	
Impact of private placement on shareholders' equity	1. Cathay FHC is the sole shareholder of the Bank and the only subscriber to this private placement, hence there should be no impact on shareholders' equity. 2. This private cash issue has the effect of strengthening the Bank's capital and increasing its capital adequacy ratio.	

Item	2019 first private placement (Note 1) Issuing date: December 4, 2019
Planned and actual usage of privately raised capital	Share proceeds were collected in full on December 4, 2019, the project is deemed to have been duly executed and served its purpose of providing additional working capital and strengthening the capital structure.
Benefits of the private equity placement	Proceeds from the cash issue are being utilized at the bank level; they provide the additional working capital needed to increase capital adequacy ratio, enhance risk tolerance and support future business growth.

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	Telephone
Head Office	No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Business Department	No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6677
International Banking Department	3, 4, 6F., No. 65, Guanqian Rd., Zhongzheng Dist., Taipei City 10047, Taiwan (R.O.C.)	(02)2191-0086
Capital Market and Advisory Department	9F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Treasury Department Financial Marketing Department	2F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Deposit Operations Department	16F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Credit Operations Department	16F., 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
Trust Department	2F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Financial Service Department	3F., No. 35, Guangfu S. Rd., Songshan Dist., Taipei City 10563, Taiwan (R.O.C.)	(02)2171-2288
Credit Card Operations Department	1 & 2F., No. 35, Guangfu S. Rd., Songshan Dist., Taipei City 10563, Taiwan (R.O.C.)	(02)2171-1788
Private Banking Department	24F., No. 458, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02)2176-5068
Wealth Management Department	18F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
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

Unit name	Address	Telephone
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
Dazhi 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
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

Unit name	Address	Telephone
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
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

Unit name	Address	Telephone
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	Telephone
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
Da-ping-lin Branch	No. 115, Minquan Rd., Xindian Dist., New Taipei City 23141, 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

Unit name	Address	Telephone
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
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

Unit name	Address	Telephone
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
Zhongli Branch	No. 11, Sec. 1, Zhongyang W. Rd., Zhongli Dist., Taoyuan City 32042, Taiwan (R.O.C.)	(03)422-4066
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

Unit name	Address	Telephone
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, Ziyou Rd., West Dist., Taichung City 40342, Taiwan (R.O.C.)	(04)2223-1031
Central Taichung Branch	No. 35, Sec. 1, Zhonghua Rd., West Dist., Taichung City 40345, Taiwan (R.O.C.)	(04)2225-9111
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, Qinghai 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
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

Unit name	Address	Telephone
Daya Branch	No. 125, Sec. 1, Minsheng Rd., Daya Dist., Taichung City 42866, Taiwan (R.O.C.)	(04)2569-1155
Shalu Branch	No. 86, Chenggong E. St., 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
Xiushui Branch	No. 629, Sec. 2, Zhangshui Rd., Xiushui Township, Changhua County 50448, Taiwan (R.O.C.)	(04)769-6795
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
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

Unit name	Address	Telephone
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

Unit name	Address	Telephone
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
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	Lot 13A, 13F, UBN Tower, 10, Jalan P. Ramlee, 50250, 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	13F, Sathorn City Tower 175, South Sathorn Rd. Tungmahamek, Sathorn Bangkok 10120, Thailand	+66-2-679-5316
Hanoi Office	7F, 88 Hai Ba Trung Street, Hoan Kiem District, Hanoi, Vietnam	+84-24-3936-6566
HCMC Office	5F, 46-48 Pham Hong Thai Street, District 1, HCMC, Vietnam	+84-28-3825-8761~63
Myanmar Office	#503, Strand Square, Level 5, No. 53, Strand Road, Pabedan Township, Yangon, Republic of the Union of Myanmar	+95-1-230-7397
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 2019 shareholder meeting (executed on behalf by the board of directors):

(1) 11th interim meeting of the 15th board of directors on January 30, 2019

- ◎ Passed removal of restrictions imposed against Director Han-Kuo Chen for involving in competing businesses.

(2) 11th meeting of the 15th board of directors on March 21, 2019

- ◎ Passed amendments to the Bank “Guidelines Governing the Acquisition and Disposal of Assets, Cathay United Bank.”

(3) 12th interim meeting of the 15th board of directors on May 3, 2019

- ◎ Report on the Bank's “2018 Business Report,” “2018 Employee/Director/Supervisor Remuneration” and “2018 Supervisor Review Report.”
- ◎ Acknowledged the Bank's “2018 Business Report,” “2018 Consolidated and Standalone Financial Statements,” and “2018 Earnings Appropriation.”
- ◎ Passed the Bank's “2018 cash issue and capital-raising draft plans”.
- ◎ Amendments to the Bank's “Articles of Incorporation.”
- ◎ Passed removal of restrictions imposed against Independent Director Edward Yung-Do Way and Director Chi-Wei Joong for involving in competing businesses.

(4) 12th meeting of the 15th board of directors on May 15, 2019

- ◎ Passed removal of restrictions imposed against Director Po-Tsang Hsieh for involving in competing businesses.

(5) 1st meeting of the 16th board of directors on August 15, 2019

- ◎ Passed the Bank's “2019 private cash issue.”
- ◎ Amendments to the Bank's “Articles of Incorporation.”
- ◎ Passed removal of restrictions imposed against the Bank's Chairman Andrew Ming-Jian Kuo, Managing Director Chung-Yi Teng, Independent Director Feng-Chiang Miao, Director Chi-Wei Joong and Director Chang-Ken Lee for involving in competing businesses.
- ◎ Passed removal of restrictions imposed against Vice Chairman

Tzung-Han Tsai, Managing Director Alan Lee, Independent Director Edward Yung-Do Way, Director Han-Kuo Chen, Director Chun-Wei Yang and Director Wei-Hua Chou for involving in competing businesses.

(6) 2nd meeting of the 16th board of directors on November 13, 2019

◎ Amendments to the Bank's "Articles of Incorporation."

2. Major board of directors resolutions in 2019:

(1) 11th interim meeting of the 15th board of directors on January 30, 2019

◎ Passed removal of restrictions imposed against Director Han-Kuo Chen for involving in competing businesses.

◎ Passed removal of restrictions imposed against Senior Executive Vice Presidents Chung-Yi Teng and Wei-Hua Chou for involving in competing businesses.

◎ Passed allocation of 2018 year-end bonus, special incentive and long-term incentive for Chairman and Vice Chairman.

◎ Passed "re-organization" and "personnel changes."

(2) 11th meeting of the 15th board of directors on March 21, 2019

◎ Passed the Bank's "2018 Business Report," "2018 Employee/Director/Supervisor Remuneration," "2018 Year-end Accounts," "2018 Earnings Appropriation," "2018 New Capital Proposal and New Capital Draft Plan," "2018 Declaration of Internal Control System," "2018 Declaration of AML/CTF Internal Control System," "2018 Declaration of AML/CTF Special Audit," "2018 Board of Directors Internal Performance Evaluation Outcome," enforcement of "Fair Customer Treatment Evaluation for Financial Service Providers" in 2018, "2019 Operating Strategies," "2019 Key Business and Financial Goals," "2019 Audit Plan" amendment, "2019 Market Risk Limits" and "Signing of Cross-border Cash Flow Agreement with Alipay (China) Network Technology Co., Ltd."

◎ Set the Bank's "2019 Risk Tolerance," "2019 Key Risk Indicators," "Minimum Capital Adequacy Ratio, Tier 1 Capital Ratio and Common Share Equity Ratio Given 2019 Target Risk Appetite" and "Emerging Risk Management Guidelines."

◎ Amended the Bank's "IFRS Accounting Policy," "Capital Adequacy Appetite Management Guidelines," "Guidelines Governing the Acquisition and Disposal of Assets," "Internal Control System," "Risk Management Policy," "Loan Pricing Guidelines," "Special Real Estate Lending Concentration Guidelines," "Compliance System Enforcement Guidelines," "Stakeholder Credit and Transaction Management Guidelines," "Internal Policy on Credit and Non-credit Transactions with Stakeholders," "Self-discipline Guidelines for Transactions with Watchlisted Counterparties," "Compliance with On-job Training Policy," "Anti-money Laundering and Counter Terrorism Financing Policy," "Notes on Anti-money Laundering and Counter Terrorism Financing," "Notes on AML/CTF for Insurance Agency Service," "Interbank Transaction Limit Authorization Guidelines," "Collateral Guidelines," "Corporate Banking Credit Authorization Guidelines," "SME Credit Authorization Guidelines," "Private Banking Credit Authorization Guidelines" and "Liquidity Risk Management Guidelines."

◎ Passed relocation, rename and continuing operation of Fengbei Branch and Zhangtai Branch.

◎ Passed "personnel changes."

(3) 12th interim meeting of the 15th board of directors on May 3, 2019

◎ Passed the Bank's 2018 cash issue and capital-raising draft plans.

◎ Amendments to the Bank's "Articles of Incorporation."

◎ Established the Bank's "Emerging Risk Management Guidelines."

◎ Passed removal of restrictions imposed against Independent Director Edward Yung-Do Way and Director Chi-Wei Joong for involving in competing businesses.

(4) 12th meeting of the 15th board of directors on May 15, 2019

◎ Passed the Bank's "2019 Q1 Financial Statements," "2018 Compliance with Supervisory Review Principles and Reporting," "Risk-adjusted Return on Capital (RAROC) Calculation," "Derivatives Service Risk Assessment and Impact on Eligible Capital" and "Commencement of Lending against Special Purpose Money Trust Units."

◎ Established the Bank's "Offshore Branch Employee Financial

Regulation Training Guidelines.”

- ◎ Amended the Bank's “Person-in-charge Appointment and Compliance Guidelines,” “Corporate Governance Guidelines,” “Policy Management Guidelines,” “Donation Guidelines,” “Treasury Limit Authorization Guidelines,” “Financial Asset Impairment Assessment Indicators and Control Procedures,” “Corporate Banking Credit Authorization Guidelines,” “Credit Risk Management Guidelines,” “Credit Risk Stress Testing Guidelines,” “Industry Limit Management Guidelines,” “Credit Limit Management Guidelines for Special Collaterals,” “Risk Tolerance Management Guidelines,” “Personal Information Management Guidelines,” “Firewall Policy,” “Operational Risk Management Guidelines,” “Customer Group Limit Management Guidelines,” “Country Limit Management Guidelines” and “Key Risk Indicator Management Guidelines.”
- ◎ Passed removal restrictions imposed against Director Po-Tsang Hsieh for involving in competing businesses.
- ◎ Passed “personnel changes.”

(5) 1st interim meeting of the 16th board of directors on June 26, 2019

- ◎ Passed election of the Bank's 16th managing directors, Vice Chairman and Chairman.

(6) 1st meeting of the 16th board of directors on August 15, 2019

- ◎ Passed “2018 First-half Financial Statements” and “2019 Private Cash Issue.”
- ◎ Amendments to the Bank's “Articles of Incorporation.”
- ◎ Established the Bank's “Product Suitability Guidelines for Concurrent Involvement in Bond Service.”
- ◎ Amended the Bank's “Professional Client and Professional Investor Eligibility Principles,” “Notes on Wealth Management Service,” “Audit Guidelines,” “Stakeholder Credit and Transaction Management Guidelines,” “Internal Policy on Credit and Non-credit Transactions with Stakeholders,” “Self-discipline Guidelines for Transactions with Watchlisted Counterparties,” “Anti-money Laundering and Counter Terrorism Financing Policy,” “Notes on Anti-money Laundering and Counter Terrorism Financing,” “Notes on AML/CTF for Insurance Agency Service,” “Declaration of

Money Laundering and Counter Terrorism Risk Appetite,” “Capital Authorization Guidelines,” “Corporate Banking Credit Review Guidelines,” “Collateral Guidelines,” “Capital Adequacy Management Principles” and “Structured Deposit Recommendation and Authorization Guidelines for Domestic Banking Unit.”

- ◎ 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 expansion of business premises at Douliu Branch.
- ◎ Passed removal of restrictions imposed against the Bank's Chairman Andrew Ming-Jian Kuo, Vice Chairman Tzung-Han Tsai, Managing Director Alan Lee, Managing Director Chung-Yi Teng, Independent Director Feng-Chiang Miao, Independent Director Edward Yung-Do Way, and Director Chi-Wei Joong, Director Chang-Ken Lee, Director Han-Kuo Chen, Director Wei-Hua Chou and Director Chun-Wei Yang for involving in competing businesses.
- ◎ Passed “re-organization” and “personnel changes.”

(7) 2nd meeting of the 16th board of directors on November 13, 2019

- ◎ Passed “2019 3-quarter Financial Statements,” “Re-appointment of 2020 Financial Statement Auditors and Audit Remuneration” and “2020 Audit Plan.”
- ◎ Established “Cathay United Bank Banking Act Penalty Review Guidelines.”
- ◎ Amended the Bank's “Compliance System Enforcement Guidelines,” “Self-discipline Guidelines for Transactions with Watchlisted Counterparties,” “Articles of Incorporation,” “Board of Directors Conference Rules,” “Overdue Loan, Hardcore Receivable and NPL Guidelines,” “Corporate Banking Credit Authorization Guidelines,” “Interbank Transaction Management Guidelines,” “Treasury Limit Authorization Guidelines,” “Derivatives Service Guidelines,” “Capital Authorization Guidelines,” “Operation Outsourcing Guidelines” and “Manager Performance Management Policy.”
- ◎ Passed relocation of Dazhi Branch, Dapinglin Branch and Shalu Branch, and expansion of Yongchun Branch.

3. Significant shareholder meeting resolutions (executed on behalf by board of directors) in 2020 up till publication of annual report:

(1) 4th meeting of the 16th board of directors on March 11, 2020

- ◎ Reported the Bank's "2019 Private Cash Issue."
- ◎ Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involvement in competing businesses.
- ◎ Passed amendments to the Bank's "Articles of Incorporation."

4. Major board of directors resolutions made in 2020 up till the publication date of annual report:

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

- ◎ Amended the Bank's "Operation Outsourcing Guidelines."
- ◎ Passed the decision to raise capital for Vientiane Capital Branch, Lao.
- ◎ Passed 2019 performance evaluation of the chief auditor, allocation of 2019 performance bonus, and 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," "New Capital Proposal and New Capital Draft Plan," "2019 Declaration of Internal Control System," "2019 Declaration of Information Security," "2019 Declaration of AML/CTF Internal Control System," "2019 Declaration of AML/CTF Special Audit," "2019 Board of Directors Internal Performance Evaluation Outcome," "2019 Financial Service Provider Self-evaluation on Fair Customer Treatment Evaluation System and 2019 Second-half Compliance Report and Execution of Fair Customer Treatment," "2020 Operating Strategies," "2020 Key Business and Financial Goals," "2020 Market Risk Limits," "Blockchain System Third-party Service Agreement," "EDC Optimization Project," "Development and Testing of Data Storage, Computing and Analytical Functions of Offshore Cloud Service Platform" and "Subsidiary's Participation in the Establishment of Consumer Banking Service Company."
- ◎ Set the Bank's "2020 Risk Tolerance," "2020 Key Risk Indicators," "Minimum Capital Adequacy Ratio, Tier 1 Capital Ratio and

Common Share Equity Ratio Given 2020 Target Risk Appetite” and “Standard Operating Procedures for Resolving Directors' and Supervisors' Requests.”

- ◎ Amended “Articles of Incorporation,” “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 of Xiushui Branch” and “Downsizing of Business Premise at Bandong Branch.”
- ◎ Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involving in competing businesses.

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 2019 (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	12,278	—	Senior Vice President	Hui-Ying Chiang	9,114	—
Director	Chang-Ken Lee	7,000	—	Senior Vice President	Sheng-Hsieh Ho	6,462	—
Director	Grace Chen	9,213	—	Senior Vice President	Cheng-Kuan Yu	5,000	—
Director	Tsung-Hsien Tsai	6,515	—	Senior Vice President	Cheng-Hsien Yu	5,346	—
Director (concurrent role as Senior Executive Vice President)	Jian-Hsing Wu	7,341	—	Senior Vice President	Shu-Yu Tu	3,105	—
Director (concurrent role as Senior Executive Vice President)	Wei-Hua Chou	15,859	—	Senior Vice President	Yun-Chuan Yu	5,288	—
Managing Director (concurrent role as Senior Executive Vice President)	Chung-Yi Teng	7,515	—	Senior Vice President	Hsiu-Chen Wu	5,000	—
Resident Supervisor	Yiao-Chiun Lai	791	—	Senior Vice President	Ping-Hui Wu	2	—
Executive Vice President	Chih-Feng Wang	7,895	—	Senior Vice President	Yu-Peng Wu	5,000	—
Executive Vice President	Tung-Wen Li	7,644	—	Senior Vice President	Cheng-Tien Wu	6,171	—
Executive Vice President	Su-Chu Li	6,000	—	Senior Vice President	Kuo-Yang Wu	5,000	—
Executive Vice President	Hsing-Ming Li	7,549	—	Senior Vice President	Hui-Ying Wu	5,591	—
Executive Vice President	Xu-Jie Yao	6,000	—	Senior Vice President	Kuei-Ying Wu	6,000	—
Executive Vice President	Chien-Hui Hung	6,000	—	Senior Vice President	Jung-Chin Wu	6,606	—
Executive Vice President	Cho-Min Chin	7,480	—	Senior Vice President	Hui-Ling Wu	6,000	—
Executive Vice President	Chen-Tung Chang	8,462	—	Senior Vice President	Shih-Hui Lu	6,084	—
Executive Vice President	Ching-Li Chang	7,171	—	Senior Vice President	Wei-Chieh Lu	6,995	—
Executive Vice President	Chang-Li Tsao	8,010	—	Senior Vice President	Shih-Lin Sung	5,337	—
Executive Vice President	Feng-Chih Hsu	856	—	Senior Vice President	Chien-Ju Sung	6,000	—
Executive Vice President	Chao-Kuei Kuo	7,756	—	Senior Vice President	Wen-Yuan Li	5,791	—

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	Po-Sheng Fu	7,000	—	Senior Vice President	Wen-Hung Li	5,103	—
Executive Vice President	Chen-Han Wen	5,000	—	Senior Vice President	Shih-Wei Li	3,000	—
Executive Vice President	Tsung-Meng Huang	9,676	—	Senior Vice President	Pai-Shun Li	5,394	—
Executive Vice President	Hung-Chang Yang	8,391	—	Senior Vice President	Chung-Che Li	5,000	—
Executive Vice President	Ching-Hsiang Chan	6,000	—	Senior Vice President	Tung-Fa Li	5,913	—
Executive Vice President	Hsiang-Hsin Tsai	7,667	—	Senior Vice President	Mei-Ju Li	5,000	—
Executive Vice President	Yu-Chin Cheng	6,000	—	Senior Vice President	Chun-Lin Li	6,000	—
Senior Vice President	Mei-Ling Ting	6,647	—	Senior Vice President	Po-Hsiung Li	5,359	—
Senior Vice President	Chih-Fu Wang	5,942	—	Senior Vice President	Hung-Ying Li	4,000	—
Senior Vice President	Yao-Te Wang	4,000	—	Senior Vice President	Kung-Pin Li	5,000	—
Senior Vice President	Ming-Chun Wang	5,000	—	Senior Vice President	Chen-Chung Li	6,000	—
Senior Vice President	Yung-Sung Ku	6,511	—	Senior Vice President	Hsin-Chun Li	6,012	—
Senior Vice President	Chen-Hui Shih	7,150	—	Senior Vice President	Jung-Hsi Li	5,000	—
Senior Vice President	Chun-Huan Chiang	61,103	—	Senior Vice President	Ming-Chi Li	5,275	—
Senior Vice President	Min-Cheng Chiang	6,336	—	Senior Vice President	Hui-Ting Li	9,709	—
Senior Vice President	Chang-Ying Tu	5,000	—	Senior Vice President	Chih-Hsun Chang	5,000	—
Senior Vice President	Chih-Jui Shen	19	—	Senior Vice President	Chih-Wen Chang	5,000	—
Senior Vice President	Yu Juan	8,400	—	Senior Vice President	Tzu-Chen Tsao	5,865	—
Senior Vice President	Kuei-Ching Juan	5,414	—	Senior Vice President	Jung-Tsung Tsao	5,360	—
Senior Vice President	Hsiu-Chuan Chou	5,221	—	Senior Vice President	Ming-Chiao Liang	5,000	—
Senior Vice President	Chien-Cheng Tsung	5,330	—	Senior Vice President	Ming-Hui Chang	5,000	—
Senior Vice President	Shih-Kuang Yueh	5,000	—	Senior Vice President	Ming-Chin Chuang	5,307	—
Senior Vice President	Wen-Kan Lin	5,310	—	Senior Vice President	Ling-Yi Chuang	6,326	—

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	Wen-Chang Lin	1,010	—	Senior Vice President	Shu-Chun Chuang	6,240	—
Senior Vice President	Hsin-Pei Lin	6,000	—	Senior Vice President	Pi-Wei Hsu	12,343	—
Senior Vice President	Chun-Ting Lin	6,717	—	Senior Vice President	Ming-Chi Hsu	4,000	—
Senior Vice President	Ping-Tsang Lin	5,000	—	Senior Vice President	Chun-Hsiang Hsu	6,433	—
Senior Vice President	Ping-Hui Lin	5,819	—	Senior Vice President	Chao-Chi Hsu	5,206	—
Senior Vice President	Ling-Yu Lin	6,370	—	Senior Vice President	Jung-Sung Hsu	7,275	—
Senior Vice President	Chia-Ching Lin	6,000	—	Senior Vice President	Li-Ping Hsu	6,702	—
Senior Vice President	Chun-Liang Lin	30	—	Senior Vice President	Kuan-Ling Kuo	6,872	—
Senior Vice President	Sheng-Yi Lin	5,617	—	Senior Vice President	Mei-E Kuo	6,347	—
Senior Vice President	Ching-Yu Lin	-82	—	Senior Vice President	Chen-Te Kuo	5,000	—
Senior Vice President	Tao-Huang Lin	5,127	—	Senior Vice President	Chen-Chen Kuo	2,189	—
Senior Vice President	Chia-Tsung Lin	6,001	—	Senior Vice President	Wen-Kai Chen	1,966	—
Senior Vice President	Feng-Chu Lin	8,760	—	Senior Vice President	Wen-Feng Chen	5,955	—
Senior Vice President	Li-Meng Lin	12,184	—	Senior Vice President	Shih-Cheng Chen	6,273	—
Senior Vice President	Hsiu-Hao Wu	4,206	—	Senior Vice President	Kuang-Chung Chen	5,694	—
Senior Vice President	Hsing-Chu Chiu	5,275	—	Senior Vice President	Hsi-Chiu Chen	5,000	—
Senior Vice President	Yu-Jen Chiu	5,000	—	Senior Vice President	Chun-Ping Chen	6,000	—
Senior Vice President	Lung-Hao Ko	6,349	—	Senior Vice President	Cheng-Lu Chen	5,000	—
Senior Vice President	Ssu-Chuan Hung	6,527	—	Senior Vice President	Chih-Hung Chen	3	—
Senior Vice President	Yung-Ching Hung	6,506	—	Senior Vice President	Sung-Hsing Chen	7,898	—
Senior Vice President	Chiu-Ling Hung	5,370	—	Senior Vice President	Yu-Li Chen	5,000	—
Senior Vice President	Su-Yen Chi	1,114	—	Senior Vice President	Wen-Chi Chen	5,000	—
Senior Vice President	Ya-Hui Chi	6,667	—	Senior Vice President	Chun-Yi Chen	5,000	—

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	Kuo-Yu Hu	5,427	—	Senior Vice President	Hsin-Chi Chen	5,000	—
Senior Vice President	Liang-Jung Fan	10	—	Senior Vice President	Kuan-Hsueh Chen	5,000	—
Senior Vice President	Kuang-Nan Fan Chiang	5,023	—	Senior Vice President	Chien-Yu Chen	5,545	—
Senior Vice President	Chin-Yung Chu	5,000	—	Senior Vice President	Chien-Ta Chen	5,048	—
Senior Vice President	Ssu-Wei Chang	5,359	—	Senior Vice President	Chien-Ming Chen	5,140	—
Senior Vice President	Hsueh-Hung Chang	6,000	—	Senior Vice President	Yu-Wei Chen	5,000	—
Senior Vice President	Chiu-Chin Chen	5,000	—	Senior Vice President	Chan-Hao Yeh	5,000	—
Senior Vice President	Mei-Ling Chen	5,911	—	Senior Vice President	Hsueh-Fen Yeh	6,907	—
Senior Vice President	Yen-Wen Chen	5,000	—	Senior Vice President	Mei-Ching Chan	6,692	—
Senior Vice President	Kuei-Chu Chen	6,664	—	Senior Vice President	Jen-Chieh Liao	6,102	—
Senior Vice President	Hai-Ching Chen	5,910	—	Senior Vice President	Chih-Hao Hsiung	5,000	—
Senior Vice President	Su-Mei Chen	6,000	—	Senior Vice President	Tzu-Jen Chao	5,373	—
Senior Vice President	Chang-Jung Chen	5,000	—	Senior Vice President	Jen-Ming Liu	5,000	—
Senior Vice President	Shu-Ling Chen	6,841	—	Senior Vice President	Yi-Hsiung Liu	258	—
Senior Vice President	Chao-Chi Chen	3	—	Senior Vice President	Ching-Sung Liu	5,223	—
Senior Vice President	Chin-Tsai Chen	6,000	—	Senior Vice President	Chun-Ming Liu	6,530	—
Senior Vice President	Hui-Fang Chen	6,340	—	Senior Vice President	Hsi-Jen Liu	6,000	—
Senior Vice President	Tsung-Chih Chen	5,670	—	Senior Vice President	Yu-Hsing Fan	6,935	—
Senior Vice President	Pao-Chu Chen	8,713	—	Senior Vice President	Te-Ching Ou	6,067	—
Senior Vice President	Lung-San Fu	5,119	—	Senior Vice President	Chung-En Pan	5,000	—
Senior Vice President	Chih-Chi Peng	5,000	—	Senior Vice President	Yung-Chin Tsai	6,073	—
Senior Vice President	Chien-Chang Tseng	5,081	—	Senior Vice President	Ming-Chih Tsai	6,001	—
Senior Vice President	Chun-Ni Tseng	5,000	—	Senior Vice President	Ming-Nan Tsai	5,990	—

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	Chao-Chun Tseng	6,467	—	Senior Vice President	Shu-Hui Tsai	5,183	—
Senior Vice President	Jui-Pin Tseng	5,110	—	Senior Vice President	Shih-Jen Cheng	3,000	—
Senior Vice President	Chien-Hui Yu	5,000	—	Senior Vice President	Chi-Hao Cheng	5,000	—
Senior Vice President	Chi-Chen E	6,000	—	Senior Vice President	Yu-Lan Lu	5,000	—
Senior Vice President	Li-Hua Feng	4,000	—	Senior Vice President	Ting-Sheng Lu	6,420	—
Senior Vice President	Tao-Chin Huang	6,142	—	Senior Vice President	Chi-Wei Lu	5,000	—
Senior Vice President	Jen-Yi Huang	5,000	—	Senior Vice President	Cheng-Chi Hsiao	5,000	—
Senior Vice President	Yu-Jung Huang	5,000	—	Senior Vice President	Yu-Chu Hsiao	5,326	—
Senior Vice President	Chi-Liang Huang	5,172	—	Senior Vice President	Chih-Cheng Hsiao	5,000	—
Senior Vice President	Chih-Tung Huang	5,000	—	Senior Vice President	Yi-Chung Hsiao	6,158	—
Senior Vice President	Chin-Ting Huang	5,210	—	Senior Vice President	Yi-Hsuan Tai	5,000	—
Senior Vice President	Chien-Kuo Huang	5,000	—	Senior Vice President	Yu-Teng Hsueh	5,170	—
Senior Vice President	Li-Fen Huang	5,275	—	Senior Vice President	Fu-Yao Hsieh	5,000	—
Senior Vice President	Yao-Yi Huang	5,289	—	Senior Vice President	Ya-Ling Hsieh	6,000	—
Senior Vice President	Wen-Pin Yang	5,037	—	Senior Vice President	Chih-Chun Chung	5,000	—
Senior Vice President	Ming-Jen Yang	5,000	—	Senior Vice President	Ya-Hui Lan	124	—
Senior Vice President	Tsui-Chuan Yang	6,143	—	Senior Vice President	Min-Hsiu Yen	5,000	—
Senior Vice President	Li-Ling Yang	318	—	Senior Vice President	Hui-Fang Lo	6,142	—
Senior Vice President	Fei-Hsiang Yeh	6,322	—	Senior Vice President	Yu-Ching Su	5,147	—

Change of common share equity up till March 31, 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
Director	Wei-Hua Chou	15,000	—	Senior Vice President	Tung-Fa Li	5,000	—
Senior Executive Vice President	Yu-Chin Cheng	4,000	—	Senior Vice President	Pi-Wei Hsu	(15,343)	—
Senior Vice President	Shih-Wei Li	3,000	—	Senior Vice President	Chih-Chi Peng	10,000	—

Change of Class-A preferred share equity in 2019 (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	Chih-Jui Shen	(4,000)	—	Senior Vice President	Chin-Ting Huang	(5,000)	—

Change of Class-A preferred share equity up till March 31, 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	Hui-Ting Li	1,000	—	—			

Change of Class-B preferred share equity in 2019 (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	Hsiu-Chen Wu	(3,000)	—	Senior Vice President	Chin-Ting Huang	(246)	—
Senior Vice President	Chien-Cheng Tsung	(3,000)	—	Senior Vice President	Fei-Hsiang Yeh	(3,000)	—
Senior Vice President	Wen-Chang Lin	(3,000)	—	Senior Vice President	Ming-Chih Tsai	(3,000)	—
Senior Vice President	Min-Hui Chen	(3,000)	—	Senior Vice President	Chi-Wei Lu	(3,000)	—
Senior Vice President	Hui-Fang Chen	(3,413)	—	—			

Change of Class-B preferred share equity up till March 31, 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	Tao-Chin Huang	(3,000)	—	—			

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

Appendix VII

Cathay United Bank Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For The Years Ended
31 December 2019 and 2018
With Independent Auditors' Report

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 sheet as of December 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year 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, 2019, its consolidated financial performance and its consolidated cash flows for the year 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 audit 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, 2019. 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, 2019 are as follows:

Impairment Assessment on Loans

The domestic loans of the Bank amounted to \$1,399,537,914 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 impairment assessment on loans under the relevant regulations issued by the authorities is substantially larger than that under IFRS 9, hence, we determined the impairment of the loans under the relevant regulations prescribed by the authorities as a key audit matter.

Its management regularly assesses the impairment on its loans. Recognition of impairment loss on loans is based on compliance with regulations issued by the authorities regarding the classification of credit assets and provision 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 its internal controls of impairment assessment on 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, 2019 on which we have issued an unmodified opinion.

The consolidated financial statements of the Company as of and for the year ended December 31, 2018 were audited by other auditors who expressed an unmodified opinion on those statements on March 21, 2019.

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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2020

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, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	\$52,997,997	2	\$67,857,464	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 7 and 44)	110,945,093	4	104,223,315	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	298,874,753	10	250,685,216	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 45 and 49)	324,130,110	11	200,572,902	7
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 45 and 49)	444,934,985	15	421,022,506	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	14,295,350	1	44,612,132	2
RECEIVABLES, NET (Notes 4, 13, 15 and 44)	100,888,023	3	85,978,726	3
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 44)	1,553,150,906	52	1,595,323,251	56
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 17)	1,776,839	-	1,768,874	-
OTHER FINANCIAL ASSETS, NET	909	-	1,271	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	25,774,420	1	25,440,564	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 19 and 44)	4,226,097	-	-	-
INVESTMENT PROPERTIES, NET (Notes 4 and 20)	857,504	-	1,439,686	-
INTANGIBLE ASSETS, NET (Notes 4 and 21)	8,153,189	-	8,020,939	-
DEFERRED TAX ASSETS (Notes 4 and 42)	3,864,923	-	1,872,542	-
OTHER ASSETS, NET (Notes 22 and 44)	28,625,256	1	35,061,248	1
TOTAL	\$2,973,496,354	100	\$2,843,880,636	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	\$84,108,128	3	\$81,432,233	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	106,770,939	4	103,407,778	4
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 24)	48,180,452	2	55,974,509	2
PAYABLES (Notes 25 and 44)	26,864,803	1	24,912,970	1
CURRENT TAX LIABILITIES (Notes 4 and 42)	395,561	-	184,817	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	2,335,331,108	78	2,227,661,690	78
FINANCIAL DEBENTURES PAYABLE (Note 27)	53,900,000	2	55,600,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	65,604,222	2	76,509,334	3
PROVISIONS (Notes 4, 15 and 29)	3,698,353	-	3,421,427	-
LEASE LIABILITIES (Notes 4, 19 and 44)	4,246,381	-	-	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 42)	3,250,712	-	1,657,768	-
OTHER LIABILITIES (Notes 4, 31 and 44)	9,250,515	-	7,311,083	-
Total liabilities	2,741,601,174	92	2,638,073,609	93
EQUITY ATTRIBUTABLE TO OWNERS OF BANK (Note 32)				
Capital stock				
Common stock	101,658,353	4	91,197,623	3
Capital surplus	38,687,276	1	33,610,983	1
Retained earnings				
Legal reserve	57,935,811	2	51,631,140	2
Special reserve	2,183,978	-	2,933,808	-
Unappropriated earnings	21,675,159	1	21,015,571	1
Total retained earnings	81,794,948	3	75,580,519	3
Other equity	5,345,027	-	1,376,421	-
Total equity attributable to owners of parent	227,485,604	8	201,765,546	7
NON-CONTROLLING INTERESTS (Note 32)	4,409,576	-	4,041,481	-
Total equity	231,895,180	8	205,807,027	7
TOTAL	\$2,973,496,354	100	\$2,843,880,636	100

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

(With Deloitte & Touche auditors' report dated March 11, 2020)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018		Changes
	Amount	%	Amount	%	(%)
NET INTEREST REVENUE (Notes 4, 33 and 44)					
Interest income	\$58,126,269	92	\$53,787,868	88	8
Interest expense	(21,680,489)	(34)	(20,390,612)	(33)	6
Total net interest revenue	36,445,780	58	33,397,256	55	9
NET REVENUE OTHER THAN INTEREST					
Net service fee revenue (Notes 4, 34 and 44)	17,090,430	27	16,678,178	28	2
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 35 and 44)	5,703,706	9	5,892,981	10	(3)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4, 9 and 36)	2,093,576	3	2,663,486	4	(21)
Loss arising from derecognition of financial assets measured at amortised cost (Notes 4 and 10)	(38,960)	-	-	-	-
Foreign exchange gain (Note 4)	1,165,079	2	1,512,717	2	(23)
Impairment loss on assets (Notes 4, 5 and 37)	(18,623)	-	(305,704)	(1)	(94)
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 17)	91,103	-	98,384	-	(7)
Net other revenue other than interest income (Notes 4 and 44)	593,757	1	917,746	2	(35)
Total net revenue other than interest	26,680,068	42	27,457,788	45	(3)
NET REVENUE	63,125,848	100	60,855,044	100	4
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 13, 14, 15 and 38)	(2,852,780)	(4)	(5,031,541)	(8)	(43)

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018		Changes
	Amount	%	Amount	%	(%)
TOTAL OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 39 and 44)	(16,881,873)	(27)	(16,057,085)	(26)	5
Depreciation and amortization expense (Notes 4, 18, 19, 21 and 40)	(2,965,515)	(5)	(1,526,862)	(3)	94
Other general and administrative expense (Notes 4, 41 and 44)	(13,958,294)	(22)	(13,756,201)	(23)	1
Total operating expenses	(33,805,682)	(54)	(31,340,148)	(52)	8
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	26,467,386	42	24,483,355	40	8
INCOME TAX EXPENSE (Notes 4 and 42)	(3,980,972)	(6)	(3,230,004)	(5)	23
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	22,486,414	36	21,253,351	35	6
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	(433,779)	(1)	(96,202)	-	351
Property revaluation surplus	217,619	-	-	-	-
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	3,976,271	6	(892,775)	(1)	545
Change in fair value of financial liability attributable to change in credit risk of liability	(3,280,741)	(5)	2,402,577	4	(237)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	6,452	-	-	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 42)	288,371	1	(196,484)	-	247

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018		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	(\$911,361)	(2)	(\$511,263)	(1)	78
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(22,687)	-	-	-	-
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	4,143,959	7	(1,525,090)	(3)	372
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 42)	(65,244)	-	147,946	-	(144)
Other comprehensive income (loss), net of tax	3,918,860	6	(671,291)	(1)	684
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>\$26,405,274</u>	<u>42</u>	<u>\$20,582,060</u>	<u>34</u>	<u>28</u>
PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$21,822,653	35	\$21,020,332	35	4
Non-controlling interests	663,761	1	233,019	-	185
	<u>\$22,486,414</u>	<u>36</u>	<u>\$21,253,351</u>	<u>35</u>	<u>6</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$25,643,765	41	\$20,103,126	33	28
Non-controlling interests	761,509	1	478,934	1	59
	<u>\$26,405,274</u>	<u>42</u>	<u>\$20,582,060</u>	<u>34</u>	<u>28</u>
EARNINGS PER SHARE (Note 43)					
Basic	<u>\$2.25</u>		<u>\$2.17</u>		

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

(With Deloitte & Touche auditors' report dated March 11, 2020)

(Concluded)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank													
	Other Equity												Non-controlling Interests	Total Equity
	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	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Changes in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Gains (Losses) on Remeasurements of Defined Benefit	Property Revaluation Surplus	Total		
	Capital Stock Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2018	\$78,604,060	\$33,610,983	\$45,823,601	\$1,977,363	\$19,302,403	(\$532,567)	\$ -	\$1,906,796	(\$1,191,026)	(\$1,340,811)	\$302,676	(\$854,932)	\$3,844,089	\$182,307,567
Effect of retrospective application and restatement	-	-	-	-	(492,615)	-	5,598,353	(1,906,796)	-	-	-	3,691,557	-	3,198,942
BALANCE AT JANUARY 1, 2018 AS RESTATED	78,604,060	33,610,983	45,823,601	1,977,363	18,809,788	(532,567)	5,598,353	-	(1,191,026)	(1,340,811)	302,676	2,836,625	3,844,089	185,506,509
Appropriation of 2017 earnings														
Legal reserve	-	-	5,807,539	-	(5,807,539)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	951,443	(951,443)	-	-	-	-	-	-	-	-	-
Stock dividends	12,593,563	-	-	-	(12,593,563)	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	21,020,332	-	-	-	-	-	-	-	233,019	21,253,351
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(476,168)	(2,379,818)	-	1,965,110	(28,617)	2,287	(917,206)	245,915	(671,291)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	21,020,332	(476,168)	(2,379,818)	-	1,965,110	(28,617)	2,287	(917,206)	478,934	20,582,060
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(281,542)	(281,542)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	487,854	-	(487,854)	-	-	-	-	(487,854)	-	-
Others	-	-	-	5,002	50,142	-	-	-	-	-	(55,144)	(55,144)	-	-
BALANCE AT DECEMBER 31, 2018	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

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

(With Deloitte & Touche auditors' report dated March 11, 2020)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 26,467,386	\$ 24,483,355
Adjustments:		
Depreciation expense	2,509,883	1,180,682
Amortization expense	455,632	346,180
Expected credit loss/bad debt expense	2,852,780	5,031,541
Net gains on financial assets and liabilities at fair value through profit or loss	(5,703,706)	(5,892,981)
Interest expense	21,680,489	20,390,612
Net gains arising from derecognition of financial assets measured at amortised cost	38,960	-
Interest income	(58,126,269)	(53,787,868)
Dividend income	(994,684)	(1,529,632)
Compensation costs of share-based payments	76,293	-
Share of profit of associates and joint ventures accounted for using equity method	(91,103)	(98,384)
Loss on disposal of property and equipment	13,142	39,433
Gains on disposal of investment properties	(18,624)	(14,100)
Gains on disposal of investments	(1,098,892)	(1,133,854)
Impairment loss on financial assets	18,623	305,704
Loss on fair value adjustment of investment property	84,482	21,786
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(5,546,911)	(4,155,043)
Financial assets at fair value through profit or loss	8,708,317	88,182,014
Financial assets at fair value through other comprehensive income	(114,356,000)	(24,001,127)
Investments in debt instruments at amortised cost	(23,952,148)	(44,893,575)
Receivables	(18,347,498)	(7,714,191)
Discounts and loans	39,492,540	(164,403,763)
Other financial assets	366	5
Other assets	(2,225,264)	(2,338,101)
Deposits from the Central Bank and banks	2,675,895	(9,178,733)
Financial liabilities at fair value through profit or loss	(50,576,726)	18,400,765
Notes and bonds issued under repurchase agreement	(7,794,057)	(53,966,916)
Payables	(1,045,249)	1,076,695
Deposits and remittances	107,669,418	128,064,296
Other financial liabilities	(10,905,112)	10,453,079
Provisions	(192,900)	20,829
Other liabilities	139,910	160,152
Cash used in operations	(88,091,027)	(74,951,140)
Interest received	63,187,286	52,444,000
Dividends received	985,537	1,585,095
Interest paid	(23,144,421)	(19,690,918)
Income tax paid	(1,683,314)	(4,112,514)
Net cash used in operating activities	(48,745,939)	(44,725,477)

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(\$1,409,688)	(\$1,980,515)
Proceeds from disposal of property and equipment	10,476	1,146
Acquisition of intangible assets	(544,990)	(217,554)
Proceeds from disposal of investment properties	880,361	100,000
Other assets	8,152,868	(8,641,530)
Dividends received	66,904	73,557
Net cash generated from (used in) investing activities	7,155,931	(10,664,896)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of financial debentures payable	(1,700,000)	(7,750,000)
Payments of lease liabilities	(1,226,706)	-
Other liabilities	1,800,424	(1,855,319)
Cash dividends paid	(10,393,414)	(291,840)
Share issuance for cash	10,000,000	-
Net cash used in financing activities	(1,519,696)	(9,897,159)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(854,192)	(835,338)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,963,896)	(66,122,870)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	157,478,989	223,601,859
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$113,515,093</u>	<u>\$157,478,989</u>
	December 31	
	2019	2018
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, 2019 AND 2018		
Cash and cash equivalents reported in the statement of financial position	\$52,997,997	\$67,857,464
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	46,221,746	45,009,393
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	14,295,350	44,612,132
Cash and cash equivalents at the end of the period	<u>\$113,515,093</u>	<u>\$157,478,989</u>

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

(With Deloitte & Touche auditors' report dated March 11, 2020)

(Concluded)

1. INFORMATION ON THE BUSINESS

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Bank and its subsidiaries (“the Company”) were approved by the Bank’s board of directors and authorized for issue on March 11, 2020.

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

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

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

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Company elected to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

Lease liabilities were recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are applied, the Company applies IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

- 1) The Company also applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted-average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.89%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 5,544,509
Less: Recognition exemption for short-term leases	(501,288)
Less: Recognition exemption for leases of low-value assets	<u>(613,756)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 4,429,465</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 4,354,604</u>

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account these leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Other assets	\$ 35,061,248	\$ (17,660)	\$ 35,043,588
Right-of-use assets	<u>-</u>	<u>4,347,260</u>	<u>4,347,260</u>
Total effect on assets	<u>\$ 35,061,248</u>	<u>\$ 4,329,600</u>	<u>\$ 39,390,848</u>
Payables	\$ 24,912,970	\$ (25,004)	\$ 24,887,966
Lease liabilities	<u>-</u>	<u>4,354,604</u>	<u>4,354,604</u>
Total effect on liabilities	<u>\$ 24,912,970</u>	<u>\$ 4,329,600</u>	<u>\$ 29,242,570</u>

b. The IFRSs endorsed by FSC for application starting from 2020

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments 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, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, 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.

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

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

The accounting policies of the consolidated entities are same.

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

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

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

Entities included in consolidated financial statements

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

Foreign Currencies

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

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

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

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

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

Current and Non-current Assets and Liabilities

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial asset at FVTPL

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

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

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

b) Financial assets at amortized cost

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

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

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

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

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

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

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

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

b) Financial guarantee contracts

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

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

2) Derecognition of financial liabilities

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

d. Derivatives

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

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

Investments in Associates

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

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

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

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

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

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

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

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

Nonperforming Loans

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

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

Repurchase and Resale Transactions

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

Property and Equipment

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

Freehold land is not depreciated.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property and equipment is shorter than its useful life, such asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

Investment Properties

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

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

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

The Company decides to transfer in or out investment property based on the actual use of assets.

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

Goodwill

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

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

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

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

Foreclosed Collateral

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

Intangible Assets (Excluding Goodwill)

Intangible assets acquired separately

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

Derecognition

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

Impairment of Tangible and Intangible Assets (Excluding Goodwill)

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

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

Leasing

2019

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

a. The Company as lessor

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

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

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

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

b. The Company as lessee

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

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

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

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

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

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

2018

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.

a. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

Lease incentives included in an operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis.

Contingent rentals are recognized as income in the period in which they are incurred.

b. The Company as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

Lease incentives received under operating leases are recognized as liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expenses on a straight-line basis.

Contingent rentals are recognized as expenses in the period in which they are incurred.

c. Leasehold land for own use

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 minimum 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 the lease.

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.

Provisions

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Termination benefits

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

d. Employee preferential interest deposits

The Bank offers its employees preferential interest deposits, including of preferential interest deposits to current employees and those to retired employees and current employees after retirement in finite amounts. The difference between the interest rate of preferential interest deposits and the market rate is considered as employee benefits.

In accordance with Article 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess of the interests incurred from post-employment preferential interest deposits over those inputted by the market rate should be applicable to the requirements for defined benefit plans in IAS 19 Employee Benefits since the employee's retirement and accrued by actuarial method.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Since 2002, in accordance with Article 49 of the Financial Holding Company Act, the Bank elect Financial Holding Company to be the tax payer, and jointly declare and report profit-seeking enterprise income tax and the tax surcharge on surplus retained earnings of a profit-enterprise in accordance with the relevant provisions of the Income Tax Law. Addition tax payable or receivable due to the joint declaration of income tax is recognized under the payables or receivables for allocation of integrated income tax systems account.

b. Deferred tax

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

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

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

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

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

c. Current and deferred taxes

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

Recognition of Interest Revenue and Expense

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

Recognition of Service Fee Revenue and Expense

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

Customer Loyalty Program

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, the Company’s management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Assessment of impairment of loans

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 23,746,182	\$ 17,003,482
Checks for clearance	2,930,797	7,060,146
Due from banks	<u>26,325,206</u>	<u>43,812,218</u>
	53,002,185	67,875,846
Less: Allowance for impairment loss	<u>(4,188)</u>	<u>(18,382)</u>
	<u>\$ 52,997,997</u>	<u>\$ 67,857,464</u>

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

	December 31	
	2019	2018
Deposit reserves - general account	\$ 57,897,754	\$ 53,222,764
Deposit reserves - foreign currency account	6,890,818	6,038,018
Deposits in the Central Bank - general account	14,455,036	28,491,195
Call loans and overdrafts	<u>31,766,710</u>	<u>16,518,198</u>
	111,010,318	104,270,175
Less: Allowance for impairment loss	<u>(65,225)</u>	<u>(46,860)</u>
	<u>\$110,945,093</u>	<u>\$104,223,315</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, 2019 and 2018, the balances of foreign-currency deposit reserves were \$2,099,097 thousand and \$1,683,601 thousand, respectively.

Indovina Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the State Bank of Vietnam were \$1,212,635 thousand and \$705,341 thousand as of December 31, 2019 and 2018, respectively.

CUBC Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the National Bank of Cambodia were \$1,259,294 thousand and \$1,437,362 thousand as of December 31, 2019 and 2018, respectively.

CUBCN Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the People's Bank of China were \$2,319,792 thousand and \$2,211,714 thousand as of December 31, 2019 and 2018, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>		
Treasury bills	\$ 9,912,981	\$ -
Commercial paper	141,390,530	99,829,344
Government bonds	41,562,839	25,763,954
Corporate bonds	6,617,762	4,908,033
Financial debentures	8,724,915	7,958,565
Negotiable Certificates of Deposit	38,680,277	62,649,171
Stock investments	308,796	3,657
Fund beneficiary certificates	<u>288,747</u>	<u>96,786</u>
	<u>247,486,847</u>	<u>201,209,510</u>
Derivative financial instruments		
Foreign exchange forward contracts	18,280,727	21,078,912
Interest rate swap	30,557,553	26,800,296
Options	1,947,083	884,544
Others	<u>602,543</u>	<u>711,954</u>
	<u>51,387,906</u>	<u>49,475,706</u>
	<u>\$298,874,753</u>	<u>\$250,685,216</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bonds	<u>\$ 57,604,294</u>	<u>\$ 51,441,482</u>
<u>Financial liabilities held for trading</u>		
Derivative financial instruments		
Foreign exchange forward contracts	19,006,155	21,124,958
Interest rate swaps	25,867,768	25,440,315
Options	3,753,962	4,450,003
Others	<u>538,760</u>	<u>951,020</u>
	<u>49,166,645</u>	<u>51,966,296</u>
	<u>\$106,770,939</u>	<u>\$103,407,778</u>

The Company engages in derivative transactions mainly to accommodate customers' needs, and manage its exposure positions. The financial risk management objective of the Company is to minimize risk due to changes in fair value or cash flows.

The contract amounts (nominal amounts) of derivative transactions for accommodating customers' needs and managing its exposure positions as of December 31, 2019 and 2018 were as follows:

Unit: Thousands of U.S. Dollars

	December 31	
	2019	2018
Foreign exchange forward contracts	\$ 85,742,506	\$ 89,265,988
Interest rate swaps	68,168,029	93,366,752
Options	6,704,612	5,275,165
Futures	1,398,149	1,731,998
Cross currency swaps	1,396,786	1,461,149
Commodity exchange contracts	584	9,751

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

As of December 31, 2018, certain financial assets at FVTPL of the Company with notional amounts of \$583,927 thousand were sold under repurchase agreement. The proceeds amounting to \$523,342 thousand were recognized as notes and bonds sold under repurchase agreement and were repurchased for \$523,725 thousand before the end of January 2019.

Financial Liabilities Designated 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%.

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

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

The Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the years ended December 31, 2019 and 2018, such interest rate swaps were valued with a net gain of \$4,094,478 thousand and net loss of \$2,290,940 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments		
Domestic listed shares	\$ 12,547,311	\$ 4,214,066
Overseas stock investments	9,413,887	4,505,813
Domestic unlisted shares	<u>4,043,607</u>	<u>3,367,271</u>
	<u>26,004,805</u>	<u>12,087,150</u>
Investments in debt instruments		
Corporate bonds	45,974,087	42,711,025
Financial debentures	80,267,723	75,905,600
Asset-based securities	27,942,654	3,191,683
Negotiable Certificates of Deposit	70,253,313	-
Government bonds	<u>73,687,528</u>	<u>66,677,444</u>
	<u>298,125,305</u>	<u>188,485,752</u>
	<u>\$324,130,110</u>	<u>\$200,572,902</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.

For investment strategy, the Company sold the investments in equity instruments at FVTOCI with the fair value of \$25,613,617 thousand and \$32,175,518 thousand during the years ended December 31, 2019 and 2018, respectively, and the related unrealized loss of \$147,494 thousand and unrealized gain of \$487,854 thousand were transferred from other equity to retained earnings, accordingly.

Dividends of \$994,684 thousand and \$1,529,632 thousand were recognized during the years ended December 31, 2019 and 2018, respectively. Those related to investments held as of December 31, 2019 and 2018 were \$609,463 thousand and \$602,727 thousand, respectively, and the remaining amounts were related to investments derecognized during the years ended December 31, 2019 and 2018.

As of December 31, 2019 and 2018, certain financial assets at FVTOCI were sold under repurchase agreements with notional amounts of \$35,649,054 thousand and \$46,355,590 thousand, respectively. The proceeds amounting to \$35,456,986 thousand and \$42,613,744 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$35,556,515 thousand and \$42,764,361 thousand before the end of June 2020 and March 2019, respectively.

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

10. INVESTMENTS IN DEBT INSTRUMENT AT AMORTISED COST

	December 31	
	2019	2018
Short-term bills	\$380,904,061	\$348,485,689
Government bonds	2,816,923	2,313,920
Corporate bonds	813,740	2,745,468
Financial debentures	18,140,531	16,462,146
Structured notes	3,436,962	3,073,300
Asset-based bonds	<u>38,850,385</u>	<u>47,973,170</u>
	444,962,602	421,053,693
Less: Allowance for impairment loss	<u>(27,617)</u>	<u>(31,187)</u>
	<u>\$444,934,985</u>	<u>\$421,022,506</u>

For the year ended December 31, 2019, the Bank disposed of certain asset-based bonds in advance due to the expected increase in credit risk, and recognized the loss arising from derecognition of financial assets measured at amortized cost amounted to \$38,960 thousand.

As of December 31, 2019 and 2018, certain financial assets measured at amortized cost were sold under repurchase agreements with notional amounts of \$16,010,521 thousand and \$19,718,692 thousand, respectively. The proceeds amounting to \$12,723,466 thousand and \$11,447,258 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$12,731,800 thousand and \$11,477,549 thousand before the end of March 2020 and 2019, respectively.

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

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

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>

December 31, 2018

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	\$188,582,733	\$421,053,693	\$609,636,426
Less: Allowance for impairment loss	(314,633)	(31,187)	(345,820)
Adjustment to fair value	<u>217,652</u>	<u>-</u>	<u>217,652</u>
	<u>\$188,485,752</u>	<u>\$421,022,506</u>	<u>\$609,508,258</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 values of financial assets at FVTOCI and investments in debt instruments at amortised cost sorted by credit rating of the Company are as follows:

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

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at December 31, 2018
Low credit risk	Low credit risk at reporting date	12-month ECLs	\$609,636,426
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, 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 rate 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>

For the year ended December 31, 2018

	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	\$ 39,035	\$ -	\$ -
New debt instruments purchased	385,749	-	-
Derecognition	(71,179)	-	-
Effect of exchange rate changes and others	<u>(7,785)</u>	<u>-</u>	<u>-</u>
Balance at the end of the period	<u>\$ 345,820</u>	<u>\$ -</u>	<u>\$ -</u>

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2019	2018
Foreign bonds	\$ 2,397,041	\$ 2,263,810
Corporate bonds	3,679,849	14,034,493
Government bonds	6,610,566	24,004,355
Financial debentures	<u>1,609,102</u>	<u>4,314,168</u>
	14,296,558	44,616,826
Less: Allowance for impairment loss	<u>(1,208)</u>	<u>(4,694)</u>
	<u>\$ 14,295,350</u>	<u>\$ 44,612,132</u>

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

As of December 31, 2018, certain securities purchased under resell agreements were sold under repurchase agreements with notional amounts of \$1,505,917 thousand. Such repurchase agreements amounting to \$1,390,165 thousand, were recognized under the “securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements were settled at \$1,394,432 thousand before the end of April 2019.

13. RECEIVABLES, NET

	December 31	
	2019	2018
Notes and accounts receivables	\$ 89,486,906	\$ 71,947,102
Interest receivable	5,673,196	9,480,747
Acceptance	896,898	1,591,399
Factoring receivable	3,137,119	2,607,455
Others	<u>4,071,172</u>	<u>2,413,972</u>
	103,265,291	88,040,675
Less: Allowance for impairment loss	<u>(2,377,268)</u>	<u>(2,061,949)</u>
	<u>\$100,888,023</u>	<u>\$ 85,978,726</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, 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
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>

For the year ended December 31, 2018

	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	\$ 74,426,480	\$ 2,070,086	\$ 2,915,898	\$ 79,412,464
Transferred to Lifetime ECLs	(639,711)	642,075	(2,364)	-
Transferred to credit-impaired financial assets	(81,508)	(9,042)	90,550	-
Transferred to 12-month ECLs	280,500	(276,613)	(3,887)	-
Derecognition of financial assets in the period	(68,728,339)	(1,848,225)	(594,290)	(71,170,854)
New financial assets purchased or originated	79,100,185	1,081,499	459,513	80,641,197
Written off as bad debt expense	-	-	(444,144)	(444,144)
Effects of exchange rate changes and others	<u>(400,794)</u>	<u>1,209</u>	<u>1,597</u>	<u>(397,988)</u>
	<u>\$ 83,956,813</u>	<u>\$ 1,660,989</u>	<u>\$ 2,422,873</u>	<u>\$ 88,040,675</u>

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

For the year ended December 31, 2019

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 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 regulations	-	-	-	-	2,501	2,501
Written off as bad debt expense	-	-	(485,265)	(485,265)	-	(485,265)
Effects of exchange rate changes and others	<u>12,101</u>	<u>(10,301)</u>	<u>9,240</u>	<u>11,040</u>	<u>5</u>	<u>11,045</u>
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>

For the year ended December 31, 2018

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 78,157	\$ 63,923	\$ 2,106,749	\$ 2,248,829	\$ 14,830	\$ 2,263,659
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(1,861)	64,210	(1,634)	60,715	-	60,715
Transferred to credit-impaired financial assets	(377)	(637)	62,160	61,146	-	61,146
Transferred to 12-month ECLs	1,251	(19,979)	(2,667)	(21,395)	-	(21,395)
Derecognition of financial assets in the period	(53,572)	(37,863)	(296,585)	(388,020)	-	(388,020)
New financial assets purchased or originated	80,911	54,338	287,174	422,423	-	422,423
Differences of impairment loss under regulations	-	-	-	-	37,522	37,522
Written off as bad debt expense	-	-	(442,217)	(442,217)	-	(442,217)
Effects of exchange rate changes and others	21,513	(7,027)	55,512	69,998	(1,882)	68,116
Balance at the end of the period	<u>\$ 126,022</u>	<u>\$ 116,965</u>	<u>\$ 1,768,492</u>	<u>\$ 2,011,479</u>	<u>\$ 50,470</u>	<u>\$ 2,061,949</u>

14. DISCOUNTS AND LOANS, NET

	December 31	
	2019	2018
Discounts and overdrafts	\$ 1,695,073	\$ 2,031,672
Short-term loans	392,424,750	447,675,391
Medium-term loans	416,600,240	373,978,341
Long-term loans	765,622,224	793,036,173
Export negotiations	1,349,222	1,722,435
Overdue loans	<u>2,870,685</u>	<u>2,306,480</u>
	1,580,562,194	1,620,750,492
Less: Allowance for impairment loss	<u>(27,411,288)</u>	<u>(25,427,241)</u>
	<u>\$1,553,150,906</u>	<u>\$1,595,323,251</u>

As of December 31, 2019, the amount of the domestic loans of the Bank, and allowance for impairment loss were \$1,399,537,914 thousand and \$24,940,626, respectively.

As of December 31, 2019 and 2018, the loan and credit balances of nonaccrual loans were \$2,870,685 thousand and \$2,306,480 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, 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
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	<u>(1,825,584)</u>	<u>(528,827)</u>	<u>(136,342)</u>	<u>(2,490,753)</u>
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>

For the year ended December 31, 2018

	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	\$ 1,399,416,842	\$ 47,973,789	\$ 10,407,468	\$ 1,457,798,099
Transferred to Lifetime ECLs	(23,802,859)	23,861,030	(58,171)	-
Transferred to credit-impaired financial assets	(2,338,666)	(909,935)	3,248,601	-
Transferred to 12-month ECLs	18,817,944	(18,381,206)	(436,738)	-
Derecognition of financial assets in the period	(493,360,455)	(16,171,418)	(313,462)	(509,845,335)
New financial assets purchased or originated	647,027,046	23,815,923	2,167,168	673,010,137
Written off as bad debt expense	-	-	(3,111,607)	(3,111,607)
Effects of exchange rate changes and others	<u>3,945,197</u>	<u>(912,449)</u>	<u>(133,550)</u>	<u>2,899,198</u>
Balance at the end of the period	<u>\$ 1,549,705,049</u>	<u>\$ 59,275,734</u>	<u>\$ 11,769,709</u>	<u>\$ 1,620,750,492</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, 2019

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 3,914,449	\$ 1,667,321	\$ 4,912,617	\$ 10,494,387	\$ 14,932,854	\$ 25,427,241
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(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 ECLs	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 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>

For the year ended December 31, 2018

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 3,724,645	\$ 1,036,509	\$ 4,690,540	\$ 9,451,694	\$ 13,788,238	\$ 23,239,932
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(99,353)	1,014,519	(11,229)	903,937	-	903,937
Transferred to credit-impaired financial assets	(31,497)	(46,974)	3,067,341	2,988,870	-	2,988,870
Transferred to 12-month ECL	105,340	(543,839)	(94,806)	(533,305)	-	(533,305)
Derecognition of financial assets in the period	(1,846,259)	(172,525)	(619,678)	(2,638,462)	-	(2,638,462)
New financial assets purchased or originated	1,968,981	516,685	1,213,006	3,698,672	-	3,698,672
Differences of impairment loss under regulations	-	-	-	-	836,288	836,288
Written off as bad debt expense	-	-	(3,070,128)	(3,070,128)	-	(3,070,128)
Effects of exchange rate changes and others	92,592	(137,054)	(262,429)	(306,891)	308,328	1,437
Balance at the end of the period	<u>\$ 3,914,449</u>	<u>\$ 1,667,321</u>	<u>\$ 4,912,617</u>	<u>\$ 10,494,387</u>	<u>\$ 14,932,854</u>	<u>\$ 25,427,241</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, 2019

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 251,972	\$ 73,536	\$ 5,118	\$ 330,626	\$ 71,327	\$ 401,953
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(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 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>

For the year ended December 31, 2018

	12-month ECLs	Lifetime ECLs (Collective Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 114,406	\$ 21,997	\$ 23,394	\$ 159,797	\$ 52,952	\$ 212,749
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(434)	19,554	(24)	19,096	-	19,096
Transferred to credit-impaired financial assets	(24)	(35)	8,027	7,968	-	7,968
Transferred to 12-month ECLs	873	(11,728)	(445)	(11,300)	-	(11,300)
Derecognition of financial assets in the period	(58,795)	(9,046)	(19,919)	(87,760)	-	(87,760)
New financial assets purchased or originated	174,392	57,160	1,606	233,158	-	233,158
Differences of impairment loss under regulations	-	-	-	-	18,375	18,375
Effects of exchange rate changes and others	<u>21,554</u>	<u>(4,366)</u>	<u>(7,521)</u>	<u>9,667</u>	<u>-</u>	<u>9,667</u>
Balance at the end of the period	<u>\$ 251,972</u>	<u>\$ 73,536</u>	<u>\$ 5,118</u>	<u>\$ 330,626</u>	<u>\$ 71,327</u>	<u>\$ 401,953</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		
			2019	2018	
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) (Notes 3 and 4)	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: Upon approval by the authorities, the Shanghai Branch, Qingdao Branch and Shenzhen Branch of Cathay United Bank merged into CUBCN Bank. Please refer to Table 5 for the relevant investment information.

Note 4: As a major subsidiary, its financial statements have been audited.

17. INVESTMENTS MEASURED BY EQUITY METHOD, NET

	December 31	
	2019	2018
<u>Associates that are not individually material</u>		
Taiwan Real-estate Management Corp.	\$ 100,958	\$ 103,185
Taiwan Finance Corp.	<u>1,675,881</u>	<u>1,665,689</u>
	<u>\$ 1,776,839</u>	<u>\$ 1,768,874</u>

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

	For the Year Ended December 31	
	2019	2018
The Bank's share of		
Net profit	\$ 91,103	\$ 98,384
Other comprehensive income	<u>(16,235)</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 74,868</u>	<u>\$ 98,384</u>

Investments accounted for using the equity method and the Bank's share of profit and loss and other comprehensive income are calculated based on the financial statements which have not been 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

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 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 December 31, 2019	<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 January 1, 2019	-	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 December 31, 2019	-	<u>4,517,098</u>	<u>3,128,964</u>	<u>76,940</u>	<u>5,955,250</u>	<u>133,412</u>	-	<u>13,811,664</u>
<u>Net</u>								
Balance at December 31, 2019	<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>
<u>Cost</u>								
Balance at January 1, 2018	\$ 15,377,939	\$ 10,303,217	\$ 4,234,054	\$ 108,381	\$ 7,707,438	\$ 59,762	\$ 532,452	\$ 38,323,243
Additions	-	-	1,062,104	3,003	260,739	4,752	652,317	1,982,915
Disposals	-	-	(562,089)	(4,617)	(696,600)	(3,861)	-	(1,267,167)
Reclassification	-	(1,675)	134,234	-	430,886	580	(698,338)	(134,313)
Others (Note)	(2,400)	-	-	-	-	-	-	(2,400)
Exchange differences	3,837	9,822	7,520	3,106	9,567	1,816	2,574	38,242
Balance at December 31, 2018	<u>15,379,376</u>	<u>10,311,364</u>	<u>4,875,823</u>	<u>109,873</u>	<u>7,712,030</u>	<u>63,049</u>	<u>489,005</u>	<u>38,940,520</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2018	-	4,137,330	3,118,151	75,243	6,099,041	20,180	-	13,449,945
Depreciation	-	215,366	460,080	7,733	489,147	8,356	-	1,180,682
Disposals	-	-	(561,432)	(4,196)	(657,099)	(3,861)	-	(1,226,588)
Reclassification	-	(551)	-	-	(182)	-	-	(733)
Exchange differences	-	3,036	86,666	2,293	3,903	752	-	96,650
Balance at December 31, 2018	-	<u>4,355,181</u>	<u>3,103,465</u>	<u>81,073</u>	<u>5,934,810</u>	<u>25,427</u>	-	<u>13,499,956</u>
<u>Net</u>								
Balance at December 31, 2018	<u>\$ 15,379,376</u>	<u>\$ 5,956,183</u>	<u>\$ 1,772,358</u>	<u>\$ 28,800</u>	<u>\$ 1,777,220</u>	<u>\$ 37,622</u>	<u>\$ 489,005</u>	<u>\$ 25,440,564</u>

Note: The urban renewal demolition and resettlement compensation fees.

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

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

As of December 31, 2019 and 2018, no property and equipment was pledged.

19. RENTAL AGREEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amount of right-of-use assets	
Land and buildings	\$ 4,182,603
Equipment	3,082
Transportation equipment	<u>40,412</u>
	<u>\$ 4,226,097</u>
	For the Year Ended December 31, 2019
Additions of right-of-use assets	<u>\$ 1,131,171</u>
Depreciation expense of right-of-use assets	
Land and buildings	\$ 1,198,208
Equipment	1,364
Transportation equipment	<u>25,429</u>
	<u>\$ 1,225,001</u>

b. Lease liabilities - 2019

	December 31, 2019
Carrying amount of lease liabilities	<u>\$ 4,246,381</u>

The discount rate intervals of lease liabilities were as follows:

	December 31, 2019
Land and buildings	0.35%-5.22%
Equipment	0.70%-4.15%
Transportation equipment	0.70%-5.38%

c. Other lease information

	For the Year Ended December 31, 2019
Short-term rental expense	<u>\$ 778,845</u>
Low value assets rental expense	<u>\$ 370,687</u>
Variable lease payment expense not included in measurable lease liabilities	<u>\$ 460</u>
Gross cash outflow for leases	<u>\$ 2,376,698</u>

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

2018

The Bank

The total future minimum lease payments for non-cancellable operating leases was as follows:

	December 31, 2018
Within a year	\$ 1,435,798
Over one year and up to five years	3,501,147
Over five years	<u>277,120</u>
	<u><u>\$ 5,214,065</u></u>

Indovina Bank

As of December 31, 2018, Indovina Bank has signed an effective tenancy operating lease agreement, and the estimated rent payable for the future lease period was as follows:

	December 31, 2018
Within a year	\$ 35,813
Over one year and up to five years	70,604
Over five years	<u>9,342</u>
	<u><u>\$ 115,759</u></u>

CUBC Bank

As of December 31, 2018, CUBC Bank has signed an effective tenancy operating lease agreement, and the estimated rent payable for the future lease period was as follows:

	December 31, 2018
Within a year	\$ 2,912
Over one year and up to five years	23,114
Over five years	<u>49,341</u>
	<u><u>\$ 75,367</u></u>

CUBCN Bank

As of December 31, 2018, CUBCN Bank has signed an effective tenancy operating lease agreement, and the estimated rent payable for the future lease period was as follows:

	December 31, 2018
Within a year	\$ 114,211
Over one year and up to five years	25,107
Over five years	<u>-</u>
	<u>\$ 139,318</u>

20. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
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>
January 1, 2018	\$ 1,414,476	\$ 132,896	\$ 1,547,372
Disposal	(85,900)	-	(85,900)
Loss on fair value adjustment	<u>(16,791)</u>	<u>(4,995)</u>	<u>(21,786)</u>
December 31, 2018	<u>\$ 1,311,785</u>	<u>\$ 127,901</u>	<u>\$ 1,439,686</u>

- a. As of December 31, 2019 and 2018, no investment property was pledged.
- b. Part of the purpose of holding certain real estate of the Bank is to earn rent or capital surplus, the other part is for self-use. When the part held for self-use is less than 5% of the individual real estate, the real estate is classified as investment properties.
- c. The Bank's investment properties were appraised by qualified real estate appraisers in Taiwan, according to the "Technical Rules for Real Estate Valuation." The valuation dates were December 31, 2019 and 2018, respectively.

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

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

- 1) As office buildings have market liquidity and their rent levels are similar to comparable properties in the same neighborhood, their fair values have been determined using the comparison approach and the income approach.

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

According to the ROC Real Estate Appraisers Association Gazette No. 5, the house tax is based on the actual payment data. If there is no payment data, the house tax is based on the reference tables of current house values from each city to estimate the total current house value, including the area of the subject property and related public utilities, and then calculated with tax rates according to House Tax Act.

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

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

The main parameters are as follows:

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

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

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

Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2019	2018
Generating rental income	\$ -	\$ -
Not generating rental income	<u>5,088</u>	<u>5,841</u>
	<u>\$ 5,088</u>	<u>\$ 5,841</u>

21. INTANGIBLE ASSETS, NET

	Computer Software	Goodwill	Other	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 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	(13,627)	(6,628)	98	(20,157)
Balance at December 31, 2019	<u>2,816,530</u>	<u>6,991,316</u>	<u>-</u>	<u>9,807,846</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2019	1,433,552	-	-	1,433,552
Amortization	455,632	-	-	455,632
Disposal	(227,080)	-	-	(227,080)
Exchange differences	(7,447)	-	-	(7,447)
Balance at December 31, 2019	<u>1,654,657</u>	<u>-</u>	<u>-</u>	<u>1,654,657</u>
<u>Net</u>				
Balance at December 31, 2019	<u>\$ 1,161,873</u>	<u>\$ 6,991,316</u>	<u>\$ -</u>	<u>\$ 8,153,189</u>
<u>Cost</u>				
Balance at January 1, 2018	\$ 1,996,800	\$ 6,988,589	\$ 20,043	\$ 9,005,432
Additions	216,018	-	1,536	217,554
Disposal	(128,096)	-	-	(128,096)
Reclassification	352,850	-	-	352,850
Exchange differences	(3,195)	9,355	591	6,751
Balance at December 31, 2018	<u>2,434,377</u>	<u>6,997,944</u>	<u>22,170</u>	<u>9,454,491</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2018	1,219,448	-	-	\$ 1,219,448
Amortization	346,180	-	-	346,180
Disposal	(128,096)	-	-	(128,096)
Exchange differences	(3,980)	-	-	(3,980)
Balance at December 31, 2018	<u>1,433,552</u>	<u>-</u>	<u>-</u>	<u>1,433,552</u>
<u>Net</u>				
Balance at December 31, 2018	<u>\$ 1,000,825</u>	<u>\$ 6,997,944</u>	<u>\$ 22,170</u>	<u>\$ 8,020,939</u>

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

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

During impairment testing of goodwill, the Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast 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	
	2019	2018
Prepayments	\$ 871,053	\$ 1,290,579
Temporary payments and suspense accounts	259,245	262,216
Interbank clearing funds	8,499,483	6,388,757
Refundable deposits, net	18,283,158	26,380,549
Operating deposits, net	592,456	647,932
Others	<u>119,861</u>	<u>91,215</u>
	<u>\$ 28,625,256</u>	<u>\$ 35,061,248</u>

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2019	2018
Call loans from banks	\$ 42,890,945	\$ 38,548,992
Due to Chunghwa Post Co., Ltd.	17,709,405	18,044,685
Banks overdrafts	461,623	250,092
Deposits from the Central Bank and banks	<u>23,046,155</u>	<u>24,588,464</u>
	<u>\$ 84,108,128</u>	<u>\$ 81,432,233</u>

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2019	2018
Asset-based securities	\$ 6,317,892	\$ 9,190,302
Corporate bonds	4,825,574	8,797,043
Asset collateral guarantee securities	-	529,543
Government bonds	12,102,396	22,326,980
Financial debentures	<u>24,934,590</u>	<u>15,130,641</u>
	<u>\$ 48,180,452</u>	<u>\$ 55,974,509</u>

25. PAYABLES

	December 31	
	2019	2018
Accounts payable	\$ 3,494,933	\$ 7,412,232
Accrued expenses	8,731,588	7,615,684
Payable on bonds trade settle	1,347,019	69,289
Interest payable	4,705,505	4,625,435
Receipts under custody	823,815	424,823
Banker's acceptances	902,894	1,600,282
Others	<u>6,859,049</u>	<u>3,165,225</u>
	<u>\$ 26,864,803</u>	<u>\$ 24,912,970</u>

26. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Checking deposits	\$ 15,020,465	\$ 16,283,818
Demand deposits	532,155,747	532,446,775
Demand savings deposits	931,589,893	847,465,305
Time deposits	469,560,296	457,517,789
Time savings deposits	382,673,168	367,920,662
Negotiable certificates of deposits	2,931,000	4,313,300
Outward remittances and remittances payable	<u>1,400,539</u>	<u>1,714,041</u>
	<u>\$2,335,331,108</u>	<u>\$2,227,661,690</u>

27. FINANCIAL DEBENTURES

	December 31	
	2019	2018
2nd issue of subordinated financial debentures in 2009; fixed rate at 2.6%; maturity: July 2019	\$ -	\$ 1,500,000
1st issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	1,500,000	1,500,000
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 1.48%; maturity: June 2019	-	200,000
1st issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000
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	100,000
1st issue of subordinated financial debentures in 2013; fixed rate at 1.7%; maturity: April 2023	9,900,000	9,900,000
		(Continued)

	December 31	
	2019	2018
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>\$ 53,900,000</u>	<u>\$ 55,600,000</u> (Concluded)

28. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	2018
Principal of structured products	<u>\$ 65,604,222</u>	<u>\$ 76,509,334</u>

29. PROVISIONS

	December 31	
	2019	2018
Reserve for employee benefits		
Defined benefit plan	\$ 2,619,553	\$ 2,401,044
Retired employees' preferential interest deposits	620,011	595,751
Reserve for losses on guarantees	163,312	163,715
Reserve for finance commitments	255,433	233,938
Other operating reserve	33,725	22,680
Other reserve - letter of credit	<u>6,319</u>	<u>4,299</u>
	<u>\$ 3,698,353</u>	<u>\$ 3,421,427</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, 2019 and 2018, the Company recognized expenses of \$401,391 thousand and \$381,983 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	
	2019	2018
Present value of defined benefit obligation	\$ 5,655,806	\$ 5,296,875
Fair value of plan assets	<u>(3,036,253)</u>	<u>(2,895,831)</u>
Net defined benefit liabilities	<u>\$ 2,619,553</u>	<u>\$ 2,401,044</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, 2018	\$ 5,234,640	\$(2,727,610)	\$ 2,507,030
Service cost			
Current service cost	152,137	-	152,137
Past service cost and loss on settlements	440	-	440
Net interest expense (income)	<u>56,704</u>	<u>(30,739)</u>	<u>25,965</u>
Recognized in profit or loss	<u>209,281</u>	<u>(30,739)</u>	<u>178,542</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(63,595)	(63,595)
Actuarial (gain) loss			
Changes in financial assumptions	75,454	-	75,454
Experience adjustments	<u>551</u>	<u>-</u>	<u>551</u>
Recognized in other comprehensive income	<u>76,005</u>	<u>(63,595)</u>	<u>12,410</u>
Contributions from the employer	-	(296,926)	(296,926)
Benefits paid	(223,039)	223,039	-
Effects of exchange rate change	<u>(12)</u>	<u>-</u>	<u>(12)</u>
Balance at December 31, 2018	<u>5,296,875</u>	<u>(2,895,831)</u>	<u>2,401,044</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
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)
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> (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	
	2019	2018
Discount rate(s)	0.72%	0.97%
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	
	2019	2018
Discount rate(s)		
0.5% increase	<u>\$(288,294)</u>	<u>\$(280,685)</u>
0.5% decrease	<u>\$ 310,906</u>	<u>\$ 301,869</u>
Expected rate(s) of salary increase		
0.5% increase	<u>\$ 299,600</u>	<u>\$ 291,277</u>
0.5% decrease	<u>\$(282,641)</u>	<u>\$(275,390)</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	
	2019	2018
Expected contributions to the plans for the next year	<u>\$ 297,480</u>	<u>\$ 296,937</u>
Average duration of the defined benefit obligation	10.6 years	10.9 years

c. Employee' preferential interest deposit plan

The Bank's obligations on preferential interest 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 deposits over those inputted 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 deposits plan were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 620,011	\$ 595,751
Fair value of plan assets	<u>-</u>	<u>-</u>
Net defined benefit liabilities (assets)	<u>\$ 620,011</u>	<u>\$ 595,751</u>

The changes in present value of obligations on the post-employment preferential interest deposits were as follows:

	Present Value of the Defined Benefit Obligation
Balance at January 1, 2018	\$ 579,063
Net interest expense (income)	<u>21,449</u>
Recognized in profit or loss	<u>21,449</u>
Remeasurement	
Experience adjustments	<u>83,789</u>
Recognized in other comprehensive income	<u>83,789</u>
Benefits paid	<u>(88,550)</u>
Balance at December 31, 2018	<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>

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 deposit were as follows:

	December 31	
	2019	2018
Discount rate(s)	4.00%	4.00%
Return on deposit	2.00%	2.00%
Withdrawal rate of post-employment preferential 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 deposits would have increased (decreased) as follows:

	December 31	
	2019	2018
Discount rate(s)		
0.5% increase	<u>\$ (29,761)</u>	<u>\$ (29,192)</u>
0.5% decrease	<u>\$ 32,241</u>	<u>\$ 31,575</u>
Mortality rate(s)		
Adjusted to 105%	<u>\$ (6,200)</u>	<u>\$ (5,958)</u>
Adjusted to 95%	<u>\$ 6,200</u>	<u>\$ 5,958</u>
Excess interest rate of employee preferential interest deposits		
0.5% increase	<u>\$ 145,083</u>	<u>\$ 139,406</u>
0.5% decrease	<u>\$(145,083)</u>	<u>\$(139,406)</u>

The sensitivity analysis presented above shows the effect on the present value of obligations on the post-employment preferential interest 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	
	2019	2018
Expected contributions to the plans for the next year	<u>\$ 93,999</u>	<u>\$ 89,352</u>
Average duration of the defined benefit obligation	10.4 years	10.5 years

31. OTHER LIABILITIES

	December 31	
	2019	2018
Advance receipts	\$ 554,785	\$ 592,919
Temporary receipts and suspense accounts	2,065,820	1,917,586
Guarantee deposits received	5,218,681	3,418,257
Contract liabilities	1,411,216	1,382,319
Others	<u>13</u>	<u>2</u>
	<u>\$ 9,250,515</u>	<u>\$ 7,311,083</u>

32. EQUITY

a. Capital stock

Common stock

	December 31	
	2019	2018
Number of shares authorized (in thousands)	<u>10,165,835</u>	<u>9,119,762</u>
Amount of shares authorized	<u>\$101,658,353</u>	<u>\$ 91,197,623</u>
Number of shares issued and fully paid (in thousands)	<u>10,165,835</u>	<u>9,119,762</u>
Amount of shares issued	<u>\$101,658,353</u>	<u>\$ 91,197,623</u>

On April 26, 2018, the Bank's board of directors resolved on behalf of the shareholder to transfer the retained earnings of \$12,593,563 thousand to capital and issued 1,259,356 thousand common shares. After the capital increase, the authorized and paid-in capital was \$91,197,623 thousand.

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 aforementioned capital increase was approved by the FSC and the recapitalization record date was July 3, 2019.

In response to the “Domestic systemically important banks (D-SIBs)” policy announced by the FSC and for business growth, on August 15, 2019, the Bank's board of directors resolved on behalf of the shareholder to issue common stock for cash by private placement. The common stock price is \$20 per share and the upper limit is 500,000 thousand shares. The issue raised funds up to \$10,000,000 thousand, and the issue was made once within one year from the date of the resolution in the shareholder's meeting.

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.

b. Capital surplus

	December 31	
	2019	2018
Capital surplus from the merger	\$ 10,949,303	\$ 10,949,303
Additional paid in capital	27,648,873	22,648,873
Others	<u>89,100</u>	<u>12,807</u>
	<u>\$ 38,687,276</u>	<u>\$ 33,610,983</u>

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

c. Legal reserve

A legal reserve should be appropriated until it equals the Company's paid-in-capital. The legal reserve may be used to offset deficit. If the Company 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 Company's paid-in capital, the amount that may be distributed in cash should not exceed 15% of the Company's paid-in-capital. In the event that the accumulated legal reserve equals or exceeds the Company's paid-in capital or the Company is sound in both its finance and business operations and have set aside legal reserve in compliance with the Company Law, the restrictions stipulated in the preceding paragraph 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 shall set aside the same amount of special reserve as the net fair value increment transferred to retained earnings. After transferring the fair value increment of investment properties to retained earnings, if the Bank could not set aside a sufficient amount to the special reserve, the Bank could only set aside the amount according to the retained earnings balance, and the special reserve that is not enough to be set aside would not be counted in the accumulated fair value increment of investment properties. When the Bank adopts the fair value model for subsequent measurement of investment properties, the Bank shall set aside an equal amount of special reserve when transferring the fair value increment of investment properties to retained earnings. For any subsequent reversal of accumulated fair value increment of investment properties or disposal of investment properties, the amount reversed may be distributed.

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 is thereafter distributed.

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

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

The changes in the special reserve of the Bank for the years ended December 31, 2019 and 2018 were as follows:

	Investment Properties	Others	Total
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>
Balance at January 1, 2018	\$ 1,620,294	\$ 357,069	\$ 1,977,363
Increase	<u>5,002</u>	<u>951,443</u>	<u>956,445</u>
Balance at December 31, 2018	<u>\$ 1,625,296</u>	<u>\$ 1,308,512</u>	<u>\$ 2,933,808</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, the legal reserve and the special reserve shall be appropriated 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 distribution plan, which should be resolved in the shareholders’ meeting for the distribution of dividends and bonuses to shareholders.

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

The appropriations of earnings for 2018 and 2017 which were approved by the board of directors on behalf of the shareholders in accordance with the Company Act on May 3, 2019 and April 26, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 6,304,671	\$ 5,807,539		
Special reserve	(749,830)	951,443		
Cash dividends	10,000,000	-	\$ 1.10	\$ -
Stock dividends	5,460,730	12,593,563	0.60	1.60

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on March 11, 2020; the amounts were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 6,590,232	
Special reserve	49,731	
Cash dividends	10,000,000	\$ 0.98
Stock dividends	5,327,477	0.52

The appropriation of earnings for 2019 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	
	2019	2018
Balance at the beginning of the period	<u>\$(1,008,735)</u>	<u>\$ (532,567)</u>
Exchange differences generated from translating the net assets of foreign operations	(827,484)	(619,272)
Tax effects	<u>165,496</u>	<u>143,104</u>
Other comprehensive income	<u>(661,988)</u>	<u>(476,168)</u>
Balance at the end of the period	<u>\$(1,670,723)</u>	<u>\$(1,008,735)</u>

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

	For the Year Ended December 31	
	2019	2018
Balance at the beginning of the period	<u>\$ 2,730,681</u>	<u>\$ 5,598,353</u>
Recognized for the period		
Unrealized gains (losses)		
Debt instruments	5,161,336	(685,627)
Equity instruments	3,976,271	(892,775)
Net remeasurement of loss allowance	(100,110)	156,486
Share from associates accounted for using equity method	(16,757)	-
Reclassification adjustments		
Disposal of investment in debt instruments	(1,098,892)	(1,133,855)
Tax effect	<u>(675,804)</u>	<u>175,953</u>
Other comprehensive income	<u>7,246,044</u>	<u>(2,379,818)</u>
Cumulated unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>147,494</u>	<u>(487,854)</u>
Balance at the end of the period	<u>\$ 10,124,219</u>	<u>\$ 2,730,681</u>

3) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2019	2018
Balance at the beginning of the period	<u>\$(1,369,428)</u>	<u>\$(1,340,811)</u>
Remeasurement of defined benefit plans	(433,779)	(96,202)
Share from associates accounted for using equity method	522	-
Tax effect	<u>86,756</u>	<u>67,585</u>
Other comprehensive income	<u>(346,501)</u>	<u>(28,617)</u>
Balance at the end of the period	<u>\$(1,715,929)</u>	<u>\$(1,369,428)</u>

4) Property revaluation surplus

	For the Year Ended December 31	
	2019	2018
Balance at the beginning of the period	<u>\$ 249,819</u>	<u>\$ 302,676</u>
Gains on property revaluation	217,619	-
Tax effect	<u>(9,470)</u>	<u>2,287</u>
Other comprehensive income	<u>208,149</u>	<u>2,287</u>
Transferred to retained earnings	<u>-</u>	<u>(55,144)</u>
Balance at the end of the period	<u>\$ 457,968</u>	<u>\$ 249,819</u>

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

	For the Year Ended December 31	
	2019	2018
Balance at the beginning of the period	<u>\$ 774,084</u>	<u>\$(1,191,026)</u>
Change in fair value attribute to changes in credit risk	(3,280,741)	2,402,577
Tax effect	<u>656,149</u>	<u>(437,467)</u>
Other comprehensive income	<u>(2,624,592)</u>	<u>1,965,110</u>
Balance at the end of the period	<u>\$(1,850,508)</u>	<u>\$ 774,084</u>

g. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at the beginning of the period	\$ 4,041,481	\$ 3,844,089
Net income attributable to non-controlling interests	663,761	233,019
Exchange differences on translating the financial statements of foreign entities	(83,877)	108,009
Change in non-controlling interests	(393,414)	(281,542)
Gains from investments in debt instruments measured at fair value through other comprehensive income	<u>181,625</u>	<u>137,906</u>
Balance at the end of the period	<u>\$ 4,409,576</u>	<u>\$ 4,041,481</u>

33. NET INTEREST REVENUE

	December 31	
	2019	2018
Interest income		
Discounts and loans	\$ 40,813,171	\$ 38,215,733
Investment securities	11,645,953	9,746,521
Revolving credit	2,350,482	2,259,144
Due from banks and call loans to banks	2,500,888	2,665,875
Others	<u>815,775</u>	<u>900,595</u>
	<u>58,126,269</u>	<u>53,787,868</u>
Interest expense		
Deposits	15,115,327	13,461,527
Financial debentures	965,302	1,031,899
Structured products	2,303,842	2,353,289
Due to the Central Bank and other banks	2,147,608	1,719,308
Notes and bonds issued under repurchase agreements	999,143	1,768,001
Others	<u>149,267</u>	<u>56,588</u>
	<u>21,680,489</u>	<u>20,390,612</u>
	<u>\$ 36,445,780</u>	<u>\$ 33,397,256</u>

34. NET SERVICE FEE REVENUE

	December 31	
	2019	2018
Service fee income		
Credit card business	\$ 7,879,902	\$ 7,261,710
Trust business	3,627,966	3,095,725
Loan business	1,130,327	1,287,529
Cross-selling marketing	6,116,820	6,042,027
Others	<u>2,853,622</u>	<u>2,235,840</u>
	<u>21,608,637</u>	<u>19,922,831</u>
Service fee expenses		
Credit card business	3,230,870	2,126,709
Others	<u>1,287,337</u>	<u>1,117,944</u>
	<u>4,518,207</u>	<u>3,244,653</u>
	<u>\$ 17,090,430</u>	<u>\$ 16,678,178</u>

The Bank also engaged in the business of providing online payment services. For the years ended December 31, 2019 and 2018, service fee revenue was \$505 thousand and \$636 thousand, respectively, and the revenue and other income resulting from the fund collected were both zero.

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

	For the Year Ended December 31	
	2019	2018
Stock	\$ 136,198	\$ 136,708
Short-term bills	1,122,993	1,141,235
Fund beneficiary certificates	36,483	(73,208)
Investment in debt instrument	(3,933,623)	(1,012,594)
Derivative financial instruments	<u>8,341,655</u>	<u>5,700,840</u>
	<u>\$ 5,703,706</u>	<u>\$ 5,892,981</u>
Realized gain (loss)		
Gain (loss) on disposal	\$ 5,398,045	\$ 3,034,239
Interest income	1,701,126	2,898,969
Dividend income	14,137	55,463
Interest expense	(2,250,265)	(1,792,011)
Unrealized gain (loss)		
Valuation gain	<u>840,663</u>	<u>1,696,321</u>
	<u>\$ 5,703,706</u>	<u>\$ 5,892,981</u>

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

	For the Year Ended December 31	
	2019	2018
Net gain on disposal - debt instruments	\$ 1,098,892	\$ 1,133,854
Dividend income	<u>994,684</u>	<u>1,529,632</u>
	<u>\$ 2,093,576</u>	<u>\$ 2,663,486</u>

37. IMPAIRMENT LOSS ON ASSETS (REVERSAL)

	For the Year Ended December 31	
	2019	2018
Debt instruments at FVTOCI	\$ 17,914	\$ 289,971
Debt instruments at amortised cost	<u>709</u>	<u>15,733</u>
	<u>\$ 18,623</u>	<u>\$ 305,704</u>

38. BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION

	For the Year Ended December 31	
	2019	2018
Discounts and loans	\$ 2,679,804	\$ 4,609,309
Receivables	103,990	209,691
Guarantee liability provisions	14,077	78,414
Financial commitment provisions	22,994	115,267
Others	<u>31,915</u>	<u>18,860</u>
	<u>\$ 2,852,780</u>	<u>\$ 5,031,541</u>

39. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2019	2018
Salaries	\$ 14,920,396	\$ 14,206,894
Insurance	1,043,524	952,882
Post-employment benefits	612,481	595,572
Remuneration of directors	9,130	10,574
Others	<u>296,342</u>	<u>291,163</u>
	<u>\$ 16,881,873</u>	<u>\$ 16,057,085</u>

For the years ended December 31, 2019 and 2018, the average number of the Company's employees was 12,076 and 12,078, including 18 and 16 non-executive directors, respectively.

As of December 31, 2019 and 2018, the number of employees of the Company was 12,133 and 12,203, 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, 2019 and 2018 which have been approved by the Bank's board of directors on March 11, 2020 and March 21, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
Employees' compensation	<u>\$ 12,661</u>	<u>\$ 12,022</u>
Remuneration of directors	<u>\$ 6,000</u>	<u>\$ 6,300</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, 2018 and 2017, respectively.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 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	
	2019	2018
Depreciation expense		
Property and equipment	\$ 1,284,882	\$ 1,180,682
Right-of-use assets	1,225,001	-
Amortization expense		
Intangible assets	<u>455,632</u>	<u>346,180</u>
	<u>\$ 2,965,515</u>	<u>\$ 1,526,862</u>

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2019	2018
Rental expenses	\$ 1,149,992	\$ 2,367,639
Tax expenses	2,291,678	2,231,266
Product promotion expenses	4,371,659	3,626,395
Insurance expenses	731,117	697,168
Others	<u>5,413,848</u>	<u>4,833,733</u>
	<u>\$ 13,958,294</u>	<u>\$ 13,756,201</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	
	2019	2018
Current tax		
In respect of the period	\$ 3,682,546	\$ 3,042,624
Adjustment for prior year	235,138	(21,810)
Deferred tax		
In respect of the period	(437,684)	20,390
Effect of change in tax rate	-	(35,504)
Income tax of overseas subsidiaries	<u>500,972</u>	<u>224,304</u>
Income tax expense recognized in profit or loss	<u>\$ 3,980,972</u>	<u>\$ 3,230,004</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	
	2019	2018
Profit before tax from continuing operations	<u>\$ 26,467,386</u>	<u>\$ 24,483,355</u>
Income tax expense calculated at the statutory rate	\$ 5,293,477	\$ 4,896,671
Nondeductible expenses in determining taxable income	1,933	4,772
Tax-exempt income	(1,640,095)	(1,594,216)
Unrecognized deductible temporary differences	(173,426)	(131,835)
Income tax of overseas branches	(4,081)	(56,417)
Adjustments for prior years' tax	235,138	(21,810)
Income tax of overseas subsidiaries	<u>268,026</u>	<u>132,839</u>
Income tax expense recognized in profit or loss	<u>\$ 3,980,972</u>	<u>\$ 3,230,004</u>

In 2018, it was announced that the Income Tax Act in the ROC was amended and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax expense has been fully recognized in the period of tax rate change. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

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

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2019	2018
Current tax		
Derecognition of equity instruments at FVTOCI	\$(52,904)	\$(54,127)
Deferred tax		
Derecognition of equity instruments at FVTOCI	<u>52,904</u>	<u>54,127</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	
	2019	2018
<u>Deferred tax</u>		
Recognized in OCI		
Remeasurement of defined benefit plans	\$ (86,756)	\$ (67,585)
Gains on property revaluation	9,470	(2,287)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	(656,149)	437,467
Translation of foreign operations	(165,496)	(143,104)
Fair value changes of financial assets at FVTOCI	<u>675,804</u>	<u>(175,953)</u>
Total income tax recognized in other comprehensive income	<u><u>\$(223,127)</u></u>	<u><u>\$ 48,538</u></u>

d. Deferred tax assets and liabilities

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Closing 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 accounted for using the 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>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Closing Balance
Temporary differences					
Allowance for doubtful account	\$ 558,294	\$ 297,103	\$ -	\$ -	\$ 855,397
Financial assets at FVTPL	24,846	(113,532)	(437,467)	-	(526,153)
Investment property	(63,289)	(6,413)	2,287	-	(67,415)
Equity instruments at FVTOCI	(319,909)	-	171,111	(54,127)	(202,925)
Debt instruments at FVTOCI	46,191	-	4,842	-	51,033
Impairment of Property and equipment	126,437	28,977	-	-	155,414
Investments accounted for using the equity method	(217,489)	(93,190)	-	-	(310,679)
Fair value adjustments arising from business combinations	(565,505)	(148,515)	-	-	(714,020)
Reserve for land value increment tax	(238,701)	13,084	-	-	(225,617)
Defined benefit plan	426,170	8,221	45,818	-	480,209
Retired employees' Preferential interest deposits	98,441	(1,058)	21,767	-	119,150
Exchange differences resulting from translating the financial statements of a foreign operation	109,081	-	143,104	-	252,185
Deferred income of customer loyalty programmes	252,932	23,531	-	-	276,463
Other	<u>24,251</u>	<u>6,906</u>	<u>-</u>	<u>-</u>	<u>31,157</u>
Deferred tax expense/(income)		<u>\$ 15,114</u>	<u>\$ (48,538)</u>	<u>\$ (54,127)</u>	
Net deferred tax assets/(liabilities)	<u>\$ 261,750</u>				<u>\$ 174,199</u>
Net deferred income tax assets/(liabilities) of overseas branches	<u>\$ 66,424</u>				<u>\$ 42,336</u>
Net deferred income tax assets/(liabilities) of foreign subsidiaries	<u>\$ (132,679)</u>				<u>\$ (1,761)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 2,227,960</u>				<u>\$ 1,872,542</u>
Deferred tax liabilities	<u>\$ (2,032,465)</u>				<u>\$ (1,657,768)</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 2011, 2012 and 2014.

- f. As of December 31, 2019 and 2018, the deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheet were \$2,258,220 thousand and \$3,125,350 thousand, respectively.

43. EARNINGS PER SHARE

Unit: Dollar Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	<u>\$ 2.25</u>	<u>\$ 2.17</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

	<u>For the Year Ended December 31</u>	
	2019	2018
Net income for calculating basic earnings per share	<u>\$ 21,822,653</u>	<u>\$ 21,020,332</u>

Number of shares

	Unit: In Thousands of Shares	
	<u>For the Year Ended December 31</u>	
	2019	2018
Weighted average number of ordinary shares used for calculating basic earnings per share	<u>9,704,191</u>	<u>9,665,835</u>

44. RELATED-PARTY TRANSACTIONS

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

a. Related parties and relationships

<u>Related Party</u>	<u>Relationship with the Company</u>
Cathay Financial Holding Co., Ltd.	Parent company
Taiwan Real-estate Management Corp.	Associate
Taiwan Finance Corp.	Associate
Cathay Life Insurance Co., Ltd.	Other related party
Cathay Century Insurance Co., Ltd.	Other related party
Cathay Securities Co., Ltd.	Other related party
Cathay Securities (Hong Kong) Ltd.	Other related party
Cathay Venture Inc.	Other related party
Cathay Securities Investment Trust Co., Ltd.	Other related party
Cathay Securities Investment Consulting Co., Ltd.	Other related party
Cathay Investment Inc.	Other related party
Conning Asia Pacific Ltd.	Other related party
Cathay Life Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Futures Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Cathay Dragon Fund etc.	Other related party
Cathay United Bank Foundation	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Cathay Private Equity Co., Ltd.	Other related party

(Continued)

Related Party	Relationship with the Company
Vietinbank	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Lin Yuan Property Management Co., Ltd.	Other related party
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Other related party
Tailin Management Consulting Ltd.	Other related party
Hangzhou Kunning Health Consulting Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Neo Cathay Power Co., Ltd.	Other related party
PSS Co., Ltd.	Other related party
Kao-Yi International Investment Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Directors, managers, and their relatives and affiliates	Other related party
	(Concluded)

b. Significant transactions between the Company and related parties

1) Loans and deposits

Loans

December 31, 2019

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

December 31, 2018

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	11	\$ 18,875	\$ 3,107	V	\$ -	None	None	\$ 157	\$ 31
Self-used housing mortgage loans	208	1,762,016	1,455,805	V	-	Real estate	None	(1,046)	18,481
Others	Cathay Real Estate Development Co., Ltd.	400,000	210,000	V	-	Real estate	None	4,000	4,000
Others	Taiwan Real-estate Management Corp.	32,000	30,000	V	-	Real estate	None	79	399
Others	Cathay Securities Co., Ltd.	423,000	-	V	-	Securities	None	-	-
Others	PSS Co., Ltd.	5,000	-	V	-	Real estate	None	-	-

		Interest Revenue	
		For the Year Ended December 31	
		2019	2018
Associates			
Taiwan Real-estate Management Corp.		\$ 588	\$ 562
Other related parties			
Cathay Real Estate Development Co., Ltd.		1,449	61
Cathay Securities Co., Ltd.		-	38
Yua-Yung Marketing (Taiwan) Co., Ltd.		108	-
PSS Co., Ltd.		-	14
Others		27,944	24,648
		<u>29,501</u>	<u>24,761</u>
		<u>\$ 30,089</u>	<u>\$ 25,323</u>
<u>Deposits</u>			
		December 31	
Related Parties		2019	2018
Parent company			
Cathay Financial Holding Co., Ltd.		\$ 79,099	\$ 139,920
Other related parties			
Cathay Life Insurance Co., Ltd.		23,917,315	30,744,095
Cathay Century Insurance Co., Ltd.		2,474,304	2,724,193
Cathay Securities Co., Ltd.		2,034,207	2,550,090
Cathay Securities (Hong Kong) Ltd.		63	66
Cathay Futures Co., Ltd.		1,429,607	1,345,519
Cathay Venture Inc.		25,405	113,380
Cathay Securities Investment Trust Co., Ltd.		143,714	149,076
Cathay Securities Investment Consulting Co., Ltd.		204,526	187,533
Cathay Investment Inc.		34,946	-
Cathay Real Estate Development Co., Ltd.		257,587	199,127
Cathay Hospitality Management Co., Ltd.		6,203	16,523
Cathay Life Insurance (Vietnam) Co., Ltd.		497,313	1,809,689
Cathay Insurance (Vietnam) Co., Ltd.		168,057	147,705
Cathay Dragon Fund etc.		84,784	137,823
Symphox Information Co., Ltd.		154,446	122,139
Conning Asia Pacific Ltd.		78,469	78,721
Cathay Private Equity Co., Ltd.		15,989	33,114
Cathay United Bank Foundation		532,486	541,888
Cathay Life Insurance Employees' Welfare Committee		2,142,876	2,221,665
Cathay Real Estate Development Employees' Welfare Committee		397,367	386,529
Neo Cathay Power Co., Ltd.		11	137,979
Lin Yuan (Shanghai) Real Estate Co., Ltd.		990,004	623,035
Tailin Management Consulting Ltd.		31,074	-
Hangzhou Kunming Health Consulting Co., Ltd.		312	-
Others		7,614,151	7,457,000
		<u>43,235,216</u>	<u>51,726,889</u>
		<u>\$ 43,314,315</u>	<u>\$ 51,866,809</u>

	Interest Expense	
	For the Year Ended December 31	
	2019	2018
Parent company		
Cathay Financial Holding Co., Ltd.	\$ 906	\$ 726
Other related parties		
Cathay Life Insurance Co., Ltd.	39,874	50,892
Cathay Century Insurance Co., Ltd.	8,305	7,808
Cathay Securities Co., Ltd.	4,520	4,458
Cathay Futures Co., Ltd.	7,784	7,578
Cathay Venture Inc.	11	60
Cathay Securities Investment Trust Co., Ltd.	167	192
Cathay Securities Investment Consulting Co., Ltd.	581	633
Cathay Investment Inc.	2	-
Cathay Real Estate Development Co., Ltd.	64	54
Cathay Hospitality Management Co., Ltd.	4	23
Cathay Life Insurance (Vietnam) Co., Ltd.	88,585	53,554
Cathay Insurance (Vietnam) Co., Ltd.	12,812	6,652
Cathay Dragon Fund etc.	3	2
Symphox Information Co., Ltd.	771	668
Conning Asia Pacific Ltd.	1,348	874
Cathay Private Equity Co., Ltd.	13	18
Cathay United Bank Foundation	5,611	5,604
Cathay Life Insurance Employees' Welfare Committee	22,204	22,754
Cathay Real Estate Development Employees' Welfare Committee	4,232	4,082
Neo Cathay Power Co., Ltd.	34	97
Lin Yuan (Shanghai) Real Estate Co., Ltd.	24,426	8,683
Tailin Management Consulting Ltd.	53	-
Hangzhou Kunming Health Consulting Co., Ltd.	1	-
Others	<u>73,234</u>	<u>63,281</u>
	<u>294,639</u>	<u>237,967</u>
	<u>\$ 295,545</u>	<u>\$ 238,693</u>

Item/Related Parties	December 31	
	2019	2018
<u>Due from commercial banks</u>		
Other related parties		
Vietinbank	\$ 5,216,825	\$ 5,309,375
<u>Due to commercial banks</u>		
Other related parties		
Vietinbank	5,265,818	5,360,670

Item/Related Parties	Interest Income (Expense) For the Year Ended December 31	
	2019	2018
<u>Due from commercial banks</u>		
Other related parties		
Vietinbank	\$ 4,994	\$ 5,228
<u>Due to commercial banks</u>		
Other related parties		
Vietinbank	(5,346)	(5,205)

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, 2019

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

3) Derivatives

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)

December 31, 2018

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2018.01.18-2019.12.09	\$ 115,310,216	\$ 3,885,814	Valuation adjustment for FVTPL financial assets	\$ 1,852,498
					Valuation adjustment for FVTPL financial liabilities	(64,937)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2018.05.07-2019.05.28	2,726,017	85,529	Valuation adjustment for FVTPL financial assets	21,757
					Valuation adjustment for FVTPL financial liabilities	(3,143)
	SWAP - exchange between customers (EUR)	2018.10.18-2019.01.22	26,402	(1,011)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(302)

4) Acquisitions of property and equipment

Related Parties	Purchase Price	
	For the Year Ended December 31	
	2019	2018
Parent company		
Cathay Financial Holding Co., Ltd.	\$ 26,681	\$ -

5) Lease agreement - the Company as lessee

Related Parties	Acquisition Of Right-Of-Use Assets	
	For the Year Ended December 31	
	2019	2018
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 151,494	\$ -
Cathay Real Estate Development Co., Ltd.	25,777	-

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

Related Parties	Lease Liabilities	
	December 31	
	2019	2018
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 1,956,803	\$ -
Cathay Real Estate Development Co., Ltd.	20,954	-

Related Parties	Rental Expense		
	For the Year Ended December 31		
	2019	2018	Payment Term
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 204,573	\$ 681,206	Monthly
Cathay Real Estate Development Co., Ltd.	2,502	19,706	Monthly

Related Parties	Refundable Deposits	
	December 31	
	2019	2018
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 188,158	\$ 189,738
Cathay Real Estate Development Co., Ltd.	4,625	4,608

6) Lease agreement - the Company as lessor

Related Parties	Rental Income		
	For the Year Ended December 31		
	2019	2018	Payment Term
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 48,998	\$ 53,239	Monthly
Cathay Century Insurance Co., Ltd.	9,009	9,105	Monthly
Cathay Securities Co., Ltd.	9,673	9,679	Monthly
Cathay United Bank Foundation	4,247	4,633	Monthly

Related Parties	Guarantee Deposits Received	
	December 31	
	2019	2018
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 12,019	\$ 12,019
Cathay Century Insurance Co., Ltd.	2,196	2,247
Cathay Securities Co., Ltd.	2,610	2,610

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

7) Shares transactions - issuance of shares for cash by the Bank

Related Parties	Items	For the Year Ended December 31	
		2019	2018
Parent company			
Cathay Financial Holdings Co., Ltd.	Ordinary shares	\$ 10,000,000	\$ _____ -

8) Others

Item/Related Parties	For the Year Ended December 31	
	2019	2018
<u>Commissions and handling fees income</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 7,333,637	\$ 7,088,674
Cathay Century Insurance Co., Ltd.	154,046	160,875
Cathay Securities Co., Ltd.	80,628	67,593
Cathay Securities Investment Trust Co., Ltd.	39,887	43,295
Cathay Securities Investment Consulting Co., Ltd.	15,492	17,710
Cathay Real Estate Development Co., Ltd.	5,980	5,384
<u>Miscellaneous income</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	7,847	2,760
<u>Insurance claims received</u>		
Other related parties		
Cathay Century Insurance Co., Ltd.	25,322	436
<u>Commissions and handling fees expense</u>		
Other related parties		
Cathay Securities Co., Ltd	2,507	3,408
<u>Other operating expenses</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	168,589	188,212
Cathay Securities Co., Ltd	1,975	3,335
Cathay Securities Investment Trust Co., Ltd.	7,200	7,200
Cathay Real Estate Development Co., Ltd	5,090	5,078
Symphox Information Co., Ltd.	567,936	662,504
Lin Yuan Property Management Co., Ltd.	9,327	10,660
Cathay Healthcare Management Co., Ltd	20,155	22,796
Seaward Card Co., Ltd	224,726	210,023
<u>Insurance expenses paid</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	67,136	51,299
Cathay Century Insurance Co., Ltd.	178,060	178,718

Item/Related Parties	December 31	
	2019	2018
<u>Receivable for allocation of integrated income tax systems</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	\$ -	\$ 485,773
<u>Receivables</u>		
Other related parties		
Cathay Securities Investment Trust Co., Ltd.	4,342	3,356
<u>Receivables for commission of collecting insurances</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	43,208	89,605
<u>Refundable deposit</u>		
Other related parties		
Cathay Futures Co., Ltd.	508,694	78,095
<u>Accrued expenses</u>		
Other related parties		
Seaward Card Co., Ltd.	37,704	34,034
<u>Accounts payable</u>		
Other related parties		
Cathay Century Insurance Co., Ltd.	49,719	51,461
Symphox Information Co., Ltd.	123,346	19,680
<u>Payables for allocation of integrated income tax systems account</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	1,703,104	-

The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of \$15,137 thousand and \$15,449 thousand for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, the unconverted bonus points amounted to \$25,797 thousand and \$15,150 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, 2019 and 2018 was as follows:

	For the Year Ended December 31	
	2019	2018
Short-term employment benefits	\$ 314,949	\$ 283,440
Post-employment benefits	8,258	4,984
Others	<u>54</u>	<u>26</u>
	<u>\$ 323,261</u>	<u>\$ 288,450</u>

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

45. PLEDGED ASSETS

The Company had been used as collaterals to apply for loans, Central Bank overdraft and apply for provisional seizure of certain assets were as follows:

	December 31	
	2019	2018
Financial assets at FVTOCI	\$ 10,006,563	\$ 14,353
Investments in debt instruments at amortised cost	47,521,950	64,423,052

46. CONTINGENCIES AND COMMITMENTS

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

a. The Bank

1) Entrusted items and guarantees:

	December 31	
	2019	2018
Trust and security held for safekeeping	\$720,298,578	\$750,988,804
Travelers checks for sale	257,286	299,765
Collection and payment on behalf of customers	36,708,754	36,044,907
Book-entry for government bonds and depository for short-term marketable securities under management	429,136,051	400,999,309
Entrusted financial management business	8,205,335	21,016,659
Guarantees on duties and contracts	12,957,304	13,534,956
Unused commercial letters of credit	4,496,860	4,217,682
Irrevocable loan commitments	189,579,513	154,605,389
Unused credit card line commitments	623,899,000	591,612,472
Underwritten securities	1,350,000	1,000,000

- 2) As of December 31, 2019, 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	
	2019	2018
Financial guarantee contracts	\$ 1,380,304	\$ 2,262,842
Unused commercial letters of credit	662,214	1,017,801

c. CUBC Bank

Entrusted item and guarantees:

	December 31	
	2019	2018
Financial guarantee contracts	\$ 23,652	\$ 78,161
Credit card line commitments	280,881	447,040
Irrevocable loan commitments	488,140	-

d. CUBCN Bank

Entrusted item and guarantees:

	December 31	
	2019	2018
Financial guarantee contracts	\$ 427,986	\$ 170,835
Unused commercial letters of credit	95,593	773,078
Irrevocable loan commitments	1,050,539	623,837

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	
	2019	2018
<u>Trust assets</u>		
Bank deposits	\$ 14,818,480	\$ 27,484,176
Bonds	65,130,652	53,357,390
Stocks	39,785,831	38,234,682
Mutual funds	220,805,984	215,085,447
Insurances	2,798,937	2,854,984
Receivables	5,402	4,477
Real estate		
Land	44,457,530	45,380,631
Buildings (net)	30,180	37,127
Construction in progress	1,789,404	829,976
Custody securities	<u>109,985,903</u>	<u>120,626,362</u>
Total trust assets	<u>\$499,608,303</u>	<u>\$503,895,252</u>
<u>Trust liabilities</u>		
Payables	\$ 636	\$ 267
Tax payable	55	80
Custody securities payable	109,985,903	120,626,362
Other liabilities	406	409
Trust capital	389,831,160	383,385,057
Provisions and accumulated losses		
Net income	358,359	192,056
Accumulated losses	<u>(568,216)</u>	<u>(308,979)</u>
Total trust liabilities	<u>\$499,608,303</u>	<u>\$503,895,252</u>

Income Statement of Trust Accounts

	For the Years Ended December 31	
	2019	2018
Trust revenue		
Interest income	\$ 31,156	\$ 30,456
Rent revenue	1,675	3,461
Cash dividends income	398,140	313,499
Realized capital income - stocks	9,245	6,060
Realized capital income - mutual funds	8,832	18,844
Unrealized capital income - stocks	10,880	14,314
Unrealized capital income - mutual funds	<u>1,559</u>	<u>1,616</u>
Total trust revenue	<u>461,487</u>	<u>388,250</u>
Trust expense		
Management fee	19,974	19,377
Supervisor fee	1,801	1,530
Taxes	1,083	1,225
Service fee	929	1,036
Realized capital loss - mutual funds	17,341	11,743
Unrealized capital loss - stocks	571	737
Unrealized capital loss - mutual funds	653	1,289
Others	<u>60,776</u>	<u>159,257</u>
Total trust expense	<u>103,128</u>	<u>196,194</u>
Income equalization		
Net income (loss) before tax	358,359	192,056
Income tax expense	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ 358,359</u>	<u>\$ 192,056</u>

Note: The above trust income statements were not included in the Bank's income statements.

Trust Property and Equipment Accounts

	December 31	
Investment Portfolio	2019	2018
Bank deposits	\$ 14,818,480	\$ 27,484,176
Bonds	65,130,652	53,357,390
Stocks	39,785,831	38,234,682
Mutual funds	220,805,984	215,085,447
Insurances	2,798,937	2,854,984
Receivables	5,402	4,477
Real estate		
Land	44,457,530	45,380,631
Buildings (net)	30,180	37,127
Construction in progress	1,789,404	829,976
Custody securities	<u>109,985,903</u>	<u>120,626,362</u>
	<u>\$499,608,303</u>	<u>\$503,895,252</u>

- b. The Bank conducts trust business by Trust Enterprise Act Article 3. The related trust business information as of December 31, 2019 and 2018 were as follows:

Trust Business		
Item	December 31	
	2019	2018
Special trust of money that invest in foreign securities	\$228,317,415	\$209,007,455
Special trust of money that invest in domestic securities	56,636,782	58,425,310
Trust of money - custody securities	109,985,903	120,626,362
Trust of real estate	46,828,756	46,202,109
Trust of real estate price	5,959,182	3,939,531
Trust of insurance claims	200,996	212,007
Personal and corporate trust	46,531,147	61,672,064
Trust of business employee's savings	1,942,652	2,175,526
Trust of securities	<u>3,205,470</u>	<u>1,634,888</u>
	<u>\$499,608,303</u>	<u>\$503,895,252</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. Remuneration apportionment and expenses allocation for cross-selling marketing personnel follow the "Cathay Financial Company Scope of Cross-selling Marketing and Rules for Reward".

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

49. FINANCIAL INSTRUMENTS

- a. Information on fair value hierarchy

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

Financial instruments are accounted for at fair value when they are originally recognized, and in many cases, usually refer to the transaction price. After the measurement, except for some financial instruments that are measured by amortized cost, they are measured at fair value. The best evidence of fair value is the open quote for the active market. If the market for financial instruments is not active, the Bank uses an evaluation model or a reference 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 beneficial securities, usually have high liquidity or are traded in the futures market or exchanges.

2) Level 2

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

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

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

3) Level 3

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

The products in this level are complex derivative financial instruments or products with prices that are provided by brokers, such as complex foreign exchange options.

c. Measured at fair value on a recurring basis

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

Items	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

Items	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	\$ 3,657	\$ -	\$ -	\$ 3,657
Bonds	38,630,552	10,621,146	28,009,406	-
Others	162,575,301	-	162,575,301	-
Financial assets at fair value through other comprehensive income				
Stocks	12,087,150	8,529,100	-	3,558,050
Bonds	188,485,752	80,964,720	107,521,032	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	51,441,482	-	51,441,482	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	49,475,706	43,421	37,348,068	12,084,217
Liabilities				
Financial liabilities at fair value through profit or loss	51,966,296	81,433	39,800,646	12,084,217

2) Financial instruments measured at fair value

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

a) Marking to market

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

- i. Ensure the consistency and integrity of market data.
- ii. The source of market data should be transparent and easy to access and can be referred to by independent resources.
- iii. Listed securities with tradable prices should be valued at closing prices.
- iv. Evaluating unlisted securities that lack tradable closing prices should use quoted prices from independent brokers.

b) Marking to model

The use of marking to model is suggested if marking to market is infeasible. This valuation methodology 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 values of each contract. For foreign exchange option transactions, the Company uses the option pricing models which are generally used by other market participants (e.g., the Black-Scholes model) to calculate the fair value of the contracts.

3) Fair value adjustments

Credit risk valuation adjustments

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

- a) Credit value adjustments (CVA): A transaction in a non-concentrated trading market, that is, the adjustment of the 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 on the fair value.
- b) Debit value adjustments (DVA): It refers to the transactions of the non-concentrated trading market, that is, the adjustment of the 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.

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

For customers with external credit ratings, the default probability is based on the default probability corresponding to the external rating; for customers without external credit ratings, the impairment rate calculated according to the Bank's loan and receivable impairment assessment and the average incidence of impairment is taken as the default probability.

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

The Bank uses 60% as the default loss rate based on the recommendation of "IFRS 13 CVA and DVA Related Disclosure Guidelines" of the Stock Exchange.

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

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

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

5) Reconciliation of Level 3 fair value measurements

a) Reconciliation of Level 3 fair value measurements

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

For the year ended December 31, 2018

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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,657
Derivative financial instruments	8,720,347	5,245,100	-	53,492	-	1,934,722	-	-	12,084,217
Financial assets at fair value through other comprehensive income									
Stocks	3,397,135	-	1,780,883	211,749	-	209,538	1,622,203	24	3,558,050

Total gains or losses recognized in the table above that contain unrealized gains and losses related to assets on hand as of December 31, 2019 and 2018 amounted to losses of \$598,810 thousand and gains of \$5,248,757 thousand, respectively.

b) Reconciliation of Level 3 fair value measurement of 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								
Derivative financial instruments	\$ 12,084,217	\$ (611,416)	\$ -	\$ 23,000	\$ -	\$ 814,622	\$ -	\$ 10,681,179

For the year ended December 31, 2018

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial instruments	\$ 8,720,347	\$ 5,245,100	\$ -	\$ 53,492	\$ -	\$ 1,934,722	\$ -	\$ 12,084,217

Total gains or losses recognized in the table above that contain unrealized gains and losses related to liabilities on hand as of December 31, 2019 and 2018 amounted to gains of \$611,416 thousand and losses of \$5,245,100 thousand, respectively.

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

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

December 31, 2019

Items	Product	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
<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

December 31, 2018

Items	Product	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	Stock	\$ 3,657	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	2,616,122	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
		38,864	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		903,064	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

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

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

d. Financial instrument 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 approximate their fair values or that the fair values cannot be reasonably measured.

	December 31			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$444,934,985	\$444,630,239	\$421,022,506	\$417,858,953

2) Information on fair value hierarchy

Items	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

Items	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 417,858,953	\$ 46,326,059	\$ 365,471,606	\$ 6,061,288

3) Valuation techniques

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

- a) Cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resale agreements, receivables, other financial assets, due to the Central Bank and other banks, call loans from the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances whose maturity date is very close or the future payment price is similar to the carrying amount, so the fair value of the book is calculated based on the amount of the book on the balance sheet date.

- b) Discounts and loans, deposits, financial debentures and structured commodity principals are all interest-bearing financial assets/liabilities whose book value is similar to the current fair value. The book value of the collection is deducted from the estimated recoverable amount after the allowance for bad debts, so the book value is the fair value.
- c) If an investment in a debt instrument at amortized cost has a public quoted price in an active market, the market price is the fair value; if no market price is available for reference, the evaluation method is used to estimate the fair value. The estimates and assumptions used by the Bank in the use of the valuation method are consistent with the information used by market participants in the estimation of financial products and the assumptions.

50. FINANCIAL RISK MANAGEMENT

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

- a. To amend the risk management policies, risk appetite or risk tolerance and report the above issues to board of directors for approval.
- b. To manage and decide the strategy about the Bank's credit risk, market risk and operational risk.
- c. To report the significant risk management issues, such as credit ratings, market assessment and risk indicators.
- d. To analyze the issues that the Bank's business unit brought up for discussion.
- e. Other issues.

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

- a. Credit risk

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

The Bank, Indovina Bank and CUBCN Bank

To centralize risk management functions currently handled by different departments, the Bank, Indovina Bank and CUBCN Bank board of directors resolved that a risk management department would be established to manage the credit risk. The objectives of a credit risk management are to improve asset quality and to generate stable profits while reducing risk through a diversified and balanced loan portfolio. The Bank, Indovina Bank and CUBCN Bank board of directors sets the counterparty credit limits, which are then implemented by the credit committee. The credit committee also monitors current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. The 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 transactions. Certain customers are required to provide appropriate collateral for the related loans, and the Bank, Indovina Bank and CUBCN Bank retains the legal right to foreclose on or liquidate the collateral. The disclosure of the maximum credit exposure shall not take account of any collateral held or other enhancements.

CUBC Bank

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

Loan Committee is the top lending authority within CUBC Bank. It is in charged with approval of all credit in excess of CUBC Bank lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and CUBC Bank retains the legal right to foreclose on or liquidate the collateral. The disclosure of the maximum credit exposure shall not take account of any collateral held or other enhancements.

The judgement of significant increase in credit risk after initial recognition

The Bank and CUBCN Bank

The Bank and CUBCN Bank assess the movement 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. To make this assessment, the Bank and CUBCN Bank have considered to show the reasonable and corroborative information (including prospective information) on the significant increase in credit risk after the initial recognition. The key indicators for consideration include:

1) Quantitative indicators

a) Changes on credit rating

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

b) Information on the overdue status of the contract

When the contract payment was overdue for more than 30 days as at the reporting date, it is determined that the credit risk has increased significantly since the initial recognition.

2) Qualitative indicators

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

a) The refund records are reported.

b) Accountants have expressed significant doubt on its ability to continue as a going concern.

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

Indovina Bank

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

1) Notch downgrade

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

2) Low credit risk criteria

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

3) Past due information

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

4) Internal credit assessment indicators

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

CUBC Bank

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

1) Past due information

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

2) Loan classification from National Bank of Cambodia

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

3) Internal credit assessment indicators

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

Default and credit impairment of financial asset

The Bank and CUBCN Bank

The Bank and CUBCN Bank definition of default on financial assets is the same with the one of judging the 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 on 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 the contract

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

2) Qualitative indicator

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

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

b) Lawsuit action has been taken.

c) Debt settlement, debt negotiation.

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

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

Indovina Bank

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

1) Notch downgrade

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

2) Past due information

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

3) Internal credit assessment indicators

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

CUBC Bank

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

1) Past due information

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

2) Loan classification from National Bank of Cambodia

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

3) Internal credit assessment indicators

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

The 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 allowance for losses should be measured at the expected credit losses over 12 months by the Bank and CUBCN Bank. When the credit risk of the financial instrument has increased significantly (Stage 2) or the credit impairment has existed (Stage 3) after the initial recognition, the allowance for losses should be measured at the expected credit losses over the life time by the Bank and CUBCN Bank.

For the measurement of the expected credit losses, the Bank and CUBCN Bank calculate its expected credit losses over 12 months and the life time respectively 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, also considering the effect of the life time value of money.

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 as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

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

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

- i. The EAD is measured at the amortized cost of a financial asset plus its interest receivable.
- ii. The PD is based on the information regularly published by Taiwan Ratings and Moody's, and calculated on the basis of the adjusted historical data according to the currently observable data and the looking-forward macroeconomic information (e.g., gross domestic product and economic growth rate, etc.).
- iii. The LGD is 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 in 2019.

Indovina Bank

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

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

1) Loan portfolio

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

2) Bond portfolio

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

CUBC Bank

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

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

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

Write-off policy

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

The Company can not expect reasonably to collected the financial assets that including the following index:

- 1) The recovery activity has stopped.
- 2) Assessed the borrower does not have sufficient assets or sources of income to pay the overdraft.

Financial assets have been written-off by the Company may still have ongoing recovery activity, and continue to follow the relevant policies to litigation proceedings.

The consideration of forward-looking information

The Bank and CUBCN Bank

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

The significant economic factors identified by the Bank and CUBCN Bank in 2019 were as follows:

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

Indovina Bank

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

The macroeconomic factors selected by the bank for the forward-looking adjustments in 2019 were as follows:

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

CUBC Bank

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

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2019 were as follows:

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

Credit risk management policy

The category of credit asset and the grade of credit quality were narrated as follow:

1) Category of credit risk

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

2) Grade of credit quality

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

In order to measure the credit risk of the clients, the Bank employs the statistic methods and the professional judgment from the experts. The Bank develops the rating model of business credit after considering the clients’ relevant information. The model shall be reviewed periodically to verify if the calculated results conform to the reality and revise every parameter to optimize the results.

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

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

To ensure the reasonable estimated values of 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 and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

3) Hedge of credit risk and easing policy

a) Collateral

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

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

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

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

c) Net settlement agreement

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

4) Maximum exposures to credit risk

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

a) The Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2019	December 31, 2018
Irrevocable loan commitments	\$189,579,513	\$154,605,389
Credit card commitments	710,712,032	669,232,204
Unused commercial letters of credit	4,496,860	4,217,682
Guarantees on duties and contracts	12,957,304	13,534,956

b) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2019	December 31, 2018
Financial guarantee contracts	\$ 1,380,304	\$ 2,262,842
Unused commercial letters of credit	662,214	1,017,801

c) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2019	December 31, 2018
Financial guarantee contracts	\$ 23,652	\$ 78,161
Credit card commitments	280,881	447,040
Irrevocable loan commitments	488,140	-

d) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2019	December 31, 2018
Financial guarantee contracts	\$ 427,986	\$ 170,835
Unused commercial letters of credit	95,593	773,078
Irrevocable loan commitments	1,050,539	623,837

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

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

December 31, 2019

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference of Impairment Loss under Regulations	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)
	<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	Difference 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)
	<u>\$ 98,929,169</u>	<u>\$ 1,406,144</u>	<u>\$ 605,686</u>	<u>\$ (52,976)</u>	<u>\$ 100,888,023</u>

December 31, 2018

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference of Impairment Loss under Regulations	Total
Total carrying amount	\$ 1,549,705,049	\$ 59,275,734	\$ 11,769,709	\$ -	\$ 1,620,750,492
Less: Allowance impairment	(3,914,449)	(1,667,321)	(4,912,617)	-	(10,494,387)
Less: Differences of impairment loss under regulations	-	-	-	(14,932,854)	(14,932,854)
	<u>\$ 1,545,790,600</u>	<u>\$ 57,608,413</u>	<u>\$ 6,857,092</u>	<u>\$ (14,932,854)</u>	<u>\$ 1,595,323,251</u>

	Receivable				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference of Impairment Loss under Regulations	Total
Total carrying amount	\$ 83,956,813	\$ 1,660,989	\$ 2,422,873	\$ -	\$ 88,040,675
Less: Allowance impairment	(126,022)	(116,965)	(1,768,492)	-	(2,011,479)
Less: Differences of impairment loss under regulations	-	-	-	(50,470)	(50,470)
	<u>\$ 83,830,791</u>	<u>\$ 1,544,024</u>	<u>\$ 654,381</u>	<u>\$ (50,470)</u>	<u>\$ 85,978,726</u>

5) Concentration of credit risk

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

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

Industry Type Items	December 31			
	2019		2018	
	Amount	%	Amount	%
Manufacturing	\$ 116,211,750	7.28	\$ 117,141,000	7.16
Financial institutions and insurance	79,217,724	4.96	74,995,593	4.58
Leasing and real estate	144,353,511	9.04	140,808,012	8.60
Individuals	904,288,042	56.65	900,573,664	55.03
Others	<u>352,249,142</u>	<u>22.07</u>	<u>403,005,618</u>	<u>24.63</u>
	<u>\$1,596,320,169</u>	<u>100.00</u>	<u>\$1,636,523,887</u>	<u>100.00</u>

Geographic Region Items	December 31			
	2019		2018	
	Amount	%	Amount	%
Domestic	\$1,308,219,217	81.95	\$1,360,278,586	83.12
Asia	211,659,637	13.26	160,134,030	9.78
America	53,564,188	3.36	31,418,258	1.92
Others	<u>22,877,127</u>	<u>1.43</u>	<u>84,693,013</u>	<u>5.18</u>
	<u>\$1,596,320,169</u>	<u>100.00</u>	<u>\$1,636,523,887</u>	<u>100.00</u>

b. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

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

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

a) Financial assets were held to manage liquidity risk

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

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

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

	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 for lease liabilities:

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

	December 31, 2018				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	\$ 33,388,821	\$ 17,227,043	\$ 17,187,533	\$ 147,450	\$ 67,950,847
Non-derivative financial liabilities at fair value through profit or loss	-	-	610,767	51,992,332	52,603,099
Securities sold under agreements to repurchase	30,140,774	10,582,338	-	15,436,901	56,160,013
Payables	12,118,626	6,512,187	909,069	402,186	19,942,068
Deposits and remittances	353,788,658	872,227,988	834,010,982	116,509,145	2,176,536,773
Financial debentures payable	7,800	727,699	1,537,213	53,900,000	56,172,712
Other capital outflow at maturity	27,116,530	40,057,002	8,599,063	1,251,007	77,023,602

c) Maturity analysis of derivative financial liabilities

Net settled derivatives financial instruments engaged by the Bank include:

- i. Foreign exchange derivative instruments: Foreign exchange options, non-delivery forwards;
- ii. Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

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

	December 31, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	\$ 131,322	\$ 95,306	\$ 7,545	\$ 92	\$ 234,265
Interest rate derivative instruments	53,997	195,095	501,056	20,153,630	20,903,778
	<u>\$ 185,319</u>	<u>\$ 290,401</u>	<u>\$ 508,601</u>	<u>\$ 20,153,722</u>	<u>\$ 21,138,043</u>
	December 31, 2018				
	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	\$ 86,688	\$ 45,095	\$ 229,800	\$ 199	\$ 361,782
Interest rate derivative instruments	21,092	285,082	543,248	23,522,719	24,372,141
	<u>\$ 107,780</u>	<u>\$ 330,177</u>	<u>\$ 773,048</u>	<u>\$ 23,522,918</u>	<u>\$ 24,733,923</u>

Gross settled derivatives financial instruments engaged by the Bank include:

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

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

	December 31, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	\$ (3,014,684)	\$ (7,300,980)	\$ (1,041,437)	\$ (110,918)	\$ (11,468,019)
Cash inflow	15,580	6,979	638	-	23,197
Interest rate derivative instruments					
Cash outflow	(40,869)	(156)	(6,949)	(337,556)	(385,530)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(3,055,553)	(7,301,136)	(1,048,386)	(448,474)	(11,853,549)
Cash inflow subtotal	15,580	6,979	638	-	23,197
Net cash flow	<u>\$ (3,039,973)</u>	<u>\$ (7,294,157)</u>	<u>\$ (1,047,748)</u>	<u>\$ (448,474)</u>	<u>\$ (11,830,352)</u>
	December 31, 2018				
	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	\$ (3,875,082)	\$ (4,718,572)	\$ (558,507)	\$ (296,855)	\$ (9,449,016)
Cash inflow	24,170	17,928	717	-	42,815
Interest rate derivative instruments					
Cash outflow	(10,384)	(56,742)	(107,229)	(423,860)	(598,215)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(3,885,466)	(4,775,314)	(665,736)	(720,715)	(10,047,231)
Cash inflow subtotal	24,170	17,928	717	-	42,815
Net cash flow	<u>\$ (3,861,296)</u>	<u>\$ (4,757,386)</u>	<u>\$ (665,019)</u>	<u>\$ (720,715)</u>	<u>\$ (10,004,416)</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 credit line in a financing guarantee agreement.

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

	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

	December 31, 2018			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 109,990,204	\$ 35,237,143	\$ 9,378,042	\$ 154,605,389
Credit card commitments	55,543,412	237,450,848	376,237,944	669,232,204
Financial guarantee contracts	12,492,672	4,793,131	466,835	17,752,638

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 is responsible for monitoring the market risk management. The department and committee periodically examine the Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing and using scheme of medium and long term funding 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 valuating position, risk limit management, calculating of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

2) Market risk management strategy and process

Market risk management process

a) Identification and measurement

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

b) Monitoring and reporting

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

3) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investment for the purpose of trading or the hedge on the trading book. Portfolio is held for trading, which is intended to earn the profit from 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 limitation of each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

b) Policy and procedure

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

c) Valuation policy

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

d) Method of measurement

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

4) Interest risk management of trading book

a) Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the change of its fair value which is caused by the fluctuation of interest rate. The main instruments include the securities and derivatives that relate to interest rates.

b) Interest risk management procedure of trading book

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

c) Method of measurement

- i. The assumption and calculation of VaR: See VaR section.
- ii. The Bank measures the investment portfolio's interest risk exposure 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/liabilities.

b) Management procedure

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

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

c) Method of measurement

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

6) Foreign exchange risk management

a) Definition of foreign exchange risk

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

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

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

For foreign exchange risk, the Bank sets the scenario at 3% fluctuation of interest rate of major currencies to execute the stress test 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, 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

December 31, 2018			
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,982,337	30.7330	\$398,986,163
CNY	5,166,098	4.4742	23,114,156
HKD	5,541,663	3.9240	21,745,486
Non-monetary items			
USD	389,971	30.7330	11,984,979
HKD	2,783,586	3.9240	10,922,791
THB	3,473,375	0.9491	3,296,580
<u>Financial liabilities</u>			
Monetary items			
USD	12,557,146	30.7330	385,918,768
CNY	8,469,170	4.4742	37,892,760
AUD	1,807,921	21.6775	39,191,207
Non-monetary items			
USD	383,971	30.7330	11,800,581
CNY	7,353	4.4742	32,899
HKD	2,963,783	3.9240	11,629,884

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 \$1,165,079 thousand and \$1,512,717 thousand for the years ended December 31, 2019 and 2018, 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 in equity securities prices

To avoid the massive fluctuation of equity securities price to worsen the Bank's financial situation or earnings. Also, to raise the operating efficiency of capital and strengthen the business operation.

c) Procedure of risk management of equity securities prices

The Bank sets investment limit 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) Measured methodology

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

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

The Bank adopts many methodologies to manage its market risk. Value-at-risk (VaR) is one of the methodologies. 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 statistic 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. While the statistic confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Base on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

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

December 31, 2018				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 307,882	\$ 701,219	\$ 52,816	\$ 57,761
Foreign exchange	147,353	202,948	104,364	136,066
Equity securities price	318,530	424,067	230,176	282,533

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

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

8) Stress testing

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

Stress Test			
Market/Product	Scenarios	December 31, 2019	December 31, 2018
Stock market	Major stock exchanges + 15%	\$ 2,275,627	\$ 990,610
	Major stock exchanges - 15%	(2,275,627)	(935,918)
Interest rate/bond market	Major interest rate + 100bp	(2,123,313)	(417,490)
	Major interest rate - 100bp	1,761,718	701,613
Foreign exchange market	Major currencies + 3%	232,248	245,686
	Major currencies - 3%	(219,225)	(233,535)
Composite	Major Stock Exchanges - 15%	(4,166,692)	(1,107,722)
	Major Interest Rate + 100bp		
	Major Currencies + 3%		

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

9) Sensitivity analysis

a) Interest rate risk

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

b) Foreign exchange risk

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

c) Equity securities price risk

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

		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

		December 31, 2018	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1% HKD+1% JPY+1% AUD+1% CNY+1%	\$ 108,556 (6,980) (905) (354) 2,563	\$ - - - - -
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp Yield curves (HKD) parallel shift+1bp Yield curves (JPY) parallel shift+1bp Yield curves (AUD) parallel shift+1bp Yield curves (CNY) parallel shift+1bp	1,347 183 (1) (359) (210)	- - - - -
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	(1,011)	66,545

d. Transfers of financial assets

Financial assets transferred that have not been fully removed

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

The following table analyses financial assets and financial liabilities that have not been fully removed:

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

December 31, 2018					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through profit or loss					
Repurchase agreements	\$ 581,159	\$ 523,342	\$ 581,159	\$ 523,342	\$ 57,817
Financial assets at fair value through other comprehensive income					
Repurchase agreements	44,424,315	42,613,744	44,424,315	42,613,744	1,810,571
Investments in debt instruments measured at amortised cost					
Repurchase agreements	14,649,885	11,447,258	13,056,317	11,447,258	1,609,059
Securities purchased under resell agreements					
Repurchase agreements	1,493,132	1,390,165	1,493,132	1,390,165	102,967

e. Offsetting financial assets and liabilities

The Company own financial instruments that do not offset in accordance with IAS 32.42 but it executed enforceable master netting arrangement or other similar agreements with counterparties. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or the financial instruments could be settled at gross amount if not. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

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

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

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

December 31, 2018						
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	\$ 49,475,706	\$ -	\$ 49,475,706	\$ 49,475,706	\$ -	\$ -

December 31, 2018						
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	\$ 51,966,013	\$ -	\$ 51,966,013	\$ 49,475,706	\$ 2,490,307	\$ -

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

Items			Year	December 31, 2018	
				Standalone	Consolidated
Eligible capital	Common equity		\$ 166,969,563	\$ 173,805,139	
	Other Tier 1 capital		28,371,343	34,304,206	
	Tier 2 capital		51,801,638	64,789,659	
	Eligible capital		247,142,544	272,899,004	
Risk-weighted assets	Credit risk	Standardized approach	1,445,220,093	1,525,409,836	
		Internal ratings-based approach	-	-	
		Securitization	20,415,153	20,415,153	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	86,475,368	90,566,602	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	96,881,010	104,686,276	
		Internal model approach	-	-	
	Risk-weighted assets		1,648,991,624	1,741,077,867	
Capital adequacy ratio (%)			14.99%	15.67%	
Ratio of common equity to risk-weighted assets (%)			10.13%	9.98%	
Ratio of Tier 1 capital to risk-weighted assets (%)			11.85%	11.95%	
Leverage ratio (%)			6.59%	6.81%	

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

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

52. UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Financial assets at fair value through other comprehensive income	\$ 27,942,654	\$ 3,191,683
Investments in debt instruments measured at amortised cost	<u>38,848,276</u>	<u>47,970,374</u>
	<u>\$ 66,790,930</u>	<u>\$ 51,162,057</u>

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

The Bank

a. Credit risk

1) Asset quality: Please refer to Table 3.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2019			
Rank	Company Name	Credit Extension Balance	% of the Bank's Equity
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

December 31, 2018			
Rank	Company Name	Credit Extension Balance	% of the Bank's Equity
1	Group A - real estate development activities	25,830,822	12.80
2	Group B - packaging and testing of semi-conductors	13,815,191	6.85
3	Group C - air transport	9,874,541	4.89
4	Group D - other	9,386,625	4.65
5	Group E - other financial intermediation	8,282,950	4.11
6	Group F - real estate development activities	6,600,000	3.27
7	Group G - manufacture of computers	5,006,283	2.48
8	Group H - wired telecommunications activities	4,668,713	2.31
9	Group I - other financial intermediation	4,497,900	2.23
10	Group J - other	3,963,056	1.96

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars, %)

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%

December 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,870,199,137	\$ 13,593,852	\$ 54,020,269	\$ 107,243,806	\$ 2,045,057,064
Interest rate-sensitive liabilities	201,956,305	1,214,221,810	254,655,405	94,382,693	1,765,216,213
Interest rate-sensitive gap	1,668,242,832	(1,200,627,958)	(200,635,136)	12,861,113	279,840,851
Net worth					201,765,546
Ratio of interest rate-sensitive assets to liabilities					115.85%
Ratio of interest rate sensitivity gap to net worth					138.70%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank (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, 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%)

December 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 7,132,274	\$ 877,879	\$ 591,620	\$ 6,360,102	\$ 14,961,875
Interest rate-sensitive liabilities	10,756,895	2,777,985	2,711,257	3,756,461	20,002,598
Interest rate-sensitive gap	(3,624,621)	(1,900,106)	(2,119,637)	2,603,641	(5,040,723)
Net worth					6,565,111
Ratio of interest rate-sensitive assets to liabilities					74.80%
Ratio of interest rate sensitivity gap to net worth					(76.78%)

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	
		2019	2018
Return on total assets	Before income tax	0.91	0.88
	After income tax	0.77	0.76
Return on equity	Before income tax	12.09	12.51
	After income tax	10.27	10.86
Net income ratio		35.62	34.92

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

Note 4: Income before (after) income tax represents income for the years ended December 31, 2019 and 2018.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars)

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)

December 31, 2018

	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	\$ 2,718,291,477	\$ 539,138,622	\$ 289,490,379	\$ 304,254,308	\$ 240,773,167	\$ 326,519,393	\$ 1,018,115,608
Main capital outflow on maturity	3,200,692,054	175,442,094	257,319,919	516,766,947	538,442,232	536,045,170	1,176,675,692
Gap	(482,400,577)	363,696,528	32,170,460	(212,512,639)	(297,669,065)	(209,525,777)	(158,560,084)

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

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

(In Thousands of U.S. Dollars)

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

December 31, 2018

	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	\$ 63,719,960	\$ 19,395,558	\$ 12,804,626	\$ 10,573,356	\$ 11,043,349	\$ 9,903,071
Main capital outflow on maturity	70,142,653	18,987,216	15,884,692	12,103,998	14,955,130	8,211,617
Gap	(6,422,693)	408,342	(3,080,066)	(1,530,642)	(3,911,781)	1,691,454

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

54. OPERATING SEGMENTS

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

- 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 operation segments.

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

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

	For the Year Ended December 31, 2019				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (from external)	<u>\$ 8,457,851</u>	<u>\$ 11,645,341</u>	<u>\$ 8,075,990</u>	<u>\$ 8,266,598</u>	<u>\$ 36,445,780</u>
Segment revenue (expense)	<u>\$ (3,698,282)</u>	<u>\$ 12,302,670</u>	<u>\$ (825,865)</u>	<u>\$ (7,778,523)</u>	<u>\$ -</u>
Segment net income	<u>\$ 3,224,721</u>	<u>\$ 19,757,524</u>	<u>\$ 4,750,081</u>	<u>\$ (1,264,940)</u>	<u>\$ 26,467,386</u>
Income tax expense					<u>(3,980,972)</u>
Income after income tax					<u>\$ 22,486,414</u>
	For the Year Ended December 31, 2018				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (from external)	<u>\$ 8,703,277</u>	<u>\$ 12,846,867</u>	<u>\$ 6,934,418</u>	<u>\$ 4,912,694</u>	<u>\$ 33,397,256</u>
Segment revenue (expense)	<u>\$ (3,393,889)</u>	<u>\$ 11,933,276</u>	<u>\$ (251,312)</u>	<u>\$ (8,288,075)</u>	<u>\$ -</u>
Segment net income	<u>\$ 4,958,463</u>	<u>\$ 19,691,327</u>	<u>\$ 1,586,649</u>	<u>\$ (1,753,084)</u>	<u>\$ 24,483,355</u>
Income tax expense					<u>(3,230,004)</u>
Income after income tax					<u>\$ 21,253,351</u>

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

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

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

55. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: The Bank - not applicable; investee - none
- 2) Endorsement/guarantee provided: The Bank - not applicable; investee - none
- 3) Marketable securities held: The Bank - not applicable; investee - none
- 4) Marketable securities acquired or disposed of at costs or prices of at least \$300 million or 10% of the paid-in capital: The Bank - not applicable; investee - none
- 5) Acquisition of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None

- 6) Disposal of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: Table 1 (attached)
 - 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 2 (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 3 (attached)
 - 12) Related information of investees and proportionate share: Table 4 (attached)
 - 13) Derivative transactions: Note 8
- c. Investments in mainland China: Table 5 (attached)
- d. Intercompany relationships and significant intercompany transactions.

For the detailed information of intercompany relationships and significant intercompany transactions, please refer to Table 6 (attached).

TABLE 1**CATHAY UNITED BANK CO., LTD.**

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Seller	Property	Date of Occurrence	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Determination and Supporting Reference Materials	Other Terms
Cathay United Bank Co., Ltd	Land No. 5-13, 17-27, Ankeng Section Subsection 5 Xindian District, New Taipei City	November 14, 2019	Acquired in succession from 1996 to 2009	\$541,000	\$560,001	Collect price according to the contract	\$19,001	Hong-Hui Plastic Co., Ltd.	Non-related party	Revitalization of assets	NT\$541,000 thousand, appraised by REPro KnightFrank Real Estate Appraiser Firm	None

Note 1: The appraisal result of assets disposed of in accordance with the regulations is indicated in the "Price Determination and Supporting Reference Materials" column.

Note 2: The paid-in capital refers to the paid-in capital of the Bank. If the issued stock has no par value or the par value is not NT\$10, the transaction amount requirement of 10% of the paid-in capital is calculated based on 10% of the equity attributable to the owner of the parent company on the balance sheet.

Note 3: Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of board of directors resolution, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

TABLE 2**CATHAY UNITED BANK CO., LTD.****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Cathay United Bank Co., Ltd.	Cathay United Bank (China) Corporation Limited (Note)	Subsidiary	\$429,798	-	\$ -	-	\$	\$ -

Note: Interest receivable.

TABLE 3

CATHAY UNITED BANK CO., LTD.

ASSET QUALITY - NONPERFORMING LOANS

AS OF DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, %)

Period			December 31,2019					December 31,2018				
Items			Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		\$106,443	\$219,835,224	0.05%	\$2,799,559	2630.09%	\$592,658	\$233,463,729	0.25%	\$3,600,918	607.59%
	Unsecured		234,899	326,886,658	0.07%	8,132,940	3462.31%	321,166	372,650,615	0.09%	6,367,224	1982.53%
Consumer banking	Housing mortgage (Note 4)		652,832	351,141,817	0.19%	5,628,075	862.10%	594,249	358,859,786	0.17%	5,649,230	950.65%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		211,673	87,272,712	0.24%	2,898,274	1369.22%	164,226	71,310,220	0.23%	1,876,794	1142.81%
	Other (Note 6)	Secured	995,451	502,473,730	0.20%	6,105,424	613.33%	780,457	498,067,264	0.16%	5,946,347	761.91%
		Unsecured	84,867	26,291,790	0.32%	419,182	493.93%	110,551	23,068,954	0.48%	438,172	396.35%
Loan			2,286,165	1,513,901,931	0.15%	25,983,454	1136.55%	2,563,307	1,557,420,568	0.16%	23,878,685	931.56%
			Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio
Credit cards			\$131,125	\$89,442,948	0.15%	\$1,852,005	1412.39%	\$107,314	\$71,887,117	0.15%	\$1,466,464	1366.52%
Accounts receivable factored without recourse (Note 7)			-	3,137,119	-	42,657	-	-	2,607,455	-	47,734	-

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

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

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

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

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

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

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, 2019		December 31, 2018	
	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$2,032	\$84,157	\$2,721	\$102,330
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	52,995	1,186,944	37,404	1,182,172
Total	\$55,027	\$1,271,101	\$40,125	\$1,284,502

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 4

CATHAY UNITED BANK CO., LTD.

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEEES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Invest Company	Investee Company (Note 1)	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Subsidiaries in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership (%)	
Cathay United Bank Co., Ltd.	<u>Financial-related business</u>										
	Taiwan Depository & Clearing Corporation	Taipei	Centralized securities depository of enterprises	0.17	\$45,437	\$2,199	2,180	-	2,180	0.57	
	Taipei Forex Inc.	Taipei	Foreign exchange broker	4.04	51,416	4,800	800	-	800	4.04	
	Global Securities Finance Corporation	Taipei	Securities finance industry	2.45	33,164	1,456	9,812	-	9,812	2.45	
	Taiwan Future Exchange Co., Ltd.	Taipei	Futures exchange	0.62	220,229	7,615	2,212	-	2,212	0.62	
	Financial Information Service Co., Ltd.	Taipei	Data processing services	2.34	718,488	33,031	12,234	-	12,234	2.34	
	Taiwan Finance Corporation	Taipei	Bills financing	24.57	1,675,881	89,868	126,814	-	126,814	24.57	
	Waterland Securities Co., Ltd.	Taipei	Integrated securities houses	10.32	554,956	906	95,227	-	95,227	12.29	
	Taiwan Asset Management Corporation	Taipei	Financial institution's debt purchase, evaluation or auction business	5.79	1,081,404	39,780	61,200	-	61,200	5.79	
	Taiwan Financial Asset Service Corporation	Taipei	Financial institution credit evaluation or auction services	5.88	95,400	700	10,000	-	10,000	5.88	
	Sunny Asset Management Co.	Taipei	Financial institution's debt purchase and other services	9.37	3,070	726	562	-	562	9.37	
	Visa	Los Angeles	Credit card business	0.02	2,633,468	15,130	1,073	-	1,073	0.05	
	Indovina Bank Limited	Vietnam	Commercial banking	50.00	4,409,575	663,761	(Note 3)	-	(Note 3)	50.00	
	Cathay United Bank (Cambodia) Corporation Limited	Cambodia	Commercial banking	100.00	3,588,046	180,052	100,000	-	100,000	100.00	
	Taiwan Mobile Payment Co.	Taipei	Trust service manager (TSM)	4.00	11,736	-	2,400	-	2,400	4.00	
	Philippine Clearing House Corporation (PCHC)	Philippines	Bills financing	1.69	6,326	-	21	-	21	1.69	
	Quantifeed Holdings Limited	Cayman Islands	Bills financing	7.70	35,585	-	2,515	-	2,515	7.70	
	Cathay United Bank (China) Limited	China	Commercial banking	100.00	15,843,051	223,397	(Note 3)	-	(Note 3)	100.00	
	Srisawad Corp PCL	Thailand	Holding industry	4.76	4,363,494	-	125,827	-	125,827	9.42	
	<u>Non-financial-related business</u>										
	Anfeng Enterprises Co., Ltd.	Taipei	ATM bill supplement business	15.00	12,321	518	450	-	450	15.00	
	Taiwan Real Estate Management Co., Ltd.	Taipei	Real estate management	30.15	100,958	1,235	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	307	-	19	-	19	4.87	
	Development International Investment Co., Ltd.	Taipei	Investment	4.95	941,426	21,600	108,000	-	108,000	9.90	
	EasyCard Investment Holding Co., Ltd.	Taipei	Investment	4.91	141,745	5,436	6,538	-	6,538	6.28	
	Kaohsiung Rapid Transit Corporation	Kaohsiung	Public rapid transit	1.38	50,912	385	3,845	-	3,845	1.38	
	Hantong Venture Capital Co., Ltd.	Taipei	Venture capital	12.95	74,710	-	7,092	-	7,092	12.95	
	Yuhua Venture Co., Ltd.	Taipei	Venture capital	5.00	4,557	-	450	-	450	5.00	
	Harbinger Venture Capital Co., Ltd.	Taipei	Venture capital	3.35	216	562	26	-	26	13.35	
	Victor Taichung Machinery Works Co., Ltd.	Taichung	Machinery and equipment manufacturing	0.03	1,279	39	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.

TABLE 5

CATHAY UNITED

**INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019**
(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, 2019 (Note 1)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	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)	\$223,397	100	\$223,397	\$15,843,051	\$ -	

Accumulated Investment in Mainland China as of December 31, 2019	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)	\$139,137,108

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

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

Note 3: Based on the Investment Commission' s "Regulation on Examination of Investment or Technical Cooperation in Mainland China" investments are limited to the larger of 60% of the Bank' s net asset value or 60% of the Company' s consolidated net asset value.

TABLE 6**CATHAY UNITED BANK CO., LTD.****BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES****FOR THE YEAR ENDED DECEMBER 31, 2019****(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	\$306	Note 4	-
		Indovina Bank	a	Call loan to banks - interest revenue	160,251	Note 4	0.25
		Indovina Bank	a	Due to banks	23,671	Note 4	-
		Indovina Bank	a	Due from bank	39,972	Note 4	-
		Indovina Bank	a	Call loan to banks	5,991,094	Note 4	0.2
1	Indovina Bank	Cathay United Bank	b	Due to banks - interest expense	306	Note 4	-
		Cathay United Bank	b	Call loan from banks - interest expense	160,251	Note 4	0.25
		Cathay United Bank	b	Due from bank	23,671	Note 4	-
		Cathay United Bank	b	Due to banks	39,972	Note 4	-
		Cathay United Bank	b	Call loan from banks	5,991,094	Note 4	0.2
0	Cathay United Bank	CUBC Bank	a	Call loan to banks - interest revenue	4,399	Note 4	0.01
		CUBC Bank	a	Call loan from banks - interest expense	5,768	Note 4	0.01
		CUBC Bank	a	Other miscellaneous income	6,221	Note 4	0.01
		CUBC Bank	a	Due to banks	10,438	Note 4	-
		CUBC Bank	a	Due from bank	61,113	Note 4	-
		CUBC Bank	a	Call loan to banks	602,120	Note 4	0.02
		CUBC Bank	a	Interest receivable	38	Note 4	-
2	CUBC Bank	Cathay United Bank	b	Call loan from banks - interest expense	4,399	Note 4	0.01
		Cathay United Bank	b	Call loan to banks - interest revenue	5,768	Note 4	0.01
		Cathay United Bank	b	Other miscellaneous expense	6,221	Note 4	0.01
		Cathay United Bank	b	Due from bank	10,438	Note 4	-
		Cathay United Bank	b	Due to banks	61,113	Note 4	-
		Cathay United Bank	b	Call loan from banks	602,120	Note 4	0.02
		Cathay United Bank	b	Interest payable	38	Note 4	-
0	Cathay United Bank	CUBCN Bank	a	Call loans to banks - interest revenue	188,554	Note 4	0.3
		CUBCN Bank	a	Due to banks	39,067	Note 4	-
		CUBCN Bank	a	Due from bank	9,514,745	Note 4	0.32
		CUBCN Bank	a	Call loans to banks	5,317,401	Note 4	0.18
		CUBCN Bank	a	Interest receivable	429,798	Note 4	0.01

(Continued)

No. (Note 1)	Transacting Company	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amounts	Terms of Transaction	Percentage of Total Revenue or Total Assets (Note 3)
3	CUBCN Bank	Cathay United Bank	b	Call loan from banks - interest expense	\$188,554	Note 4	0.3
		Cathay United Bank	b	Due from banks	39,067	Note 4	-
		Cathay United Bank	b	Due to banks	9,514,745	Note 4	0.32
		Cathay United Bank	b	Call loan from banks	5,317,401	Note 4	0.18
		Cathay United Bank	b	Interest payable	429,798	Note 4	0.01

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

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

Note 2: The flow of transactions is as follows:

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

Note 3: The percentage is calculated as follows:

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

Note 4: The terms of the transactions between the Bank and related parties were similar to those for unrelated parties.

(Concluded)

Appendix V

**Cathay United Bank Co., Ltd.
Parent Company Only Financial Statements
For The Years Ended
31 December 2019 and 2018
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 sheet as of December 31, 2019, and the statements of comprehensive income, changes in equity and cash flows for the year 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, 2019, its financial performance and its cash flows for the year 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 audit 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, 2019. 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.

Key audit matters for the Bank's financial statements for the year ended December 31, 2019 are as follows:

Impairment Assessment on Loans

The domestic loans of the Bank amounted to \$1,399,537,914 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 impairment assessment on loans under the relevant regulations issued by the authorities is substantially larger than that under IFRS 9, hence, we determined the impairment of the loans under the relevant regulations prescribed by the authorities as a key audit matter.

Its management regularly assesses the impairment on its loans. Recognition of impairment loss on loans is based on compliance with regulations issued by the authorities regarding the classification of credit assets and provision 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 its internal controls of impairment assessment on 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

The financial statements of the Bank as of and for the year ended December 31, 2018 were audited by other auditors who expressed an unmodified opinion on those statements on March 21, 2019.

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 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2020

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, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 43)	\$48,515,201	2	\$66,762,454	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 7 and 43)	111,420,796	4	102,596,003	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 43 and 48)	294,191,635	10	246,407,565	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 44 and 48)	293,510,005	10	180,253,805	7
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 44 and 48)	443,835,161	15	419,828,413	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	9,780,448	-	40,462,461	1
RECEIVABLES, NET (Notes 4, 13, 15 and 43)	99,115,885	4	85,277,180	3
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 43)	1,487,889,877	52	1,533,747,366	55
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 16)	25,617,511	1	25,501,114	1
OTHER FINANCIAL ASSETS, NET	909	-	1,271	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	24,554,606	1	24,755,100	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 18 and 43)	3,717,597	-	-	-
INVESTMENT PROPERTIES, NET (Notes 4 and 19)	857,504	-	1,439,686	-
INTANGIBLE ASSETS, NET (Notes 4 and 20)	7,628,450	-	7,509,044	-
DEFERRED TAX ASSETS (Notes 4 and 41)	3,860,039	-	1,861,573	-
OTHER ASSETS, NET (Notes 21 and 43)	28,401,262	1	34,418,482	1
TOTAL	\$2,882,896,886	100	\$2,770,821,517	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 22 and 43)	\$70,709,191	2	\$67,728,200	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 43 and 48)	106,531,886	4	102,960,537	4
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 23)	43,710,339	2	55,974,509	2
PAYABLES (Notes 24 and 43)	23,858,296	1	23,816,109	1
CURRENT TAX LIABILITIES (Notes 4 and 41)	241,436	-	87,061	-
DEPOSITS AND REMITTANCES (Notes 25 and 43)	2,276,606,769	79	2,174,157,863	78
FINANCIAL DEBENTURES PAYABLE (Note 26)	53,900,000	2	55,600,000	2
OTHER FINANCIAL LIABILITIES (Note 27)	60,218,085	2	76,509,334	3
PROVISIONS (Notes 4, 15 and 28)	3,682,517	-	3,389,976	-
LEASE LIABILITIES (Notes 4, 18 and 43)	3,739,711	-	-	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 41)	3,046,972	-	1,645,038	-
OTHER LIABILITIES (Notes 4, 30 and 43)	9,166,080	-	7,187,344	-
Total liabilities	2,655,411,282	92	2,569,055,971	93
EQUITY (Note 31)				
Capital stock				
Common stock	101,658,353	4	91,197,623	3
Capital surplus	38,687,276	1	33,610,983	1
Retained earnings				
Legal reserve	57,935,811	2	51,631,140	2
Special reserve	2,183,978	-	2,933,808	-
Unappropriated earnings	21,675,159	1	21,015,571	1
Total retained earnings	81,794,948	3	75,580,519	3
Other equity	5,345,027	-	1,376,421	-
Total equity	227,485,604	8	201,765,546	7
TOTAL	\$2,882,896,886	100	\$2,770,821,517	100

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

(With Deloitte & Touche auditors' report dated March 11, 2020)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Changes
	Amount	%	Amount	%	(%)
NET INTEREST REVENUE (Notes 4, 32 and 43)					
Interest income	\$51,391,239	85	\$49,156,871	84	5
Interest expense	(18,742,159)	(31)	(18,330,503)	(31)	2
Total net interest revenue	32,649,080	54	30,826,368	53	6
NET REVENUE OTHER THAN INTEREST					
Net service fee revenue (Notes 4, 33 and 43)	16,927,133	28	16,527,602	28	2
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 34 and 43)	5,398,020	9	5,488,759	9	(2)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4, 9 and 35)	2,094,457	4	2,645,638	5	(21)
Loss arising from derecognition of financial assets measured at amortised cost (Notes 4 and 10)	(38,960)	-	-	-	-
Foreign exchange gain (Note 4)	1,339,016	2	1,580,121	3	(15)
Impairment loss on assets (Notes 4, 5 and 36)	(15,347)	-	(23,159)	-	(34)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (Notes 4 and 16)	1,158,313	2	653,973	1	77
Net other revenue other than interest income (Notes 4 and 43)	602,310	1	786,743	1	(23)
Total net revenue other than interest	27,464,942	46	27,659,677	47	(1)
NET REVENUE	60,114,022	100	58,486,045	100	3
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 13, 14, 15 and 37)	(2,871,227)	(5)	(4,341,281)	(7)	(34)

(Continued)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Changes
	Amount	%	Amount	%	(%)
TOTAL OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 38 and 43)	(\$15,854,940)	(26)	(\$15,377,271)	(26)	3
Depreciation and amortization expense (Notes 4, 17, 18, 20 and 39)	(2,709,098)	(5)	(1,418,016)	(3)	91
Other general and administrative expense (Notes 4, 40 and 43)	(13,376,104)	(22)	(13,323,445)	(23)	-
Total operating expenses	(31,940,142)	(53)	(30,118,732)	(52)	6
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	25,302,653	42	24,026,032	41	5
INCOME TAX EXPENSE (Notes 4 and 41)	(3,480,000)	(6)	(3,005,700)	(5)	16
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	21,822,653	36	21,020,332	36	4
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	(433,779)	(1)	(96,202)	-	351
Property revaluation surplus	217,619	-	-	-	-
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	3,976,271	7	(892,775)	(2)	545
Change in fair value of financial liability attributable to change in credit risk of liability	(3,280,741)	(5)	2,402,577	4	(237)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	6,452	-	-	-	-

(Continued)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018		Changes
	Amount	%	Amount	%	(%)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 41)	\$288,371	-	(\$196,484)	-	247
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	(827,484)	(1)	(619,272)	(1)	34
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	332,384	1	265,791	-	25
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	3,607,263	6	(1,928,787)	(3)	287
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 41)	<u>(65,244)</u>	-	<u>147,946</u>	-	(144)
Other comprehensive income (loss), net of tax	<u>3,821,112</u>	<u>7</u>	<u>(917,206)</u>	<u>(2)</u>	517
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>\$25,643,765</u>	<u>43</u>	<u>\$20,103,126</u>	<u>34</u>	28
EARNINGS PER SHARE (Note 42)					
Basic	<u>\$2.25</u>		<u>\$2.17</u>		

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

(With Deloitte & Touche auditors' report dated (Concluded))

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

						Other Equity							Total	Total 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	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Changes in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Gains (Losses) on Remeasurements of Defined Benefit	Property Revaluation Surplus			
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2018	\$78,604,060	\$33,610,983	\$45,823,601	\$1,977,363	\$19,302,403	(\$532,567)	\$ -	\$1,906,796	(\$1,191,026)	(\$1,340,811)	\$302,676	(\$854,932)	\$178,463,478	
Effect of retrospective application and restatement	-	-	-	-	(492,615)	-	5,598,353	(1,906,796)	-	-	-	3,691,557	3,198,942	
BALANCE AT JANUARY 1, 2018 AS RESTATED	78,604,060	33,610,983	45,823,601	1,977,363	18,809,788	(532,567)	5,598,353	-	(1,191,026)	(1,340,811)	302,676	2,836,625	181,662,420	
Appropriation of 2017 earnings														
Legal reserve	-	-	5,807,539	-	(5,807,539)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	951,443	(951,443)	-	-	-	-	-	-	-	-	
Stock dividends	12,593,563	-	-	-	(12,593,563)	-	-	-	-	-	-	-	-	
Net income for the year ended December 31, 2018	-	-	-	-	21,020,332	-	-	-	-	-	-	-	21,020,332	
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(476,168)	(2,379,818)	-	1,965,110	(28,617)	2,287	(917,206)	(917,206)	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	21,020,332	(476,168)	(2,379,818)	-	1,965,110	(28,617)	2,287	(917,206)	20,103,126	
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	487,854	-	(487,854)	-	-	-	-	(487,854)	-	
Others	-	-	-	5,002	50,142	-	-	-	-	-	(55,144)	(55,144)	-	
BALANCE AT DECEMBER 31, 2018	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	

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

(With Deloitte & Touche auditors' report dated March 11, 2020)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$25,302,653	\$24,026,032
Adjustments:		
Depreciation expense	2,309,307	1,100,248
Amortization expense	399,791	317,768
Expected credit loss/bad debt expense	2,871,227	4,341,281
Net gains on financial assets and liabilities at fair value through profit or loss	(5,398,020)	(5,488,759)
Interest expense	18,742,159	18,330,503
Net gains arising from derecognition of financial assets measured at amortised cost	38,960	-
Interest income	(51,391,239)	(49,156,871)
Dividend income	(994,684)	(1,529,632)
Compensation costs of share-based payments	76,293	-
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,158,313)	(653,973)
Loss on disposal of property and equipment	13,436	39,551
Gains on disposal of investment properties	(18,624)	(14,100)
Gains on disposal of investments	(1,099,773)	(1,116,006)
Impairment loss on financial assets	15,347	23,159
Loss on fair value adjustment of investment property	84,482	21,786
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(5,090,593)	(2,190,915)
Financial assets at fair value through profit or loss	8,731,951	89,280,961
Financial assets at fair value through other comprehensive income	(104,587,460)	(27,682,332)
Investments in debt instruments at amortised cost	(24,046,488)	(46,267,977)
Receivables	(17,645,813)	(23,975,408)
Discounts and loans	43,136,400	(154,215,176)
Other financial assets	366	5
Other assets	(2,197,382)	(2,412,319)
Deposits from the Central Bank and banks	2,980,991	9,380,735
Financial liabilities at fair value through profit or loss	(50,289,599)	18,497,278
Notes and bonds issued under repurchase agreement	(12,264,170)	(53,966,916)
Payables	(2,040,668)	15,102,337
Deposits and remittances	102,448,906	122,484,368
Other financial liabilities	(16,291,249)	10,726,357
Provisions	(176,125)	11,127
Other liabilities	136,339	155,982
Cash used in operations	(87,401,592)	(54,830,906)
Interest received	56,806,700	47,593,694
Dividends received	985,537	1,585,095
Interest paid	(21,119,767)	(17,652,081)
Income tax paid	(1,435,806)	(3,879,507)
Net cash used in operating activities	(52,164,928)	(27,183,705)

(Continued)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(\$1,121,380)	(\$1,790,438)
Proceeds from disposal of property and equipment	9,301	555
Acquisition of intangible assets	(516,254)	(189,948)
Proceeds from disposal of investment properties	880,361	100,000
Other assets	8,170,950	(8,640,040)
Dividends received	672,316	584,854
Other investing activities	-	(10,260,339)
Net cash generated from (used in) investing activities	8,095,294	(20,195,356)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of financial debentures payable	(1,700,000)	(7,750,000)
Payments of lease liabilities	(1,130,463)	-
Other liabilities	1,843,299	(1,816,940)
Cash dividends paid	(10,000,000)	-
Share issuance for cash	10,000,000	-
Net cash used in financing activities	(987,164)	(9,566,940)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(134,130)	(996,879)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(45,190,928)	(57,942,880)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	154,927,374	212,870,254
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$109,736,446	\$154,927,374

31-Dec

2019

2018

RECONCILIATIONS OF CASH AND CASH EQUIVALENTS

REPORTED IN THE STATEMENTS OF CASH FLOWS WITH
THOSE REPORTED IN THE BALANCE SHEETS AS OF
DECEMBER 31, 2019 AND 2018

Cash and cash equivalents reported in the statement of financial position	\$48,515,201	\$66,762,454
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	51,440,797	47,702,459
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	9,780,448	40,462,461
Cash and cash equivalents at the end of the period	\$109,736,446	\$154,927,374

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

(With Deloitte & Touche auditors' report dated March 11, 2020)

(Concluded)

Appendix VI

Cathay United Bank Co., Ltd.

Affiliation report

2019

Declaration

The Bank's 2019 Affiliation Report (for the period January 1 to December 31, 2019) has been prepared in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.” There was no material discrepancy between information disclosed in the above report and notes to financial statements for the corresponding period.

Hereby declared by

Company name: Cathay United Bank Co., Ltd.

Chairman: Andrew Ming-Jian Kuo

March 11, 2020

Affiliation Report

Cathay United Bank Co., Ltd.:

We have audited the 2019 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 11, 2020. The purpose of this audit was to express opinions on the fairness of the financial statement preparation. The attached 2019 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 2019 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 Li-Chi Chen

Certified Public Accountant Hsu-Jan Cheng

March 11, 2020

Relationships between controlling and controlled entities

Unit: shares

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors and supervisors representing the controlling company	
		Number of shares held	Ratio of shareholding	Quantity of pledged shares	Title	Name
Cathay Financial Holding Co., Ltd.	Holds 100% of voting rights-vested shares issued by the Bank	10,165,835,208	100%	-	Chairman Vice Chairman Managing Director/ Independent Director Managing Director Managing Director Independent Director Independent 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 Jian-Hsing Wu Wei-Hua Chou Yiao-Chiun Lai Liang-Lin Chien

Note: In situations where the subordinate company's controlling company is a subordinate company of another controlling entity, information of that controlling entity shall also be provided. The same applies to further controlling entities that can be traced along the chain of ownership.

Purchase (sales) transactions

Unit: NT\$ thousand

Transactions with the controlling entity				Terms with the controlling entity		Ordinary trade terms		Cause of difference	Accounts and notes receivable (payable)		Amount of receivables overdue			Remarks
Purchase (Sale)	Amount	As a percentage of total purchase (sale)	Gross profit	Unit price (\$)	Credit term	Unit price (\$)	Credit term		Balance	As a percentage of total accounts and notes receivable (payable)	Amount	Treatment	Amount of doubtful debt provisions	
None														

Note 1: In the case of advanced receipt (prepayment), explain in the remarks column the reason, terms & conditions, amount and deviation from general transaction terms.

Note 2: Adjust the items listed as deemed appropriate; leave blank if not applicable given the industry characteristics.

Property transaction

Unit: NT\$ thousand

Transaction type (acquisition or disposal)	Property name	Transaction date or date of occurrence	Transaction amount	Delivery or payment terms	Collection/ payment of proceeds	Gain/loss on disposal (Note 1)	Reason for transacting with the controlling entity	Information on the previous transfer (Note 2)				Transaction decision method (Note 3)	Pricing reference	Purpose of acquisition or disposal and usage	Other terms and conditions
								Owner	Relationship with the company	Date of transfer	Amount				
Acquisition	Office equipment Per batch	2019.12.19	\$26,681	Full payment	Normal	Not applicable	Operational requirement	Not applicable	Not applicable	Not applicable	Not applicable	President	Equipment book value	Operational requirement	—

Note 1: Not required for properties acquired.

Note 2: (1) For properties acquired, disclose information as at the time when the property was first acquired by the controlling company; for properties disposed, disclose information as at the time when the property was first acquired by the subordinate company.

(2) In the “Relationship with the company” field, explain relationship between the owner and the controlled and controlling companies.

(3) If the counterparty of the previous transfer is a related party, provide information regarding the related party's previous transfer in the same column.

Note 3: Explain the level of authority at which the transaction was approved.

Capital financing

Unit: NT\$ thousand

Transaction type (lending or borrowing)	Highest balance	Closing balance	Interest rate range	Total interest - current	Financing tenor	Reason for financing	Collaterals obtained (provided)		Transaction decision method (Note 1)	Provision of doubtful debts (Note 2)
							Name	Amount		
None										

Note 1: Explain the level of authority at which the transaction was approved.

Note 2: Disclosure not required for borrowing.

Assets leasing

Unit: NT\$ thousand

Transaction type (as lessor or lessee)	Underlying asset		Lease tenor	Nature of lease (Note 1)	Basis of rental rate	Collection (payment) terms	Comparison with normal rental rates	Sum of rent in the current period	Amount collected/paid this year	Other terms and conditions (Note 2)
	Name	Location								
None										

Note 1: Specify the nature as capital lease or operating lease.

Note 2: Other encumbrances such as lien over superficies, dien, and easement must be specified.

Guarantees and endorsements

Unit: NT\$ thousand

Highest balance	Closing balance		Reason for endorsement / guarantee	Where collateral is placed as guarantee			Condition or date for guarantee withdrawal/collateral recovery	Amount of contingent losses recognized in financial statement	Any violation against operating guidelines
	Amount	As a percentage of net worth shown on financial statements		Name	Quantity	Value			
None									

Other important transactions

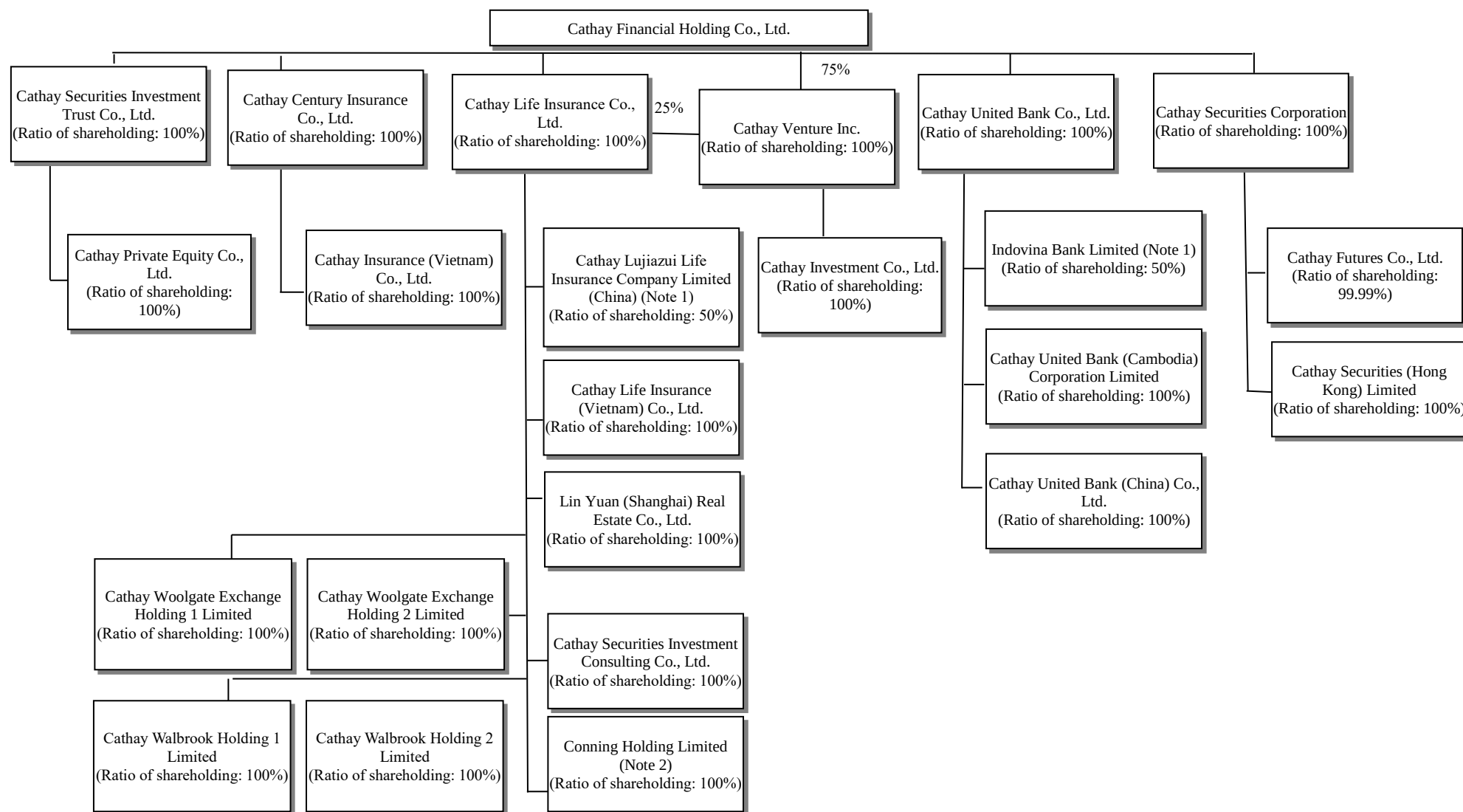
Unit: NT\$ thousand

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Appendix VII

Cathay United Bank Co., Ltd. Consolidated business reports 2019

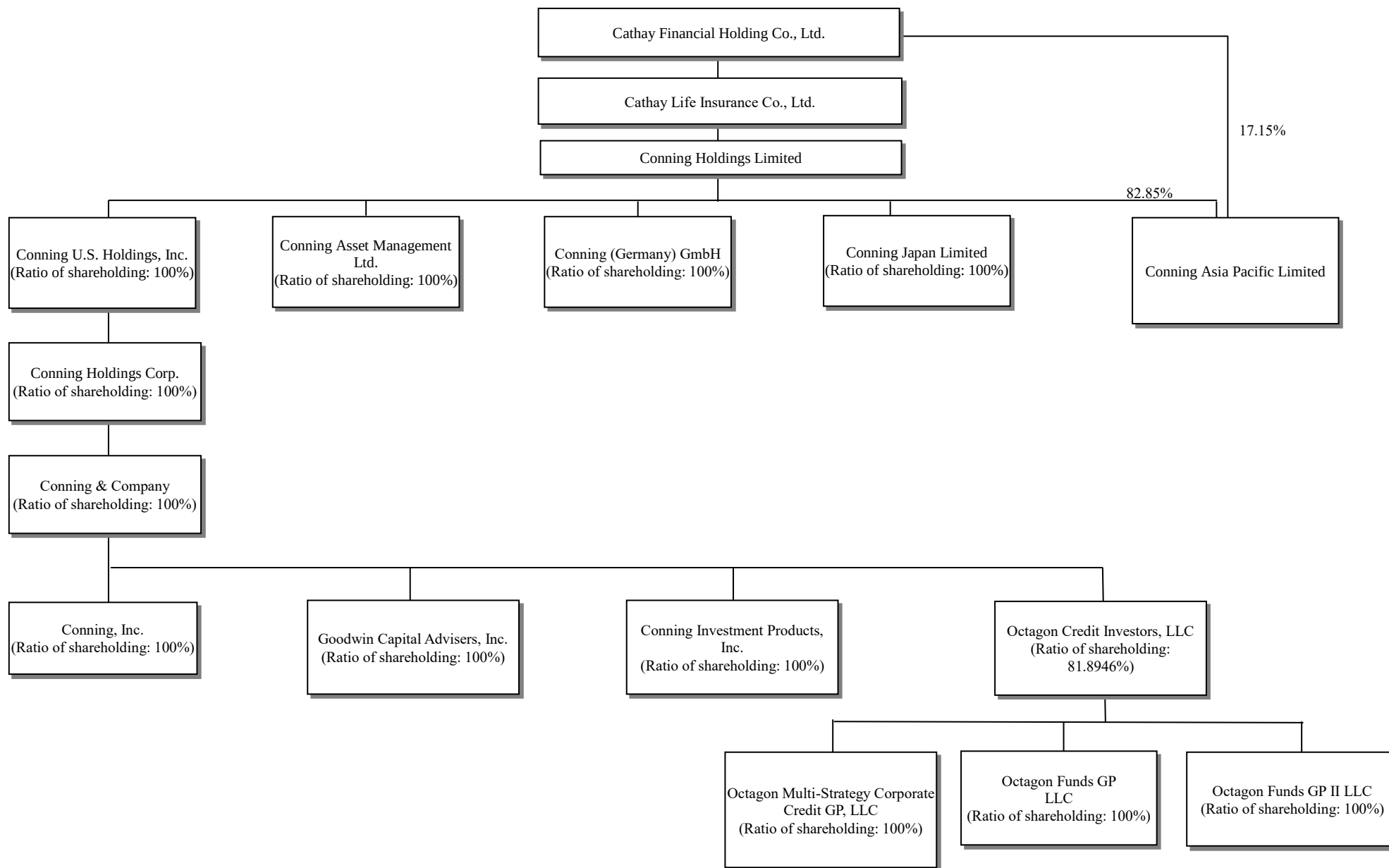
Organizational chart of affiliates



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 affiliates (Continued)



Basic information on affiliates

Unit: NT\$ thousand

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Cathay Financial Holding Co., Ltd.	2011.12.31	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	\$ 147,025,102	Financial holding
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	Life insurance
Cathay United Bank Co., Ltd.	1975.1.4	No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	101,658,353	Commercial banking
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	Non-life 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.)	6,000,000	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.)	4,565,146	Venture capital services
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 Lujiazui Life Insurance Company Limited	2004.12.29	19F., Block B, 1168 Century Avenue (Oriental Financial Plaza), Pudong District, Shanghai City	13,497,155	Life insurance
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.)	70,000	Securities investment consulting
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 property
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	Life insurance
Cathay Woolgate Exchange Holding 1 Limited	2014.7.30	IFC 5, St. Helier, Jersey, JE1 1ST	16,654,013	Real estate investment and management
Cathay Woolgate Exchange Holding 2 Limited	2014.7.30	IFC 5, St. Helier, Jersey, JE1 1ST	168,222	Real estate investment and management
Cathay Walbrook Holding 1 Limited	2015.3.31	IFC 5, St. Helier, Jersey, JE1 1ST	10,189,090	Real estate investment and management
Cathay Walbrook Holding 2 Limited	2015.3.31	IFC 5, St. Helier, Jersey, JE1 1ST	536,268	Real estate investment and management
Conning Holdings Limited	2015.6.10	24 Monument Street, London, EC3R 8AJ, United Kingdom	15,723,539	Holdings
Conning U.S. Holdings, Inc.	2015.6.10	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings
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
Conning Japan Limited	2015.9.3	10F KN-Ginza Building, 1-15-6, Ginza, Chuo-Ku, Tokyo, Japan	-	Asset management

Basic information on affiliates (Continued)

Unit: NT\$ thousand

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Conning Asia Pacific Limited	2011.7.6	19/F LHT Tower, 31 Queen's Road Central, Hong Kong	\$ 577,686	Asset management
Conning Holdings Corp.	2009.6.5	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings
Conning & Company	1986.7.10	One Financial Plaza, Hartford, CT, 06103, USA	4,485	Holdings
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 Multi-Strategy Corporate Credit GP, LLC	2014.6.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund management
Octagon Funds GP LLC	2014.11.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund management
Octagon Funds GP II LLC	2016.1.21	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund management
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., Foxconn Building, No. 1366 Lujiazui Ring Road, Pudong New Area, Shanghai, China	14,377,562	Banking
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	Non-life insurance
Cathay Futures Co., Ltd.	1993.12.29	19F., No. 333 and 10 F., No.335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	667,000	Futures services
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 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 services
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.)	50,000	Private equity service

Information on shareholders presumed to have a controlling and dependent relationship

Unit: NT\$ thousand; Shares

Reason	Name (Note 1)	Number of shares held (Note 2)		Date of establishment	Address	Paid-in capital	Main business activities
		Number of shares	Ratio of shareholding				
None							

Note 1: In the case of common corporate shareholders, specify the name of the corporate entity; in the case of common natural-person shareholders, specify the name of the natural person. For natural-person shareholders, specify reason, name and shareholding only.

Note 2: For shareholding, specify shareholder's ownership interest in the controlling company.

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Financial Holding Co., Ltd.	Chairman	Hong-Tu Tsai	81,553,364	0.56%
	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	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	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)	10,165,835,208	100%
	Vice Chairman	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Managing Director/ Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Managing Director	Alan Lee (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Managing Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Director	Han-Kuo Chen (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Director	Chi-Wei Joong (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Director	Wei-Hua Chou (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Director	Jian-Hsing Wu (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Independent Director	Edward Yung-Do Way (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Resident Supervisor	Yiao-Chiun Lai (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	Supervisor	Liang-Lin Chien (Representative of Cathay Financial Holdings)	10,165,835,208	100%
	President	Alan Lee	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative		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	Tso-Hsing Hsu	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Chih-Ming Lin	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	President	Shang-Chi Liu		-	-
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	Kuo-Tsai Tsai	(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		-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Securities Corporation	Chairman	Shun-Yu Chuang (Representative of Cathay Financial Holdings)	600,000,000	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	600,000,000	100%
	Director	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	600,000,000	100%
	Director	Kuan-Cheng Chou (Representative of Cathay Financial Holdings)	600,000,000	100%
	Director	Hsiu-Ling Hsu (Representative of Cathay Financial Holdings)	600,000,000	100%
	Independent Director	Edward Yung-Do Way (Representative of Cathay Financial Holdings)	600,000,000	100%
	Independent Director	Wei-Kang Pan (Representative of Cathay Financial Holdings)	600,000,000	100%
	Supervisor	Wan-Chu Ma (Representative of Cathay Financial Holdings)	600,000,000	100%
	Supervisor	Po-Sheng Fu (Representative of Cathay Financial Holdings)	600,000,000	100%
	President	Kuan-Cheng Chou	-	-
Cathay Venture Inc.	Chairman	Jen-Ho Chang (Representative of Cathay Financial Holdings)	342,385,998	75%
	Director	Sophia Cheng (Representative of Cathay Financial Holdings)	342,385,998	75%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	342,385,998	75%
	Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	342,385,998	75%
	Director	Chuan-Yen Hu (Representative of Cathay Financial Holdings)	342,385,998	75%
	Supervisor	Shun-Yu Chuan	-	-
	President	Chuan-Yen Hu	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Securities Investment Trust Co., Ltd.	Chairman	Shyi Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Kou-Chung Huang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Hui-Chun Wu (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Woody Bradford (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Bo 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	-	-
Cathay Lujiazui Life Insurance Company Limited	Chairman	Tso-Chiang Li (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	Yen Wang (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%
	President	Ming-Hung Liao	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative		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)	7,000,000	100%
	Director	Bo Kratz	(Representative of Cathay Life Insurance)	7,000,000	100%
	Director	Su-Chu Li	(Representative of Cathay Life Insurance)	7,000,000	100%
	Director	Chun-Hung Wu	(Representative of Cathay Life Insurance)	7,000,000	100%
	Supervisor	Wei-Chi Li	(Representative of Cathay Life Insurance)	7,000,000	100%
	President	Jo-Lan Huang		-	-
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	-		-	-
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	-		-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Number of shares
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	-	-	-
Conning Holdings Limited	Chairman	Woody 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.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Limited)	218	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	218	100%
	President	-	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative		Number of shares held	
				Number of shares	Ratio of shareholding
Conning Asset Management Ltd.	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%
	President	-		-	-
Conning (Germany) GmbH	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	-		-	-
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	-		-	-
Conning Asia Pacific Limited	Chairman	Linwood (Woody) E. Bradford	(Representative of Conning Holdings Limited)	272,950,417	100%
	Director	Jung W. Lee	(Representative of Conning Holdings Limited)	272,950,417	100%
	Director	Bo Rolf Anders Kratz	(Representative of Conning Holdings Limited)	272,950,417	100%
	Director	Siew Mee Yeo	(Representative of Conning Holdings Limited)	272,950,417	100%
	President	-		-	-
Conning Holdings Corp.	Chairman	Linwood (Woody) E. Bradford	(Representative of Conning U.S. Holdings, Inc.)	1,000	100%
	Director	Jung W. Lee	(Representative of Conning U.S. Holdings, Inc.)	1,000	100%
	President	-		-	-
Conning & Company	Chairman	Linwood (Woody) E. Bradford	(Representative of Conning Holdings Corp.)	1,000	100%
	Director	Jung W. Lee	(Representative of Conning Holdings Corp.)	1,000	100%
	Director	Michael E. Haylon	(Representative of Conning Holdings Corp.)	1,000	100%
	President	-		-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
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	-	-	-
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)	-	81.8946%
	Director	Jung W. Lee (Representative of Conning & Company)	-	81.8946%
	Director	Richard Sega (Representative of Conning & Company)	-	81.8946%
	Director	Andrew D. Gordon (Representative of Conning & Company)	-	81.8946%
	Director	Michael Nechamkin (Representative of Conning & Company)	-	81.8946%
	President	-	-	-
Octagon Multi-Strategy Corporate Credit 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%

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative		Number of shares held	
				Number of shares	Ratio of shareholding
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	Nguyen Thu Hang	(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-Pen 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%
Cathay United Bank (China) Co., Ltd.	President	Hsiu-Chu Chuang		-	-
	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	Chi-Yuan Chien	(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		-	-

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; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
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 Century Insurance)	-	100%
	President	Yu-Tang Lin	-	-
Cathay Futures Co., Ltd.	Chairman	Chun-Sheng Chen (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Ju-Ping Chiu (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Tao-Ping Wang (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 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	Shyi Chang (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Director	Yu-Hsi Yuch (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Director	Kou-Chung Huang (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Director	Hui-Chun Wu (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Supervisor	Yung-Hui Chang (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	President	Shyi Chang	-	-

Operating profile of affiliated companies

Unit: NT\$ thousand

Company name	Location	Capital	Total Assets	Total liabilities	Net worth	Operating income	Operating profit/net revenues	Current pre-tax profit	Income tax (expense) benefit	Current net income	Earnings Per Share (NTD)
Cathay Financial Holding Co., Ltd.	Taiwan	\$147,025,102	\$854,456,609	\$82,709,244	\$771,747,365	Note 1	\$64,059,203	\$62,691,003	\$66,283	\$62,757,286	4.76
Cathay Life Insurance Co., Ltd.	Taiwan	58,515,274	7,034,859,538	6,446,240,755	588,618,783	906,585,211	37,940,044	39,603,080	(1,757,127)	37,845,953	6.60
Cathay United Bank Co., Ltd.	Taiwan	101,658,353	2,882,896,886	2,655,411,282	227,485,604	Note 1	60,114,022	25,302,653	(3,480,000)	21,822,653	2.25
Cathay Century Insurance Co., Ltd.	Taiwan	3,057,052	42,538,880	29,882,423	12,656,457	20,465,597	2,490,515	2,494,996	(388,710)	2,106,286	6.89
Cathay Securities Corporation	Taiwan	6,000,000	26,776,450	18,159,800	8,616,650	3,511,143	777,726	805,085	(105,015)	700,070	1.17
Cathay Venture Inc.	Taiwan	4,565,146	5,672,194	60,739	5,611,455	339,664	292,605	292,508	15,509	308,017	0.77
Cathay Securities Investment Trust Co., Ltd.	Taiwan	1,500,000	3,486,816	788,962	2,697,854	2,672,983	881,360	879,562	(178,151)	701,411	4.68
Cathay Lujiazui Life Insurance Company Limited	China	13,497,155	44,774,497	34,060,254	10,714,243	13,940,061	576,983	620,488	(7,937)	612,551	-
Cathay Securities Investment Consulting Co., Ltd.	Taiwan	70,000	466,455	133,366	333,089	514,196	195,549	196,620	(39,324)	157,296	22.47
Lin Yuan (Shanghai) Real Estate Co., Ltd.	China	7,223,435	8,283,198	548,110	7,735,088	381,097	337,254	337,254	(62,934)	274,320	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	9,090,730	15,380,389	4,554,496	10,825,893	2,295,247	70,519	73,873	-	73,873	-
Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	16,654,013	14,052,756	105,432	13,947,324	891,925	891,192	891,192	(150,385)	740,807	-
Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	168,222	141,145	998	140,147	8,989	8,256	8,256	(1,480)	6,776	-
Cathay Walbrook Holding 1 Limited	Jersey Island	10,189,090	22,171,930	13,132,933	9,038,997	718,077	230,818	230,818	(69,424)	161,394	-
Cathay Walbrook Holding 2 Limited	Jersey Island	536,268	1,163,367	690,913	472,454	37,759	11,396	11,396	(3,503)	7,893	-
Conning Holdings Limited (Note 2)	UK	15,723,539	21,236,162	5,903,309	15,332,853	7,305,508	610,738	610,738	(172,464)	438,274	-
Conning U.S. Holdings, Inc.	USA	-	17,452,040	6,596,848	10,855,192	6,614,557	638,964	638,964	(77,053)	561,911	-
Conning Asset Management Ltd.	UK	191,303	382,447	169,821	212,626	277,200	24,206	24,206	(3,924)	20,282	-
Conning (Germany) GmbH	Germany	938	49,769	27,722	22,047	11,809	3,583	3,583	(1,118)	2,465	-
Conning Japan Limited	Japan	-	12	-	12	-	-	-	-	-	-

Company name	Location	Capital	Total Assets	Total liabilities	Net worth	Operating income	Operating profit/net revenues	Current pre-tax profit	Income tax (expense) benefit	Current net income	Earnings Per Share (NTD)
Conning Asia Pacific Limited	Hong Kong	577,686	395,074	157,140	237,934	447,122	43,200	43,200	-	43,200	-
Conning Holdings Corp.	USA	-	11,895,874	3,760,471	8,135,403	6,614,557	768,500	768,500	(145,937)	622,563	-
Conning & Company	USA	4,485	11,120,160	3,781,146	7,339,014	6,606,658	764,783	764,783	(137,703)	627,080	-
Conning, Inc.	USA	329	2,743,600	1,838,806	904,794	3,331,257	(66,841)	(66,841)	(4,947)	(71,788)	-
Goodwin Capital Advisers, Inc.	USA	172	85,167	11,808	73,359	63,744	27,112	27,112	(5,977)	21,135	-
Conning Investment Products, Inc.	USA	\$ -	\$ 27,815	\$ 1,875	\$ 25,940	\$ 17,752	\$ 2,231	\$ 2,231	\$ (662)	\$ 1,569	\$ -
Octagon Credit Investors, LLC	USA	-	3,152,956	1,166,050	1,986,906	3,193,905	1,051,498	1,051,498	(80,557)	970,941	-
Octagon Multi-Strategy Corporate Credit GP, LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP II LLC	USA	-	-	-	-	-	-	-	-	-	-
Indovina Bank Limited	Vietnam	6,094,911	70,976,818	62,157,667	8,819,151	Note 1	2,382,802	1,710,011	(382,490)	1,327,521	-
Cathay United Bank (Cambodia) Corporation Limited	Cambodia	3,020,769	11,680,182	8,494,294	3,185,888	Note 1	626,214	241,863	(61,811)	180,052	1.80
Cathay United Bank (China) Co., Ltd.	China	14,377,562	55,149,672	39,306,621	15,843,051	Note 1	1,070,018	280,068	(56,671)	223,397	-
Cathay Insurance (Vietnam) Co., Ltd.	Vietnam	845,585	1,085,038	469,609	615,429	260,339	13,223	14,094	(3)	14,091	-
Cathay Futures Co., Ltd.	Taiwan	667,000	9,679,028	8,244,101	1,434,927	284,517	(36,191)	65,807	(9,776)	56,031	0.84
Cathay Securities (Hong Kong) Limited	Hong Kong	1,108,244	2,675,903	2,035,971	639,932	101,419	(52,996)	(46,497)	-	(46,497)	-
Cathay Investment Co., Ltd.	Taiwan	35,000	35,988	1,030	34,958	-	-	(52)	10	(42)	(0.01)
Cathay Private Equity Co., Ltd.	Taiwan	50,000	41,225	3,669	37,556	3,086	(12,617)	(13,187)	2,520	(10,667)	(2.13)

Note 1: Only net revenues are disclosed because the latest version of Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and Regulations Governing the Preparation of Financial Reports by Public Banks no longer present operating revenues and operating gains.

Note 2: Conning Holdings Limited is presented as a consolidated entity.

Overview of business activities of affiliated enterprises

I. Businesses activities covered by affiliated companies

- (I) Cathay Financial Holding Co., Ltd.: Financial holding.
- (II) Cathay Life Insurance Co., Ltd.: Life insurance.
- (III) Cathay United Bank Co., Ltd.: Commercial banking.
- (IV) Cathay Century Insurance Co., Ltd.: Non-life insurance.
- (V) Cathay Securities Corporation: Securities.
- (VI) Cathay Venture Inc.: Venture capital investment.
- (VII) Cathay Securities Investment Trust Co., Ltd.: Securities investment trust.
- (VIII) Cathay Lujiazui Life Insurance Company Limited: Life insurance.
- (IX) Cathay Securities Investment Consulting Co., Ltd.: Securities investment consultation.
- (X) Lin Yuan Property (Shanghai) Co., Ltd.: Leasing of proprietary office property.
- (XI) Cathay Life Insurance (Vietnam) Co., Ltd.: Life insurance.
- (XII) Cathay Woolgate Exchange Holding 1 Limited: Real estate investment and management.
- (XIII) Cathay Woolgate Exchange Holding 2 Limited: Real estate investment and management.
- (XIV) Cathay Walbrook Holding 1 Limited: Real estate investment and management.
- (XV) Cathay Walbrook Holding 2 Limited: Real estate investment and management.
- (XVI) Conning Holdings Limited: Holdings company.
- (XVII) Conning U.S. Holdings, Inc.: Holding company.
- (XVIII) Conning Asset Management Ltd: Asset management.
- (XIX) Conning (Germany) GmbH: Risk management software service.
- (XX) Conning Japan Limited: Asset management.
- (XXI) Conning Asia Pacific Limited: Asset management.
- (XXII) Conning Holdings Corp.: Holding company.
- (XXIII) Conning & Company: Holding company.
- (XXIV) Conning, Inc.: Asset management.
- (XXV) Goodwin Capital Advisers, Inc.: Asset management.
- (XXVI) Conning Investment Products, Inc.: Securities service.
- (XXVII) Octagon Credit Investors, LLC: Asset management.

- (XXVIII) Octagon Multi-Strategy Corporate Credit GP, LLC: Fund management.
- (XXIX) Octagon Funds GP LLC: Fund management.
- (XXX) Octagon Funds GP II LLC: Fund management.
- (XXXI) Indovina Bank Limited: Banking.
- (XXXII) Cathay United Bank (Cambodia) Corporation Limited: Banking.
- (XXXIII) Cathay United Bank (China) Co., Ltd.: Banking service.
- (XXXIV) Cathay Insurance (Vietnam) Co., Ltd.: Non-life insurance.
- (XXXV) Cathay Futures Co., Ltd.: Futures.
- (XXXVI) Cathay Securities (Hong Kong) Limited: Securities.
- (XXXVII) Cathay Investment Co., Ltd.: Venture capital investment.
- (XXXVIII) Cathay Private Equity Co., Ltd.: Private equity service.

II. Job specialization with affiliated enterprises:

(I) Coordinated business promotion

The Company has been coordinating its banking, insurance, securities and other financial service teams to create an integrated financial service platform with complete product lines that would maximize synergy and enhance the group's competitive as a whole. Nearly 30,000 sales staff spread across 631 offices in Taiwan are being coordinated to deliver the ultimate one-stop shopping experience of financial services and solutions for customers.

(II) Shared use of information

The Company has implemented a broad variety of measures including “Cathay Financial Holding Co., Ltd. Subsidiaries Joint Marketing Policy,” “Cathay Financial Holding Co., Ltd. Subsidiaries Joint Marketing Agreement,” “Cathay Financial Holding Co., Ltd. Inter-subsidary Business and Customer Information Confidentiality Agreement,” “Cathay Financial Holding Co., Ltd. and Subsidiaries Confidentiality Joint Declaration,” “Cathay Financial Holding Co., Ltd. Marketing Planning Division's Monitoring of Subsidiary Marketing Activities” and “Cathay Financial Holding Co., Ltd. Data Warehousing Guidelines” based on the “Financial Holding Company Act,” “Personal Information Protection Act,” “Regulations Governing Joint Marketing

between Financial Holding Company and Subsidiaries,” “Self-regulatory Rules for Financial Holding Company and Subsidiaries” and instructions of the Financial Supervisory Commission to enable coordination with subsidiaries for the offering of diverse financial products and services to customers. Customers are able to opt out of the joint marketing arrangement, and it is Cathay group's goal to share customers' information only in a legal and secured manner.

(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 75 service centers.
3. Meanwhile, Cathay Securities has set up joint marketing offices at 32 branches of Cathay Life, and by sharing business premise 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.

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