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**Stock code: 5835**



**Cathay United Bank**

# **2021 Annual Report**

**Dated: April 26, 2022**

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# One. Letter to Shareholders

## I. Foreword

In 2021, the COVID-19 epidemic still severely impacted the world's normal operations. Domestically, the soaring epidemic condition caused the epidemic prevention alert to be raised to Level 3. As a result, everyday life was affected adversely and banks' operations suffered critical challenges. For example, the interest rate remained at a historically low record, thereby producing pressure on the management. The epidemic accelerated the customers' shift toward online behavior. The business locations needed to balance the epidemic prevention and customer service at the same time. The work model needed to be more resilient to respond to the situation. Notwithstanding, in order to deal with such a difficult environment, with the high flexibility and resilience in the business management, the Bank still delivered record-high consolidated after-tax earnings of US\$860 million.

The Bank's constant efforts to improve the business and risk management contribute to such performance. For the digital services, the Bank also continues to invest resources to optimize various digital and automated tools. As a result, customers could access the financial services they desired without leaving home but via the online banking webpage and APP last year when the worst epidemic was raging. In order to develop the business opportunities in new markets, in 2021, the Bank started private banking services officially in Singapore, and also connected the business locations in Taiwan and Hong Kong to provide customers with more diversified and comprehensive asset allocation services. These efforts spent by the Bank have been well recognized by customers and thereby created the highest profit for the Bank. The Bank also won various special honors from professional institutions, including "the Banker" for Taiwan's top 10 banks-Overall performance No. 1, "Euromoney" for the Best Bank in Taiwan, "The Asset" for the Best Digital Bank in Taiwan, "Asian Private Banker" for the Award of the Best Private Bank in Taiwan for two consecutive years and "Best Wealth Management" for the Best Wealth Management Award for six consecutive years, and also received the most awards in 15th Wealth Management Bank and Securities Assessment of the "Business Today Magazine."

As a member of the economic society, the banking industry shall be obligated to be a role model in dealing with the global ESG issues including environmental and climate changes, in order to lead the society to take action and make changes. Therefore, the Bank, together with the Group, commits to being adapted to the global 100% renewal energy initiative, "RE 100," to make all of its business locations use the renewal energy comprehensively in 2030. Meanwhile, the Bank is also dedicated to practicing the low-carbon operation in its routine business. For example, the Bank promoted the e-application for "personal unsecured loans", and also achieved the target of carbon reduction by 3% earlier within one year, as the first bank to receive double certification of Carbon Footprint Label and Carbon Footprint

Reduction Label from the government in Taiwan. In the meantime, the Bank also continues to support the ESG financing projects applicable to solar power, offshore wind power and renewal energy, as it uses the best effort to play the role of distributing economic and social resources satisfactorily. The Bank's outperformance in the industry has been well recognized by government agencies and made it win the 3rd National Enterprise Environmental Protection Award - Silver. The Bank also responds to the government policies proactively when the epidemic keeps raging domestically, and provides enterprises and laborers with related relief loans, out of the intent to go through the difficult times together with the customers affected by the epidemic. All of these practices are implemented to lead sustainable social development and also contribute to mutual benefits.

Looking forward to the future, even if the market generally forecasts that the main global economies will move toward lift rates and then banks are expected to be relieved from the business pressure on profitability for a while, the epidemic and changeable competitive environment still remain challenging. In any event, Cathay United Bank will continue adhering to its core values, "Integrity, Accountability, and Creativity," and winning the trust of the related parties including customers, the society and competent authority, thereby achieving the corporate sustainability while fulfilling its vision as the "top performer in the Asia Pacific."

## **II. Business Report for the year 2021**

Changes in the local and foreign financial environment and outcomes of business plan and strategy for 2021 are explained below:

The ongoing epidemic brings additional uncertainty to the outlook of the global economy. The low-interest environment is persisting, and the types of products offered among peers are so highly homogeneous that it is challenging to maintain margin. Besides, as the overseas consumption and tourism economics markets have not yet recovered, the consumption environment is expected to fluctuate depending on the epidemic condition in 2022, and has to deal with the impact posed by changes in the competitive environment in the financial market at the same time. Upon acquisition of the retail banking operations of CitiBank Taiwan, DBS Bank will become the largest foreign bank, followed by HSBC and Standard Chartered Bank in Taiwan. The subsequent impact posed to the consumer banking market is worthy of close attention.

In consideration of the lowest tax system in the world, Taiwan's government has announced the implementation of policies on repatriation of overseas funds to Taiwan, and provided production resources and tax incentives to solicit Taiwanese businessmen to repatriate their personal or corporate overseas funds back to Taiwan and transfer of their overseas supply chain. The repatriated fund will be applied to satisfy the actual industrial needs. In the meantime, for the asset allocation and tax planning needs

derived from the repatriated fund, the Group has integrated the abundant resources owned by its subsidiaries engaged in banking, investment trust, venture capital and insurance, in order to plan the funding program that may meet customers' needs jointly.

The Bank has been actively enhancing the quality and diversity of services delivered over digital channels as a response to the growing popularity of mobile banking and increasing competition for digital customers. In addition to improving customer experience, the Bank also applies big data technology to analyze the customers' needs and preferences timely. In response to the epidemic development, the Bank develops the remote application for enrollment into insurance programs, in order to provide customers with convenient and safe service without needing to contact face to face. Therefore, customers may keep accessing the wealth management specialist's professional consulting services without needing to show up at the bank in person, whereby the impact posed by the epidemic may be mitigated.

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

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

(I) Consumer banking service

The Bank continues to improve fundamental services to customers by adopting a needs-driven approach. With a comprehensive network of physical and digital channels available at disposal, the Bank is able to introduce integrated financial services and the ultimate one-stop shopping experience for customers of various profiles. The epidemic condition was becoming stable domestically in the 2H of 2021. A low-interest environment combined with the return of Taiwanese enterprises drove the booming real property business, in terms of quantity and price, and also increased demand for consumer banking solutions. The Bank will also continue to improve the service procedures and experience for online investors. Consumer banking credit balance as of the end of December 2021 exhibited strong growth over 2020.

1. Deposit balance amounted to NT\$2,870.7 billion at the end of 2021, up 11% compared to 2020; 75.21% of the NTD deposit balance were demand deposits.
2. At the end of December 2021, outstanding balance across mortgage products (including: home equity loan) totaled NT\$858 billion, up NT\$73.8 billion or 9% from the end of 2020. Balance of personal loan products amounted to NT\$117.5 billion, up NT\$16.9 billion or 17%

from the end of 2020.

(II) Wholesale banking service

Growth of the Bank's wholesale banking remains strong, and the Bank continues its strategy of industry segment management while having the exclusive wholesale banking service team offer the integrated one-stop financial service to satisfy the needs of different customers. Meanwhile, support of group resources helps improve the efficiency of business expansion efforts and maintain proper risk-return balance. As of the end of December 2021, the wholesale banking loan balance across domestic channels amounted to NT\$531.9 billion.

(III) Wealth management service

The Bank delivers wealth management services with a “customer-centric” philosophy and takes the initiative to learn customers’ needs. Given the volume of misinformation circulating in the financial market, the Bank combines its market analysis and investment strategies to provide professional wealth management consulting services and asset allocation programs, and also enhances the control over customers’ investment risk to promote the health of customers’ wealth management positions. Differentiated products are offered to the investment needs of high net worth customers, and a team of professionals is assembled to provide tax and wealth transfer plans. Additionally, the Bank also continues to develop the online wealth management business and improve the procedure for trading products over digital channels. Wealth management customers increased 11% in size and 14% in assets under management in 2021. Overall, the Bank was able to sustain growth of income from wealth management services.

(IV) Trust service

AUM of real estate trusts totaled NT\$73.6 billion, up 20% from 2020, whereas AUM of personal and corporate trusts amounted to NT\$59.7 billion. Total assets under custody amounted to NT\$1,026 billion.

(V) 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\$23.1 billion in 2021, up 9% compared to 2020.

(VI) Credit card service

1. The Bank had 7.6 million outstanding cards at the end of December 2021, while the number of active cards reached 5.43 million and the total credit card spending amounted to NT\$507.3 billion during the year, increasing by 3% year-on-year due to the increasingly stable COVID-19 epidemic.
2. The Bank issued the brand new credit card, CUBE card in August, which developed the innovative combination of product privilege and discretionary selection of the online banking APP conversion program. In other words, only one single card could satisfy multiple needs. Meanwhile, it is tied with the reward point loyalty plan to lay the foundation for Cathay reward point ecology platform, so as to practice the streamlining and diversification of financial products, improve consumers' experience, satisfy the needs for living consumption and upgrade customers' activeness.
3. As the COVID-19 epidemic is still raging in the world, the Bank uses the best effort to promote the digitalization of business procedures and also drive the marketing based on data in order to control changes in customers' needs more precisely, better understand customers' preference on channels, contact points and needs, construct the optimal loyal customer cultivation plan, verify customers' decision-making models and create the best experience for customers. Meanwhile, the Bank cooperates with merchants to integrate both parties' data to create mutual benefits for each other. It also deepens the transactions with the Group to introduce more customer bases to maximize the value of customer management and turn the crisis posed by the epidemic into opportunities to help increase the operating revenue again.
4. In order to deal with the reform resulting from the contactless digital transformation accelerated in the post-epidemic era, the Bank has already established the digital financial ecological system dedicated to providing merchants with precise big data analysis on consumers' preferences, soliciting for horizontal alliance and differentiated marketing cooperation. The Bank also focuses on the membership management for analysis, observes the business opportunities for cooperation with merchants, and thinks out of the box to improve the diversified cooperation with merchants, in order to solicit the customer base which the Bank had no way to reach and to expand the business penetration rate.

(VII) Payment service

1. Transaction acquisition service: Certain important channels joined the Bank in 2021, including New Focus Richahaus Limited, Lavender

Cottage, and KW2 (renewed). Meanwhile, in 1H of 2021, the Bank started to increase the transaction acquisition service fees for foreign credit cards to increase the revenue from service fees. The Bank also completed the acquisition of automation infrastructure. As of December 2021, the Bank had contracted with 88,929 merchants.

2. New payment service: The Bank works with the large-size chain stores, such as Costco, Pxmart, 7-11 and FamilyMart, to provide the channel membership and mobile payment services, thereby causing the card binding and transactions to keep growing. In 2021, the Bank also implemented the digital credit card application service into the APPs of 7-11 and FamilyMart, so that the channel members may apply for the Bank's credit cards directly via the APPs they use regularly. Besides, after the rapid underwriting, they may add the virtual credit card to their wallets on the channel, so as to realize the interdisciplinary financial ecosystem physically.
3. Automated channels service: In addition to maintaining an exclusive presence at Taipei Metro Stations, the Bank uses the best effort to expand its service reach to the fine-quality channels, such as Hi-Life, Pxmart and FamilyMart, and also engages in partnerships to create new services to provide customers with more rapid financial services. Despite the impact posed by the epidemic, there were still more than 15 million transactions completed using ATMs in 2021. The Bank had 5,000 ATMs deployed nationwide, representing a 15% market share and ranking 2nd in the industry.

#### (VIII) Digital banking service

1. Website: In order to build the Cathay brand identity, the website, as a digital gateway to solicit customers, provides streamlined, mobile and cross-channel contents to upgrade the sales and guides, and highly integrates the official website and online banking webpage to make the access uninterrupted.
2. Online banking App: Through the integration of online and offline services and by leveraging the advantages of digital channels, the users have attained 4 million persons and there were even more than 1 million logins in one single day. Given the great leap in the investment services, the Bank sorted the information and revised the interface with respect to Overview, Subscription for Funds and Search functions. Meanwhile, the Bank worked with Cathay Securities to launch the online securities account opening service and order placing services for systematic investment in TAIEX and US stocks, in order to provide users with a more comprehensive experience in investment; add the sub-account opening and target savings setting functions to satisfy the needs for personal funding planners; expand video service application scenario, add designated fund transfer services, personal information modification and account opening verification services; launch the CUBE card to advance card

holders' experience, and also provide the one-stop services covering online application, card activation and conversion programs.

3. KOKO APP: Having observed young customers' lifestyles, habits, and financial product needs, the Bank enhanced the functions of account and credit card services and launched the online activation services for payment in installments, credit card information search and mobile cash withdrawal, in order to provide the users with more perfect digital experience; integrated the user name and password of online banking APP and KOKO App, so that KOKO users could log into the two platforms with the same user name and password at the same time and access more services and functions across the platforms, only after completing the simple setting steps. Meanwhile, optimizations were made to existing functions to ensure a smoother digital experience.

#### (IX) Overseas operations

The Bank places significant emphasis on Greater China Region and Southeast Asia markets, and invests actively to capitalize on growth and opportunities within Asia Pacific. In the Greater China market, the Bank's mainland subsidiary continued to enforce a localized business strategy and support top-performing Taiwanese enterprises. Through customized offerings, professional services, and cross-selling efforts, the Bank actively promotes RMB-denominated financial products as a means to strengthen attachment with its target customers. Meanwhile, the Hong Kong Branch remains focused on growing wholesale banking, treasury and private banking services through cross-border collaboration. In Southeast Asia, the Bank currently has branch establishments in 9 countries including Vietnam, Cambodia, Singapore, Malaysia, the Philippines, Laos, Thailand, Myanmar, and Indonesia, making it the most widely established Taiwanese bank in Southeast Asia. The Yangon Office in Myanmar received approval to convert into Yangon Branch in 2020, and opened for business on January 8, 2021. Until the end of 2021, the Bank has owned 67 business locations in the Greater China and ASEAN regions, including 2 wholly owned subsidiary banks, 1 joint venture bank, 7 branches, and 4 representative offices overseas. By creating a cross-border financial platform and banking network that spans Taiwan, the Greater China Region, and ASEAN, the Bank is able to integrate group resources toward serving local customers and providing them with a more diverse, better quality, and more comprehensive range of financial services. The COVID-19 epidemic was still raging increasingly in various countries in 2021. Notwithstanding, the Bank activated its response plan rapidly to verify employees' health conditions in a timely manner and keep the overseas operations uninterrupted. During the work from home (WFH) period, the Bank continued to launch new financial products that helped upgrade the Bank's local brand power and professional identity.

(X) Treasury service

Given the factors disrupting the economy in the financial market, such as soaring variant virus, inflation and QE reduction, the volatility in the market price of the financial instruments including foreign exchange rate, interest rate and commodities, has been expanded increasingly, thereby affecting the corporate customers' trading. For wealth management services, as the stock market remains a bull market, investors increased the equity product allocation, thus increasing the spread income by 10% in 2021 from the previous year.

■ Changes in the Bank's organization

1. The Yangon Office was upgraded as Yangon Branch upon receipt of the approval for the establishment of a branch from the central bank of Myanmar.
2. In order to promote the development of cloud applications, the Company added the Cloud Architecture Development Dept..
3. In response to Basel III, the Bank expressly defined the Bank's trading platform structure and added Financial Investment Dept..
4. In order to maintain the professional concentration and localized business development of wholesale banking services, the Bank abolished the Government and Interbank Regional Center.
5. In order to deepen the development of digital products, optimize service experience, and strengthen the staff management effect, the Bank added the Digital Bank IT Dept., and renamed the Digital Banking Dept. into the Digital Banking Development Dept..

## ■ Budget execution

The Bank achieved 109.10% of its NT\$2,631.4 billion deposit target and 99.53% of its NT\$1,787.9 billion loan target (including revolving credit on credit cards; mainly attributed to an adjustment of loan structure) in 2021. In terms of credit cards, the Bank achieved 100.01% of its 7.6 million card target.

Unit: NT\$ billion

Business activities	2021 - actual	2021 - target	Achievement rate
Deposit	2,870.7	2,631.4	109.10%
Credit (including revolving credit on credit cards)	1,779.5	1,787.9	99.53%
Credit card	7.6 million cards	7.6 million cards	100.01%

## ■ Research and development

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

The Bank implemented intelligent customer service (ChatBot Fa) into the MMB system to make the service accessible generally and maintained easily. In consideration of the current system Web version and MMB version intelligent customer service, the Bank adjusted the applicability and universality, in order to achieve the consolidated effects of brain integration and maintenance system unification.

In response to the FinTech development trend in the digital age, the Bank optimized the external platforms and updated software/hardware internally, implemented and constructed the cloud architecture, planned the platform, mechanism and information security protection framework, and also executed the management training courses. Meanwhile, it also introduced the Group cloud banking application system. The Bank also completed the optimization of a market risk assessment system, established new hardware to improve the computing performance and support more asset types, set up the brand new UT, UAT and formal environment to improve performance, constructed computing models and provided the interface with a compute engine.

■ Revenue, expense, and profitability analysis

Unit: NT\$ millions, %

Item \ Year	2021	2020	Growth rate (%)
Net interest income	35,731	32,109	11.28%
Net income other than interest	25,479	26,560	-4.07%
Total net revenues	61,210	58,669	4.33%
Loan loss, commitment and guarantee liability provision expense	2,568	2,901	-11.48%
Operating expenses	31,926	30,747	3.83%
Net profit before tax	26,716	25,021	6.77%
Income tax expense	3,372	3,168	6.44%
Net profit after tax	23,344	21,853	6.82%
EPS (after tax)(NT\$)	2.18	2.04	-
Return on assets (after tax)	0.72%	0.73%	-
Return on shareholders' equity (after-tax)	9.55%	9.30%	-

### III. 2022 Business Plan

■ Operational strategies for 2022

(I) Consumer banking credit service:

The Bank will continue taking advantage of its broad customer base, focusing on customers with high revenue contributions, and strengthening customer relations by offering a full range of financial products and services. Meanwhile, the Bank will provide services to customers via tangible channels tied with the online services to improve the consolidated effects of customer management and cross-selling of products, and continue to optimize the end-to-end service process to provide customers with a more convenient digital experience and build the fine-quality service experience across all channels.

(II) Wholesale banking credit service:

The Bank will maintain the professional job-division system, stabilize its principal professional development, provide diversified financial services based on adequate asset quality, increase the involvement in the cooperation between wholesale banking services and branches, promote the cross-selling transactions, and attain the balanced risk and income through the detailed capital management. Meanwhile, the Bank plans to

utilize the data management tools to probe into the value of prospective customer profiles, and then engages in frequent transactions and extends the business opportunities. The Bank will also improve the business results and increase profit for the Bank through sorting of the procedures.

(III) Deposit and remittance service:

In order to deliver a more complete high-value deposit/remittance service experience, the Bank will continue to provide convenient and rapid digital services per customers' prospective needs. Meanwhile, the Bank plans to establish the preferential module framework for NTD and foreign currencies, and build the digital personal management model to improve customers' loyalty and contribution. The Bank will also optimize the account opening procedure and account functions to guide customers to open and draw down foreign currency-denominated accounts, in order to achieve the consolidated effects, create profit for the bank and perfect the service performance.

(IV) Wealth management service:

In consideration of the increased risk over volatility in the financial market, the Bank will focus on the stability of asset allocation, continue to control customers' investment risk, provide differentiated products, provide complete and detailed financial product consulting services via its professional team, and manage the sustainable relationship with customers. Also, the Bank combines the data model to explore customers' wealth management needs and expand the digital wealth management customer base and wealth management service scope.

(V) Trust service:

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

(VI) Foreign currency service:

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

(VII) Credit card service:

The Bank will utilize data to combine with digital platforms and strategic merchants' resources to develop the customer experience-based diversified options and personalized offers, practice simple but resilient digital financial services, increase customer value and drive the customer base management.

(VIII) Transaction acquisition service:

Transaction acquisition has reached the economy of scale in terms of the number of registered merchants. The Company will continue to expand the channels and also start the planning about cross-selling and co-marketing of the Group's financial instruments. Internally, the Bank engages in the digital transformation proactively, optimizes the acquisition automated application platform step by step, and constructs the existing merchants' service portal to cut the labor cost and improve merchants' digital service experience at the same time.

(IX) ATM service:

The Bank will work with channels to expand the fine-quality positions, continue to help its branches save manpower, maintain high-quality service power and improve customer experience, build the fine-quality digital service platform via diversified horizontal cooperation, increase the added value and expand the consolidated effect of business.

(X) Payment Hub service:

In response to the digital trend, the Bank will continue to negotiate with the digital platforms such as the channel APP for cooperation, in order to enable the financial service to extend from the simple payment to more life consumption scenes, thereby improving the Company's financial instrument visibility and service penetration rate.

(XI) Digital banking and online corporate services:

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



(XII) Overseas operations:

By creating a cross-border financial platform that spans the Greater China Region and ASEAN, the Bank provides fine-quality financial services including wealth management, consumer banking, digital banking, corporate banking, international banking, private banking and trust investment. In the Greater China Region, the Bank's branches in Mainland China will work with Hong Kong Branch closely to develop diversified cross-border services, and develop RMB-related new financial instruments. For example, the first large-denomination negotiable certificate of deposit and interbank negotiable certificate of deposit was issued successfully in 2021. The branches also re-invested in Chongqing Ant Consumer Finance Co. and launched into the rapidly growing consumer banking market in Mainland China. The Bank will continue to improve its business physique and achieve robust digital development locally. In Southeast Asia, despite the COVID-19 epidemic still raging increasingly in various countries in 2021, the Bank activated its response plan rapidly to verify employees' health conditions in a timely manner and keep the overseas operations uninterrupted. During the work from home (WFH) period, the Bank continued to launch new financial products. For example, the Bank added private banking services in Singapore in Q3 of 2021 to continue promoting diversified trade financing products to increase the involvement in customer services. The Cambodia subsidiary accelerated its transformation by developing digital channels to improve the Bank's local brand power and professional identity. The Bank also continued to develop the market in Vietnam, and received approval from the State Bank of Vietnam, allowing the Bank to relocate its Chu Lai Branch to HCMC in Q2 of 2021. The Branch is scheduled to start operating at the new address in HCMC in 2022. The Bank's overseas branches make every endeavor to promote the corporate sustainability and fulfillment of corporate social responsibility in response to the Head Office's policy. For example, Cambodia Branch has completed the ESG policies and enforcement thereof preliminarily, and implemented the ESG concept locally. Hong Kong Branch has completed four green financing projects in 2021. Manila Branch also entered into transactions with the only one local enterprise promising to achieve the target of carbon reduction in 2021, in line with the Bank's green sustainability spirit.

(XIII) Private banking:

The Bank will boost the connection with international new products and services, adhere to the "investment portfolio-based" principles, combine the Bank's professional teams with the ability to plan wealth trust and transfer and external strategic partners to benefit Cathay Group's advantages, and work out the customized solutions applicable irrespective of bull and bear index to meet the diversified needs from high-asset customers to perfect CaaS (Cathay as a Service) ecosystem. In Hong Kong, the Bank will continue to solicit high-asset customers by

offering alternative investment solutions, and also develop and increase the involvement in the management of local customers and those in the market of North East Asia. In Singapore, the Bank will aim at Chinese customers in steps as the first priority, and then develop the customer base in the market of South East Asia to satisfy the offshore asset allocation needs of high-asset customers. The Bank will integrate the platforms in Taiwan, Singapore and Hong Kong to provide customers with more comprehensive services.

(XIV) Treasury service:

The Company will continue to improve the product lines in width and depth, and provide comprehensive professional services to various customer bases. The Company will also optimize the online trading platform to make it operate more easily. The Bank will implement the OJT (On the Job Training) spirit and integrate it into the education & training and business development. The Bank will focus on the hedging transactions for foreign exchange, interest rates and commodities, and help business owners with wealth management, improve the corporate customers' attachment to the Bank's services, and build a strong customer base.

■ Expected business targets and basis of estimate

2022 business targets

Unit: NT\$ billion

Main business category	Target
Deposit	2,977.4
Credit (including revolving credit on credit cards)	1,976.1
Credit card (outstanding cards)	8.02 million cards

Basis of target

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

## ■ Key policies

In response to the changes in domestic/overseas markets and shifts in customer behavior, the Bank will strengthen the operational resilience proactively, and develop digital core competitiveness to enable customers to access financial services more conveniently. The Bank's branches will also provide high value-added services to satisfy customers' needs. Additionally, in response to the constantly innovative business models, the Bank practices various regulatory policies based on high standards, upholds the ethical management culture and fulfills the sustainable development targets.

## IV. Future strategies

### (I) Consumer banking service

1. In order to satisfy the needs for compliance, risk management and business development concurrently, the Bank will improve the capital allocation resilience and also strengthen the ability to identify and manage risks to respond to the increasingly stricter capital requirements.
2. Per customers' needs, the Bank will combine O2O digital marketing communication, and co-manage tangible and digital channels, develop digital financial services proactively and continue to improve the consolidated effects of customer service and cross-selling of products; meanwhile, it will optimize the service process breakpoints to build the fine-quality service experience across all channels and provide customers with a more convenient digital experience.
3. Apply data-mining techniques and analyze customers' information collected through different channels for better understanding of customers' requirements, so that the right products/services can be offered at the right time through the right channel.
4. Offer diverse range of integrated financial products to facilitate transfer of customer relations within group and maximize synergy in the use of group resources.
5. The Bank will utilize technology to build a brand new business model to bring new value to the financial services to customers. Through the data application and connection with scenes, the Bank will continue to launch the financial services better in line with customers' scenarios to enable customers to utilize digital tools and access various optimal preferential treatment and rebates for consumption on demand, per their own preference and in various scenes. Meanwhile, the Bank will keep working to provide a more customized financial experience.
6. Optimize physical and digital channels from a customer experience perspective, and strengthen relationship with customers through more user-friendly and convenient services; direct business efforts toward

high potential customers and high-margin products for increased revenue contribution, improved operational performance and higher customer value.

7. The branches will be transformed into the business locations engaged in providing high value-added services. In response to the shift in customer behavior, the Bank will continue to digitalize the transactions and centralize the operations in the business lobby of any branch, so that the branch staff may focus on the high value-added services and sales which cannot be replaced in an electronic form and thereby create the differentiated financial services.

(II) Corporate banking service

The Bank will deepen the professional concentration and local management business model, stabilize its principal professional development, utilize the data management tools to probe into the value of prospective customer profiles, and then serve customers via high-frequency and standardized products and services. The Bank, also through cooperation between sales roles, delivers the full range of financial services, and derives the opportunities of cross-selling between business owners, family members and employees, in order to improve the Bank's business results.

(III) Wealth management service

1. The Bank will focus on structuring new investment products and strategies by making optimal use of resources within and outside the organization. For high-net-worth customers, differentiated and customized products and services will be structured to satisfy customers' diverse needs.
2. The Bank will continue to build additional digital channels engaged in communication with customers, deliver the best end-to-end transaction experience for customers, verify customers' needs and preferences, and provide suitable financial wealth management and insurance products and services.
3. The impact posed by climate change and the epidemic in recent years has caused global investors to invest their capital in ESG issues more consciously. The Bank will continue to include ESG issues and products into its product promotional strategies, in line with the international framework and trend development.
4. In consideration of the market environment and increasingly stricter insurance regulatory requirements, insurance sales are expected to deal with certain challenges. The Bank will continue to adjust the product sale structure, strengthen the promotion of protection-oriented and investment-linked products, and combine the operation digitalization and data analysis technology to control various operating risks effectively and enable the business development and internal controls to complement each other.

#### (IV) Trust service

1. In response to aging demographics and increase in wealth transfer needs, a diversified and innovative trust platform offering complete asset planning solutions and investment instruments will be created to make good use of trust independence and customization resilience, help customers retire without worry, and stable wealth succession and transfer.
2. In response to the residential aging problem in Taiwan, the Bank will provide real estate trust services, help the government accelerate urban renewal efforts, promote the reconstruction of shoddy/old buildings and improve the construction safety to protect people's living safety and quality.
3. Engage top-performing investment trust companies to hold custody of public (private) funds, and promote custodian service for investment-linked insurance and discretionary investment accounts.

#### (V) Foreign currency service

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

#### (VI) Credit card service

1. The epidemic has driven many customers to experience digital financial safety and convenience for the first time this year, thereby enhancing the Bank's digital transformation and database. The Bank will continue to optimize the data module, expand the scope of application, and review the experience in accessing products and digital platforms from a customer's point of view, and also continue to improve the product design and strengthen its market competitiveness to ensure sustainability; accelerate the digital financial applications and development through the technologies, such as big data, AI, robot learning and zero contact, expand the business ecosystem, achieve the purpose of cross-industry and interdisciplinary alliance to develop business opportunities, and make good use of big data to seize the precision marketing business opportunities.
2. The Bank will integrate Cathay Group's resources to build a digital ecosystem based on the huge and diversified cardholder customer bases to satisfy various merchant partners' customer groups. The Bank will

have credit card products bridge merchants and customers, carrying the data about transactions between customers and merchants, in order to analyze customers' needs precisely as the incentives for merchants, and work with the merchants to co-build the tree point pond, focus the marketing resources on the management of prospective customers effectively to maximize the benefit of every single resource.

3. The Bank will uphold the customer-centric philosophy and utilize the big data analysis to promote the "360° customer marketing journey" to verify customers' consumption needs at any moment, provide customers with the optimal product portfolio, satisfy various customer groups' funding needs, create maximum benefits and consolidated effects of cross-selling throughout the Bank; develop innovative digital financial services proactively, use the scenario-based service, digitalized process, and AI-assisted customer sourcing to manage the segment customers more precisely; integrate the resources throughout the Group and engage in strategic alliance with partners from different industries to provide the comprehensive financial services needed by customers. The Bank will enlarge the divide with the epidemic but enhance the relationship with customers during the period when the epidemic is still raging.
4. The Bank will use the best effort to cultivate the loyalty of customers throughout the Bank and organize the activities, such as Million Cardholders Thanksgiving Festival, to reward loyal customers and also solicit new cardholders at the same time, and keep improving the valid activation of cards to maintain the Bank's leading position in the market.

#### (VII) Payment service

1. Transaction acquisition service: Transaction acquisition has reached the economy of scale in terms of the number of registered merchants. The Company will continue to expand the channels and also start the planning about cross-selling and co-marketing of the Group's financial instruments. Internally, the Bank engages in the digital transformation proactively, optimizes the acquisition automated application platform step by step, and constructs the existing merchants' service portal to cut the labor cost and improve merchants' digital service experience at the same time.
2. New payment service: In response to the digital trend, the Bank will continue to negotiate with the digital platforms such as the channel APP for cooperation, in order to keep the APP applications expand and also enable the APP to connect with more financial services provided by the Bank, thereby improving the Company's financial instrument visibility and service penetration rate.
3. Automated channels: The Bank will adhere to the "customer experience" principles, enhance cash flow services in ways that improve business performance, enhance diversified applications and build the

frontline optimal service platform in the tangible form.

(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 Bank will perfect the overseas development infrastructure and the Head Office's supporting model by continuing to optimize the infrastructure, such as overseas operating procedures, risk management, talent cultivation and digital tools, and also adopting differentiated strategies and the Head Office's supporting model subject to the management characteristics of overseas markets, in order to become a leading financial institution in the Asia Pacific.
3. The Bank will continue to deepen its layout and integrity of services in the Greater China Region and Southeast Asia market, enhance the internal control systems, such as legal compliance, AML, information security and risk management, and adopt "automated, high efficiency, and intelligent risk controls" to ensure the robust capital structure. For operations, the Bank will perfect various products and procedures proactively and strengthen the cross-border collaboration between various business locations to provide customers with more diversified financial products and fine-quality services. In the meantime, the Bank will focus more on the integration of the Group's resources and management strengths, adopt a multinational customer management system to take full advantage of the synergies between the Bank's overseas business locations for cross-border relationship management, contribute to the Bank's visibility and develop the new business opportunities in the global market; in countries where Taiwanese enterprises are dominant in numbers, the Bank has assembled local teams to consolidate and address needs exclusively for them through the on-stop service.

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

### **(I) External competition**

The persisting competition between China and the USA, tightened industrial regulatory measures implemented in China, port congestion and shortage of labor and containers are affecting the global supply chain. Besides, the factors such as the U.S.A acceleration of its QE tapering policy, uncertain monetary policies of multiple countries' central banks, and the political risks between Russia and Ukraine, are also affecting investment and trade. Further, given the COVID-19 epidemic is still raging, even if oral medicine comes out and vaccination is prevailing day by day, the emerging variant virus limits the economic recovery strength.

In order to deal with the impact posed by the epidemic on the economy, various countries' central banks have launched the QE policy. Notwithstanding, given the sluggish epidemic, successive lifting of the lockdown policy and prevailing vaccination rate, the matured markets have recovered and are still growing. Notwithstanding, the pressure from increasing inflation causes the main central banks to tighten their monetary policies, thus increasing the volatility in the market. The Bank will focus on the stability of customers' asset allocation. When helping customers seize the investment opportunities, the Bank will also help them mitigate the overall volatility in their investment portfolio so that they may establish diversified and volatility-resistant asset allocation to respond to the volatility in the financial market.

Notwithstanding, Taiwan's Central Bank maintains the same interest rate but strengthens the optional credit controls to control the risk over loans secured by real estate. In the domestic market, the domestic demand and private investment performance is outstanding, and export sales are benefited from economies' successive activation of economic activities. The economic outlook is optimistic for 2022.

Taiwan has abundant liquidity in its financial system, but local banks have been operating in an environment characterized by low margin, over-competition, and excessive competitors for extended periods of time. To prevent engaging in all-out price competition, the Bank continues to innovate with the help of digital tools and strives to provide business customers with financial services that address a wide range of needs. This effort is further supported with tightened control over credit position and limited capital, which enable the Bank to grow while maintaining sound asset quality and consistent revenues.

Digital banking service have changed conventional banking and marketing practices, and fueled the growth of virtual channels to the extent that physical branches are being forced to undergo transformation. Today, it is necessary for banks to invest into the creation of an online banking environment and to guide branches toward transformation, while at the same



time cater for customers' experience and transaction security. Technologies have already changed the ways of the financial industry, and uprise of virtual and cloud-based services is believed to disrupt the competitive landscape even further, making FinTech companies the primary competitor.

The rapid evolution of FinTech has driven the emerging business models. Inspired by the strategic thoughts, namely "digital transformation" and "smart service and process automation," the financial market also suffers structural changes. For example, online-only banks launched into the digital financial battle, and large-size financial institutions have built their ecosystems successively. Meanwhile, the emerging COVID-19 epidemic also accelerated the transformation into online and contactless financial services. Financial service providers need to improve the digital financial development speed and strength, and also deal with opportunities and challenges more resiliently and rapidly.

## **(II) The regulatory environment**

The Bank conducts security assessments on all computer systems used in domestic and overseas branches/divisions to enhance security and conform to regulatory requirements. An independent consultant has been engaged to evaluate information security throughout the Bank, and the outcome of the evaluation, along with the Statement of Internal Control, are presented to the Board of Directors. The Bank expects to include information security into its corporate culture thoroughly, and practice and improve the information security protection power.

The Bank has internal policies, internal control measures, regular/irregular training programs, compliance self-assessment practices and appointment of an independent third party to conduct a special audit on the AML/CFT mechanism in place to address key issues such as fair customer treatment, anti-money laundering & countering of terrorism financing (AML/CTF), corporate social responsibilities etc. for compliance with external regulations. Compliance awareness is being promoted to all employees within the Bank, and all issues relevant to the Bank's operations are covered by internal control and compliance systems.

In terms of financial supervision, financial institutions continue to face challenges from the introduction of new regulatory requirements, including AML/CTF. As the growth and strategies of the world's businesses are influenced by "green finance," financial service providers will have to shift their investment focus towards zero emission projects. Furthermore, environmental, social, and governance (ESG) risks will have to be taken into account as part of their credit assessment and supervision efforts, in order to urge financial institutions to drive the ESG targets. The Bank will continue to strengthen the risk governance and corporate governance and include various countries' regulatory requirements in line with the international trend, in order to ensure financial stability and consumers' interests and rights.

The impact posed by amendments to product design rules to the products is amplified. Insofar as the legal compliance and business risk are balanced, the Bank will use the best effort to grow its business stably to expand the income.

Tightened regulations on investment-linked policies (or policies with guaranteed payouts): The higher expense ratio and reduced policies with guaranteed payouts lower the product attractiveness.

Use of the 6th Mortality Table: The 6th Mortality Table can better demonstrate the current nationals' life expectancy. Though the survival benefit insurance premium (such as medical insurance) would be increased accordingly, the policy conditions would be more favorable to customers of high-protection multiple life insurance products, thus helpful for the Bank to promote its insurance operations.

### **(III) The overall business environment**

In 2021, the global economy and industry were still suffering from the impact posed by the COVID-19 epidemic. Given the vaccine coming out in 1H of 2021, various countries have successively lifted their control policies, thus driving the global market demand. As far as financial institutions are concerned, their domestic and overseas business have to deal with a huge challenge. The effects it had on the supply chain and demands have increased credit default risk for banks. Although the government of Taiwan responded with relief measures and interest rate cuts in line with Europe and USA, the ongoing spread of COVID-19 still presents financial institutions with additional liquidity risk and credit risk, and undermines the confidence of local investors and consumers, as well as the growth of Taiwan's economy.

Due to the impact posed by the COVID-19, customers tend to avoid physical contact and, therefore, the tangible orders are decreasing. The Bank continues to strengthen its digital channels for wealth management and uses the best effort to develop the remote application for enrollment into insurance programs, in order to provide customers with convenient and safe service without needing to contact face to face. Therefore, customers may keep accessing the wealth management specialist's professional consulting services without needing to show up at the bank in person, whereby the impact posed by the epidemic may be mitigated.

Despite the global continuing economic recovery, the economic outlook still needs to deal with the downside risks including raging variant virus, hindrance by the supply chain bottleneck and increasing commodity price index. 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 Cathay 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	2021.10
Standard & Poor's	A-	A-2	Positive	2021.10
Moody's	A1	Prime-1	Stable	2021.11

## **Two. Bank profile**

### **I. Date of Establishment: January 4, 1975**

### **II. Bank history:**

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

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

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

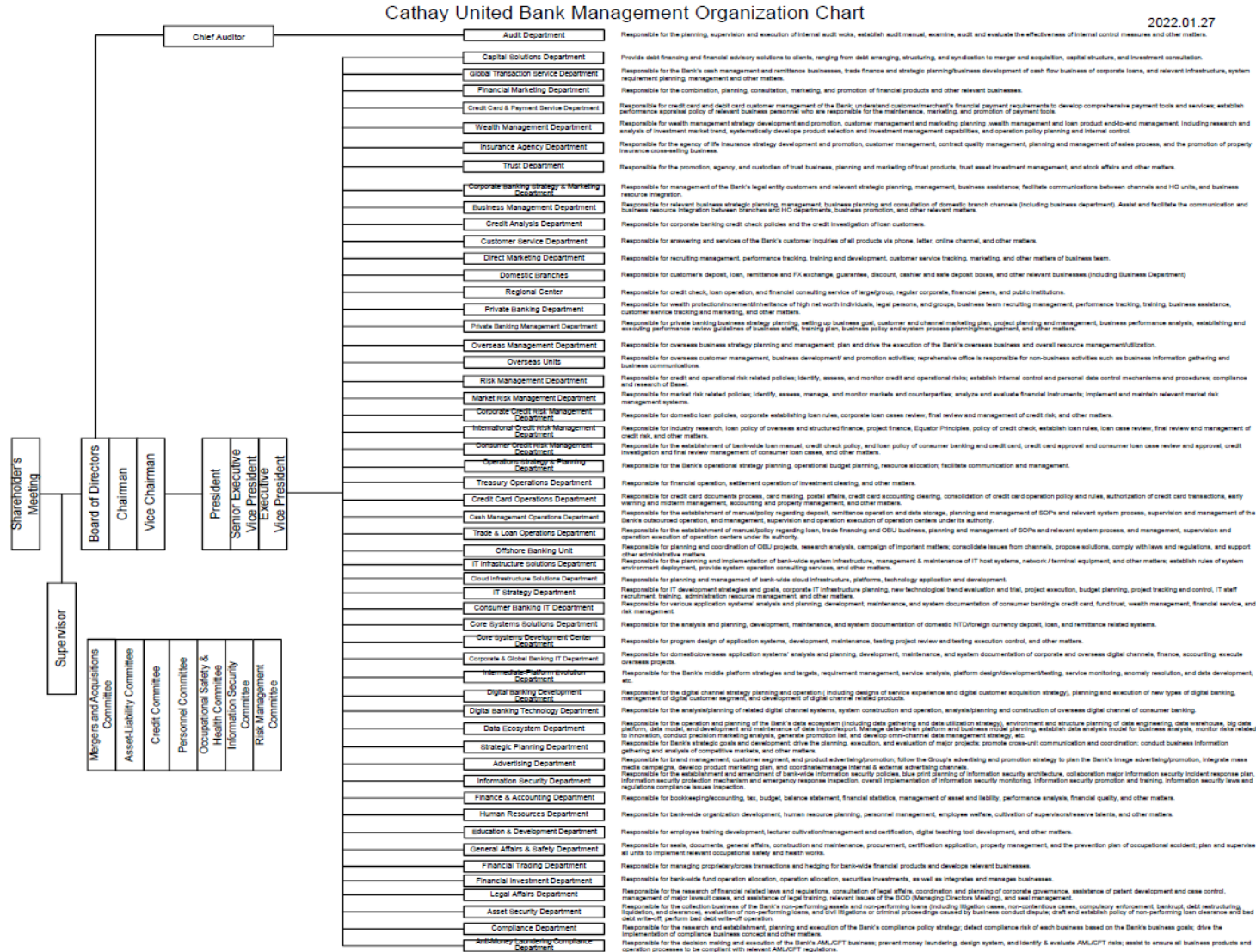
Ministry of Finance on June 26. The merger baseline date was set on October 27, 2003, from which time the surviving entity was renamed Cathay United Bank Co., Ltd.

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

# Three. Corporate Governance Report

## I. Organization

### Organization and responsibilities of main departments



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

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

#### Board Members and Supervisors Information (1)

March 31, 2022

Title	Nationality or Place of Registration	Name	Gender Age	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses and minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Chairman	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Andrew Ming-Jian Kuo	M 51-60	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)	Independent Director of Samson Holding Ltd. And Zhongshan Huali Enterprise Group Co., Ltd.; Director of Cathay Financial Holdings, Cathay Securities Investment Trust, Cathay Private Equity Co., Ltd., Long Chen Paper, Far East Horizon Limited and Cathay Medical Care Corporate	None		
Vice Chairman	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Tzung-Han Tsai	M 41-50	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
Managing Director (Independent Director)	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Tang-Chieh Wu	M 61-70	2019.06.26 (Note 1&2)	3 years	2019.06.26	(Note)	(Note)	-	-	-	-	-	-	Secretariat of Taiwan Financial Services Roundtable; Former Chairman of Hua Nan Financial Holdings; Chairman of Hua Nan Bank; Chairman of Land Bank of Taiwan; Political Deputy Minister of Finance; Vice Chairman of Financial Supervisory Commission and Director-General of Securities and Futures Bureau (Master of Finance, National	Independent Director of Cathay Financial Holdings, Cathay Life and Cathay Century Insurance; Secretariat of Taiwan Financial Services Roundtable; Consultant of Accounting Research and Development Foundation; Director of Foundation of Pacific Basin Financial Research and Development and Mr. Guo-Fu Chen Foundation; Chairman of Alumni of Finance, National Taipei University; Executive Supervisor of Alumni Association of National Taipei	None		

Title	Nationality or Place of Registration	Name	Gender Age	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses and minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
														Chengchi University)	University; Supervisor of Taiwan-Russia Association				
Managing Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Alan Lee	M 51-60	2019.06.26 (Note 1&2)	3 years	2010.05.13	(Note)	(Note)	-	-	-	-	-	-	President of Cathay United Bank (Master of Business, National Taiwan University)	President of Cathay United Bank; Director of Cathay United Bank (China), CDIB Partners Investment Holding Corp., Taiwan Real Estate Management, Taiwan Finance Corporation, National Credit Card Center of R.O.C. and Cathay Charity Foundation		None	
Managing Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Chung-Yi Teng	M 51-60	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 Cathay United Bank Foundation; Chairman of Cathay United Bank (Cambodia)		None	
Independent Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Feng-Chiang Miao	M 71-76	2019.06.26 (Note 1&2)	3 years	2016.06.20	(Note)	(Note)	-	-	-	-	-	-	Chairman of MiTAC Holdings Corporation; Former ITRI Laureate; President of UPC Technology Corporation, President of Linde Lienhwa Industrial Gases Co., Ltd.; Chairman of Synnex Corporation; Independent Director of Galileo International Shipping Co., Ltd.; Independent Director of British Oxygen Company, Independent Director of Linde Group; Representative of APEC Business Advisory Council (ABAC); Convener of Civil Advisory Committee of National Information and Communications Initiative Committee (NICI); (Honorary	Independent Director of Cathay Financial Holdings and Cathay Century Insurance; Chairman of MiTAC Holdings, MiTAC Inc., Synnex Technology International, Lien Hwa Industrial Holdings Corp., UPC Technology, Harbinger Venture Capital, MiTAC International, Harbinger Management Consultancy, Lien Cheng Venture Capital and Mei Feng Investment; Director of Getac Holdings Corporation, BOC Lien Hwa Industrial, Harbinger III Venture Capital, MiTAC Information Technology, MiTAC Computing Technology, United Industrial Gases, MiTAC Digital Technology, Lien Hwa Milling Corporation, CTCI Foundation, TD Synnex Corporation, GLORY ACE INTERNATIONAL INC. and Synnex Global Ltd.; Director of Chinese National Association		None	



Title	Nationality or Place of Registration	Name	Gender Age	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses and minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
														Doctorate of National Chiao Tung University, Master of Business Administration of Santa Clara University, U.S.A., Bachelor of Electrical Engineering, University of California, Berkeley, U.S.A.)	of Industry and Commerce				
Independent Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Edward Yung-Do Way	M 71-76	2019.06.26 (Note 1&2)	3 years	2017.06.16	(Note)	(Note)	-	-	-	-	-	Chairman, YCSY Co., Ltd.; Former CEO, Deloitte Taiwan (M.B.A., of University of Georgia, USA)	Independent Director of Cathay Financial Holdings, Cathay Securities, Far Eastern Department Stores and Taita Chemical Co., Ltd; Former Independent Non-executive Director of Da Chan Food (Asia) Limited; Chairman of YCSY Co., Ltd.; Director of Iron Force Industrial, Vanguard International Semiconductor and MITAC Holdings		None		
Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Tsung-Hsien Tsai	M 41-50	2019.06.26 (Note 1&2)	3 years	2013.07.12	(Note)	(Note)	-	-	-	-	-	Senior Executive Vice President of Cathay Financial Holdings (M.S. in Electronic Engineering, Harvard University, USA)	Senior 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 61-70	2019.06.26 (Note 1&2)	3 years	2013.07.12	(Note)	(Note)	-	-	-	-	-	Chairman and CEO (legal representative) of Moderntimes (Shanghai) Co., Ltd.; Former President, CMB Credit Card Center (B.A., Kean College of New Jersey, USA)	Legal Representative, Moderntimes (China) Co., Ltd.; Chairman and CEO (legal representative) of Moderntimes Co., Ltd.; Director of Cathay Financial Holdings, Essence Management Services Limited, Moderntimes Information Co., Ltd., etc.		None		
Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Han-Kuo Chen	M 51-60	2019.06.26 (Note 1&2)	3 years	2018.11.03	(Note)	(Note)	-	-	-	-	-	Bank of Taiwan - Deputy Manager of Department of Planning and Chief of Legal Affairs Center (Master of Law, Soochow University)	Bank of Taiwan - Deputy Manager of Department of Planning and Chief of Legal Affairs Center				

Title	Nationality or Place of Registration	Name	Gender Age	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses and minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Chang-Ken Lee	M 61-70	2019.06.26 (Note 1&2)	3 years	2002.12.18	(Note)	(Note)	-	-	-	-	-	-	President of Cathay Financial Holdings (M.B.A., University of Pennsylvania, USA)	President of Cathay Financial Holdings; Chairman of Financial Planning Association of Taiwan; Vice Chairman of Cathay Charity Foundation; Managing Director of CDIB & Partners Investment Holding Corporation; Director of Cathay Financial Holdings, Cathay Securities, Cathay Securities Investment Trust and Joint Credit Information Center; Managing Supervisor of Cathay Medical Care Corporate; Managing Director of The Bankers Association of The Republic of China; Director of The Bankers Association of Taipei, etc.	None		
Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Grace Chen	F 51-60	2019.06.26 (Note 1&2)	3 years	2003.10.24	(Note)	(Note)	-	-	-	-	-	-	Senior Executive Vice President of Cathay Financial Holdings (M.B.A. of National Chengchi University)	Senior Executive Vice President of Cathay Financial Holdings; Director of Cathay Venture and Cathay United Bank Foundation	None		
Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Sophia Cheng	F 51-60	2021.03.11 (Note 6)	3 years	2021.03.11	(Note)	(Note)	-	-	-	-	-	-	Senior Executive Vice President of Cathay Financial Holdings (M.S., Golden Gate University, USA)	Senior Executive Vice President of Cathay Financial Holdings; Director of Cathay Venture and Cathay Charity Foundation	None		
Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Jian-Hsing Wu	M 61-70	2019.06.26 (Note 1&2)	3 years	2016.06.20	(Note)	(Note)	-	-	-	-	-	-	Senior Executive Vice President of Cathay United Bank (Master of Computer Science and Information Engineering, Tamkang University)	Director of Cathay United Bank Foundation; Senior Executive Vice President of Cathay Financial Holdings and Cathay United Bank	None		
Director	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Wei-Hua Chou	M 51-60	2019.06.26 (Note 1&2)	3 years	2017.06.29	(Note)	(Note)	-	-	-	-	-	-	Chairman of Cathay United Bank (China) (Master of Finance, National Chengchi University)	Chairman of Cathay United Bank (China); Senior Executive Vice President of Cathay United Bank; Director of Taiwan Finance Corporation	None		

Title	Nationality or Place of Registration	Name	Gender Age	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shares held by spouses and minor children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Resident Supervisor	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Yiao-Chiun Lai	M 61-70	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)		None		
Supervisor	R.O.C.	(Representative for Cathay Financial Holding Co., Ltd.) Chin-Hua Chiu	M 61-70	2021.02.04 (Note 5)	3 years	2021.02.04	(Note)	(Note)	-	-	-	-	-	-	Chief Secretary of Chunghwa Post Co., Ltd. (Bachelor of Law, National Chengchi University)	Chief Secretary of Chunghwa Post Co., Ltd.	None		

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

Note: Directors' and supervisors' concurrent duties were accurate as of March 2022.

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

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

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

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

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

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

Chart 1: Major Shareholders of Institutional Shareholders

April 19, 2022

Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)
Cathay Financial Holding Co., Ltd.	Wan Pao Development Co., Ltd. (15.86%), Lin Yuan Investment Co., Ltd. (14.02%), New Labor Pension Fund Scheme (2.92%), Shin Kong Life Insurance Co., Ltd. (1.98%), Labor Insurance Fund (1.29%), TransGlobe Life Insurance Inc. (1.23%), Chang Gung Medical Foundation (1.07%), Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (1.02%), Wan Ta Investment Co., Ltd. (1.00%), Pai Hsing Investment Co., Ltd. (0.97%)

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).  
Fill in Chart 2 below, if the major shareholders are institutions/corporate.

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 19, 2022

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
TransGlobe Life Insurance Inc.	Chung Wei Yi Co., Ltd. 100%
Chang Gung Medical Foundation	Nan Ya Plastics Corporation (19.27%), Formosa Chemicals & Fibre Corporation (14.83%), Formosa Plastics Corporation (14.23%), Yung-Tsai Wang (12.04%), Yung-Ching Wang (7.87%) (donation percentage)

Institutional Shareholders (Note)	Major Shareholders of Institutional Shareholders
Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore	None
Wan Ta Investment Co., Ltd.	Cheng-Ta Tsai (97.60%), Lin Yuan Investment Co., Ltd (1.97%), Liang Ting Industrial Co., Ltd. (0.43%)
Pai Hsing Investment Co., Ltd.	Hong-Tu Tsai (31.47%), Tung Chi Trust Property Account (68.52%), Tzung-Han Tsai (0.01%)

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)

### I. Disclosure of directors' and supervisors' qualifications and independent directors' independence:

March 31, 2022

Criteria Name	Professional qualification and experience (Note 1)	Independence (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Andrew Ming-jian Kuo	<p>⊙ Has professional knowledge/expertise in financial service, commerce, finance, accounting, overseas market and M&amp;A; Former Executive Director and also CEO of JP Morgan Chase Bank, Taiwan and Hong Kong, and Vice Chairman of Blackstone Group (Hong Kong), and experience in financial holding, banking, insurance, securities, asset management and IT industries.</p> <p>⊙ Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<p>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</p> <p>2. His spouse does not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, and has not provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</p>	None
Tzung-Han Tsai	<p>⊙ Has professional knowledge/expertise in financial service, commerce, finance, accounting, laws, overseas market and M&amp;A; Former Director of Cathay Venture, Senior Executive Vice President of Cathay Financial Holdings, Vice President of Cathay Life and practicing attorney in the USA, and experience in financial holding, banking, insurance and asset management industries.</p> <p>⊙ Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<p>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</p> <p>2. His spouse does not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, and has not provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</p>	None

Criteria Name	Professional qualification and experience (Note 1)	Independence (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Tang-Chieh Wu	<p>◎ Has professional knowledge/expertise in financial service, commerce, finance, accounting, overseas market and M&amp;; qualified as a lecturer in a public or private tertiary institution; Former Chairman of Hua Nan Financial Holdings, Chairman of Hua Nan Bank, Chairman of Land Bank of Taiwan, Political Deputy Minister of Finance, Vice Chairman of Financial Supervisory Commission and Director-General of Securities and Futures Bureau, and experience in financial holding, banking, insurance, securities and asset management industries.</p> <p>◎ Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> <li>1. Compliance with the independence requirements under Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</li> <li>2. Except as the independent director of the Bank and also “Cathay Financial Holding, Cathay Life and Cathay Century Insurance,” he does not serve as a director, supervisor, or employee in the Bank or its affiliates.</li> <li>3. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</li> <li>4. Not a shareholder of any specific company or institution engaged in business and financial transactions with the Bank holding more than 5% of the shares of such company or institution.</li> <li>5. None of his spouse or relatives within the 2nd degree of kinship does not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank (please refer to the subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies), or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</li> </ol>	2

Name \ Criteria	Professional qualification and experience (Note 1)	Independence (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Alan Lee	<p>◎ Has professional knowledge/expertise in financial service, commerce, finance, accounting, information technology, overseas market and M&amp;A; Former Director of Cathay Venture, Senior Executive Vice President of Cathay Financial Holdings, President, China of Yageo, Vice CEO of JP Morgan Chase Bank, Taipei Branch and Vice CEO of Citibank Taiwan, Taipei Branch, and experience in financial holding, banking, asset management, information and technology industries.</p> <p>◎ Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<p>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</p> <p>2. None of his spouse or relatives within the 2nd degree of kinship do not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</p>	None
Chung-Yi Teng	<p>◎ Has professional knowledge/expertise in financial service, commerce, finance, accounting, laws, overseas market and M&amp;A; Former Senior Executive Vice President of Cathay Life, Director of Cathay Securities Investment Consulting, Director of Taiwan Star Telecom and Supervisor of Taipei Forex Inc., and experience in financial holding, banking, insurance and asset management industries.</p> <p>◎ Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<p>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</p> <p>2. None of his spouse or relatives within the 2nd degree of kinship do not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</p>	None



Name \ Criteria	Professional qualification and experience (Note 1)	Independence (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Feng-Chiang Miao	<p>◎ Has professional knowledge/expertise in financial service, commerce, finance, accounting, information technology, overseas market and M&amp;A; Former ITRI Laureate, President of UPC Technology Corporation, President of Linde Lienhwa Industrial Gases Co., Ltd., Chairman of Synnex Corporation, Independent Director of Galileo International Shipping Co., Ltd., Independent Director of British Oxygen Company, Independent Director of Linde Group, Representative of APEC Business Advisory Council (ABAC), and Convener of Civil Advisory Committee of National Information and Communications Initiative Committee (NICI), and experience in financial holding, banking, insurance, securities, information and technology industries.</p> <p>◎ Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> <li>1. Compliance with the independence requirements under Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</li> <li>2. Except as the independent director of the Bank and also “Cathay Financial Holding and Cathay Century Insurance,” he does not serve as a director, supervisor, or employee in the Bank or its affiliates.</li> <li>3. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</li> <li>4. Not a shareholder of any specific company or institution engaged in business and financial transactions with the Bank holding more than 5% of the shares of such company or institution.</li> <li>5. None of his spouse or relatives within the 2nd degree of kinship does not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank (please refer to the subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies), or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</li> </ol>	1

Name \ Criteria	Professional qualification and experience (Note 1)	Independence (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Edward Yung-Do Way	<ul style="list-style-type: none"> <li>⊙ Has professional knowledge/expertise in financial service, commerce, finance, accounting, overseas market and M&amp;A; qualified as a CPA; Former CEO of Deloitte Taiwan, and experience in financial holding, banking, information and technology industries.</li> <li>⊙ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul>	<ol style="list-style-type: none"> <li>1. Compliance with the independence requirements under Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</li> <li>2. Except as the independent director of the Bank and also “Cathay Financial Holding and Cathay Securities,” he does not serve as a director, supervisor, or employee in the Bank or its affiliates.</li> <li>3. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</li> <li>4. Not a shareholder of any specific company or institution engaged in business and financial transactions with the Bank holding more than 5% of the shares of such company or institution.</li> <li>5. None of his spouse or relatives within the 2nd degree of kinship does not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank (please refer to the subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies), or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</li> </ol>	3
Tsung-Hsien Tsai	<ul style="list-style-type: none"> <li>⊙ Has professional knowledge/expertise in financial service, commerce and information technology; Former Director of Cathay Real Estate Development, and experience in financial holding, banking, insurance, information and technology industries.</li> <li>⊙ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul>	<ol style="list-style-type: none"> <li>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</li> <li>2. His spouse does not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, and has not provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</li> </ol>	None

Name \ Criteria	Professional qualification and experience (Note 1)	Independence (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Chi-Wei Joong	<ul style="list-style-type: none"> <li>⊙ Has professional knowledge/expertise in financial service, commerce, finance, accounting, laws, overseas market and M&amp;A; Former President of CMB Credit Card Center, and experience in financial holding, banking and securities industries.</li> <li>⊙ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul>	<ol style="list-style-type: none"> <li>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</li> <li>2. None of his spouse or relatives within the 2nd degree of kinship do not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</li> </ol>	None
Han-Kuo Chen	<ul style="list-style-type: none"> <li>⊙ Has professional knowledge/expertise in financial service, commerce and law; qualified as a lecturer in a public or private tertiary institution, and attorney-at-law; Former Assistant Manager of Debt Management Dept. and Deputy Director of Compliance Division, Bank of Taiwan, and attorney-at-law of Dlaw, and experience in the banking industry.</li> <li>⊙ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul>	<ol style="list-style-type: none"> <li>1. Except as the director of the Bank, he does not serve as a director, supervisor, or employee in the Bank or its affiliates.</li> <li>2. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</li> <li>3. None of his spouse or relatives within the 2nd degree of kinship do not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</li> </ol>	None
Chang-Ken Lee	<ul style="list-style-type: none"> <li>⊙ Has professional knowledge/expertise in financial service, commerce, finance, accounting, laws, overseas market and M&amp;A; Former Vice President of Cathay Life, CRO and President of Cathay United Bank and Director of Cathay Life and Cathay Futures, and experience in financial holding, banking, insurance, securities and asset management industries.</li> <li>⊙ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul>	<ol style="list-style-type: none"> <li>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</li> <li>2. None of his spouse or relatives within the 2nd degree of kinship do not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</li> </ol>	None

Name \ Criteria	Professional qualification and experience (Note 1)	Independence (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Grace Chen	<p>⊙ Has professional knowledge/expertise in financial service, commerce, finance, accounting, overseas market and M&amp;A; Former CFO of Cathay United Bank, Director of Taiwan Finance Corporation, and Supervisor of Taipei Forex Inc., and experience in financial holding, banking and asset management industries.</p> <p>⊙ Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<p>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</p> <p>2. None of his spouse or relatives within the 2nd degree of kinship do not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</p>	None
Sophia Cheng	<p>⊙ Has professional knowledge/expertise in financial service, commerce, finance, accounting, overseas market and M&amp;A; Former Senior Executive Vice President of JihSun Financial Holding Co., Ltd., Independent Director of SinoPac Holdings/SinoPac Securities, Chairman and Head of Research Dept., Taiwan of Merrill Lynch Investment Consulting, and experience in financial holding, banking, securities and asset management industries.</p> <p>⊙ Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<p>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</p> <p>2. None of his spouse or relatives within the 2nd degree of kinship do not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</p>	None

Name \ Criteria	Professional qualification and experience (Note 1)	Independence (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Jian-Hsing Wu	<p>◎ Has professional knowledge/expertise in financial service, commerce, information technology, overseas market and M&amp;A; Former CFO &amp; CIO of Citibank Taiwan and Senior Vice CEO of Logistics Hub, Citibank Taiwan, and experience in financial holding, banking, securities and asset management industries.</p> <p>◎ Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<p>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</p> <p>2. None of his spouse or relatives within the 2nd degree of kinship do not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</p>	None
Wei-Hua Chou	<p>◎ Has professional knowledge/expertise in financial service, commerce, finance, accounting, overseas market and M&amp;A; Former President of China Guangfa Bank (Guandong Province, China), CoS of Citibank Group (China) and CFO of Citibank Group (China), and experience in banking and asset management industries.</p> <p>◎ Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<p>1. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</p> <p>2. None of his spouse or relatives within the 2nd degree of kinship do not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has a certain relationship with the Bank, or has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</p>	None

Name \ Criteria	Professional qualification and experience (Note 1)	Independence (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Yiao-Chium Lai	<ul style="list-style-type: none"> <li>◎ Has professional knowledge/expertise in financial service, commerce, finance and accounting; Former Chairman of Cathay Futures, President of Cathay Securities and Chief Auditor of Cathay United Bank, and experience in banking, insurance, securities and asset management industries.</li> <li>◎ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul>	<ol style="list-style-type: none"> <li>1. Except the Resident Supervisor of the Bank, he does not serve as a director, supervisor, or employee in the Bank or its affiliates.</li> <li>2. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</li> <li>3. Not a shareholder of any specific company or institution engaged in business and financial transactions with the Bank holding more than 5% of the shares of such company or institution.</li> <li>4. None of his spouse or relatives within 2nd degree of kinship does not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has certain relationship with the Bank; none of he or his spouse or relatives within 2nd degree of kinship has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</li> </ol>	None
Chin-Hua Chiu	<ul style="list-style-type: none"> <li>◎ Has professional knowledge/expertise in financial service, law, finance and accounting; Former Director of Dept. of Human Resource, Chunghwa Post Co., Ltd. and Manager of Taichung Post Office, and experience in banking and postal industries.</li> <li>◎ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul>	<ol style="list-style-type: none"> <li>1. Except as the Supervisor of the Bank, he does not serve as a director, supervisor, or employee in the Bank or its affiliates.</li> <li>2. The Bank is a subsidiary wholly owned by Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”). The Bank’s directors and supervisors are corporate representatives appointed by Cathay Financial Holdings. None of the Bank’s shares is held in the name of him or his spouse or relatives within 2nd degree of kinship.</li> <li>3. Not a shareholder of any specific company or institution engaged in business and financial transactions with the Bank holding more than 5% of the shares of such company or institution.</li> <li>4. None of his spouse or relatives within 2nd degree of kinship does not serve as a director, supervisor, or employee in the Bank or its affiliates, or any entity that has certain relationship with the Bank; none of he or his spouse or relatives within 2nd degree of kinship has provided commercial, legal, financial, accounting or other professional services to the Bank and its affiliates in the most recent two years.</li> </ol>	None

## II. Diversity and Independence of Board of Directors:

### (I) Diversity of Board of Directors:

- Diversity policy: In order to value the diversity of expertise and gender of the Bank's Board members, Article 28 of the Bank's "Corporate Governance Best Practice Principles" provides that the composition of the Board members shall take into account the aspects including the company's operational framework, business development orientation and future development trends, and diversified consideration shall be given to the aspects, e.g. basic composition (such as gender, age, nationality, race, etc.), professional experience (such as financial holding, banking, insurance, securities, industry, payment finance and information/technology, etc.), professional knowledge and skills (such as commerce, finance, accounting, law, marketing, digital technology, overseas market/M&A and risk management).
- Achievement of the policy:

(1) The current Board of Directors' diversity policy, and achievement thereof are stated as follows:

Core elements of diversity policy	Basic composition						Industrial experience					Professional knowledge/expertise								
	Directors Name	Nationality/Place of Registration	Gender	Age				Independent Director Term of office		Financial Holdings Bank	Insurance	Securities	Asset Management	Information Industry/technology industry	Commerce	Financial affairs/accounting	Law	Finance	Information technology	Overseas market/merger and acquisition
				Assuming the role of the Bank's manager concurrently	41 to 50	51 to 60	61 to 70	71 to 80	Less than 3 years											
	Andrew Ming-Jian Kuo		M		✓					✓	✓	✓	✓	✓	✓		✓		✓	
	Tzung-Han Tsai		M	✓						✓	✓	✓	✓	✓	✓	✓			✓	
	Tang-Chieh Wu		M			✓		✓		✓	✓	✓	✓	✓	✓				✓	
	Alan Lee		M	✓	✓					✓	✓		✓	✓	✓			✓	✓	
	Chung-Yi Teng		M	✓	✓					✓	✓	✓	✓	✓	✓				✓	
	Feng-Chiang Miao		M				✓	✓	(Note)	✓	✓	✓	✓	✓	✓			✓	✓	
	Edward Yung-Do Way		M				✓	✓	(Note)	✓	✓		✓	✓	✓					
	Tsung-Hsien Tsai		M	✓						✓	✓	✓	✓	✓				✓	✓	
	Chi-Wei Joong		M			✓				✓	✓		✓	✓					✓	
	Han-Kuo Chen		M		✓						✓			✓		✓				
	Chang-Ken Lee		M			✓				✓	✓	✓	✓	✓	✓				✓	
	Grace Chen		F		✓					✓	✓		✓	✓					✓	
	Sophia Cheng		F		✓					✓	✓		✓	✓					✓	
	Jian-Hsing Wu		M	✓		✓				✓	✓		✓	✓				✓	✓	
	Wei-Hua Chou		M	✓	✓					✓			✓	✓					✓	

Note: Independent Director Feng-Chiang Miao has held the term of office for 5.5 years and Independent Director Edward Yung-Do Way for 4.5 years up to the end of 2021.

(2) The Bank has 15 directors (including 12 directors and 3 independent directors) currently. All of them are experienced and professional in the fields covering commerce, finance, accounting, law, financial service, information technology, overseas market and M&A. The Bank values the diversity of industrial experience of the Board members. Among the current Board members, 15 directors are experienced in banking, 7 directors are experienced in insurance and 7 directors are experienced in securities.

(3) Proportions, age and gender:

① The directors assuming the role of manager concurrently account for 27%. Managing Director Alan Lee holds the position of the Bank's President and Managing Director Chung-Yi Teng, Director Jian-Hsing Wu and Director Wei-Hua Chou as the Bank's senior executive vice presidents concurrently.

② The independent directors account for 20%. 3 independent directors hold the term of office for 4.17 years on average (1 independent director holds the term of office for less than 3 years, 1 independent director for 4.5 years, and 1 independent director for 5.5 years).

③ The Board members' age is 59 years old on average. Among other things, 2 directors are 71~76 years old, 4 directors 61~70 years old, 7 directors 51~60 years old, and 2 directors 41~50 years old.

④ The Bank's Board of Directors also value gender equality. The current Board members include two female directors, i.e. 13%.

(4) The diversity policy on the Bank's Board members aims to achieve the specific management goals including the gender equality and diversified professional backgrounds of the composition of the Board members. The Bank has achieved a diversity policy that is superior to the criteria referred to in Article 28 of the Bank's "Corporate Governance Best Practice Principles." In the future, the Bank will amend the policy timely subject to the Board of Directors' operation, operational type and development needs, including but not limited to the three major criteria including basic composition, professional experience and professional knowledge/expertise, in order to ensure that all of the Board members shall have the knowledge, skills, and experience required by them to perform their duties.

(II) Independence of the Board of Directors: The Company has 15 directors (including 12 directors and 3 independent directors) currently, and the independent directors account for 20% of all directors. Among them, 2 directors are couples, or relatives within 2nd degree of kinship with each other. The whole directors/supervisors are free from the circumstances referred to in Paragraphs 3 & 4, Article 26-3 of the Securities and Exchange Act and, therefore, held to satisfy the independence requirements. For the information about directors or supervisors who are spouses with each other or any other managers, directors or supervisors who are relatives within the second degree of kinship with each other, please refer to Pages 27~31, Information about Directors and Supervisors (1).

(II) **Background information of the President, Executive Vice Presidents,**



**Senior Vice Presidents, and heads of departments and branch offices**  
**(Table 1-1)**

March 31, 2022

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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 Commerce, 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. and Cathay Charity Foundation	—	—	—	—
Chief Auditor	R.O.C.	Su-Chu Li	F	20050523	(Note)	—	—	—	—	—	MBA, University of Central Florida		—	—	—	—
Senior Executive Vice president	R.O.C.	Chung-Yi Teng	M	20140711	(Note)	—	—	—	—	—	MBA, Massachusetts Institute of Technology, USA	Senior Executive Vice President of Cathay Financial Holdings and Managing Director of Cathay United Bank; Director of Cathay United Bank (China), Cathay Venture and Cathay United Bank Foundation; Chairman of Cathay United Bank (Cambodia)	—	—	—	—
Senior Executive Vice president	R.O.C.	Jian-Hsing Wu	M	20160118	(Note)	—	—	—	—	—	M.S., Tamkang University	Director of Cathay United Bank Foundation; Senior Executive Vice President of Cathay Financial Holdings; Director of Cathay United Bank	—	—	—	—
Senior Executive Vice president	R.O.C.	Wei-Hua Chou	M	20170501	(Note)	—	—	—	—	—	Master of Finance, National Chengchi University	Chairman of Cathay United Bank (China); Senior Executive Vice President of Cathay United Bank; Director of Taiwan Finance Corporation	—	—	—	—
Senior Executive Vice president	R.O.C.	Yu-Chin Cheng	M	20160317	(Note)	—	—	—	—	—	Master of Civil Engineering, National Taiwan University		—	—	—	—
Senior Executive Vice president	R.O.C.	Hsiang-Hsin Tsai	F	20160323	(Note)	—	—	—	—	—	MBA, Thunderbird School of Global Management	Senior Executive Vice President of Cathay Financial Holdings; Supervisor of Cathay United Bank (China)	—	—	—	—
Senior Executive Vice president	R.O.C.	Xu-Jie Yao	M	20170310	(Note)	—	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA	Senior Executive Vice President of Cathay Financial Holdings; Director of TPIsoftware	—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Senior Executive Vice president	R.O.C.	Ching-Li Chang	M	20160618	(Note)	—	—	—	—	—	MBA, Massachusetts Institute of Technology, USA	Director of Cathay Securities Investment Consulting	—	—	—	—
Senior Executive Vice president	R.O.C.	Chih-Fong Wang	M	20161206	(Note)	—	—	—	—	—	MBA, National Tsing Hua University	Director of Cathay United Bank (Cambodia) Corporation Limited	—	—	—	—
Senior Executive Vice president	R.O.C.	Hsing-Hsien Hu	M	20220207	(Note)	—	—	—	—	—	MBA, University of Southern California		—	—	—	—
Executive Vice president	Hong Kong	Kai Yuen Kan	M	20160419	(Note)	—	—	—	—	—	MBA, York University (Canada)		—	—	—	—
Executive Vice president	R.O.C.	Chao-Kuei Kuo	M	20031027	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Tamkang University	Director of Cathay Futures Co., Ltd.	—	—	—	—
Executive Vice president	R.O.C.	Tsung-Meng Huang	M	20070401	(Note)	—	—	—	—	—	Bachelor of Economics, National Taiwan University		—	—	—	—
Executive Vice president	R.O.C.	Chuo-Min Chin	M	20060101	(Note)	—	—	—	—	—	Bachelor of Statistics, Feng Chia University		—	—	—	—
Executive Vice president	R.O.C.	Chang-Li Tsao	M	20050501	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—	—
Executive Vice president	R.O.C.	Hsing-Ming Lee	M	20090122	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—	—
Executive Vice president	R.O.C.	Yeun-Wei Hwang	M	20170701	(Note)	—	—	—	—	—	MBA, Information Management, National Chengchi University		—	—	—	—
Executive Vice president	R.O.C.	Chen-Tung Chang	M	20050613	(Note)	—	—	—	—	—	MBA, National Chiayi University		—	—	—	—
Executive Vice president	R.O.C.	Ching-Hsiang Chan	M	20130715	(Note)	—	—	—	—	—	Master of Investment Management, City, University of London	Supervisor of Taipei Forex Inc.	—	—	—	—
Executive Vice president	USA	Hua-Ben Miao	M	20160201	(Note)	—	—	—	—	—	MBA, Pennsylvania State University	Executive Vice president of Cathay Financial Holdings; Director of Cathay United Bank (Cambodia) Corporation Limited; Independent Director of CircuTech International Holdings Limited	—	—	—	—
Executive Vice president	R.O.C.	Chien-Hui Hung	F	20170220	(Note)	—	—	—	—	—	Master of Law, The London School of Economics and Political Science		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Executive Vice president	R.O.C.	Po-Shen Fuh	M	20180613	(Note)	—	—	—	—	—	Master of Finance, Victoria University of Wellington	Supervisor of Cathay Securities	—	—	—	—
Executive Vice president	R.O.C.	Michael Wen	M	20180701	(Note)	—	—	—	—	—	MBA, Drucker School of Management		—	—	—	—
Executive Vice president	R.O.C.	Fa-Hsiang Chang	M	20190101	(Note)	—	—	—	—	—	Master of Finance, New York University	Executive Vice President of Cathay Financial Holdings	—	—	—	—
Executive Vice president	R.O.C.	Yen-Wen Chen	M	20130826	(Note)	—	—	—	—	—	Bachelor of Food Science, Fu Jen Catholic University		—	—	—	—
Executive Vice president	R.O.C.	Kuan-Hsueh Chen	M	20180207	(Note)	—	—	—	—	—	MBA, University of California, LA	Executive Vice President of Cathay Financial Holdings	—	—	—	—
Executive Vice president	R.O.C.	Ting-Lun Li	M	20210419	(Note)	—	—	—	—	—	MBA, National Taiwan University	Director of Cathay Walbrook Holding 1 Limited and Cathay Woolgate Exchange Holding 1 Limited	—	—	—	—
Executive Vice president	R.O.C.	Chang-Ying Tu	M	20140606	(Note)	—	—	—	—	—	Bachelor of Applied Mathematics, Chinese Culture University		—	—	—	—
Executive Vice president	R.O.C.	Cheng-Lu Chen	M	20170101	(Note)	—	—	—	—	—	Master of Finance, 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.	Chen-Mao Kuo	M	20220101	(Note)	—	—	—	—	—	Bachelor of Finance, National Taiwan 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.	Chun-Liang Lin	M	20150501	(Note)	—	—	—	—	—	MBA, Soochow University		—	—	—	—
Senior Vice President	R.O.C.	Chi-Hua Su	M	20200613	(Note)	—	—	—	—	—	Master of Commerce, City University of New York Baruch College		—	—	—	—
Senior Vice President	R.O.C.	Yu-Cheng Yeh	M	20200312	(Note)	—	—	—	—	—	Master of Finance, Drexel University		—	—	—	—
Senior Vice President	R.O.C.	Chi-Ya Hua	F	20180316	(Note)	—	—	—	—	—	MBA, Massachusetts Institute of Technology, USA	Senior Vice President of Cathay Financial Holdings	—	—	—	—
Senior Vice President	R.O.C.	Yuan-Ti Yao	M	20210116	(Note)	—	—	—	—	—	Master of Commerce, The University of Sydney		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Chung-Wei Li	F	20220127	(Note)	—	—	—	—	—	Master of Biostatistics, University of Michigan, USA		—	—	—	—
Senior Vice President	R.O.C.	Hsin-Pei Lin	F	20150501	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Cheng University		—	—	—	—
Senior Vice President	R.O.C.	Lin-Shu Hu	M	20200915	(Note)	—	—	—	—	—	MBA, National Chiao Tung University		—	—	—	—
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.	Yu-Yun Hsu	F	20220127	(Note)	—	—	—	—	—	Department of Banking and Insurance, Takming University of Science and Technology		—	—	—	—
Senior Vice President	R.O.C.	Chun-Ping Chen	F	20180210	(Note)	—	—	—	—	—	Bachelor of Economics, Tamkang University		—	—	—	—
Senior Vice President	R.O.C.	Chien-Kuo Huang	M	20170202	(Note)	—	—	—	—	—	MBA, Information Management, National Chengchi University		—	—	—	—
Senior Vice President	R.O.C.	Chen-Kuei Chu	M	20210116	(Note)	—	—	—	—	—	Bachelor of Computer Science Department, Chinese Culture University		—	—	—	—
Senior Vice President	R.O.C.	Pen-Chieh Liu	M	20210116	(Note)	—	—	—	—	—	Master of Information Management, Tatung University		—	—	—	—
Senior Vice President	R.O.C.	Chih-Hsiung Ku	M	20180401	(Note)	—	—	—	—	—	USA Master of Electrical and Computer Engineering, Texas A&M University		—	—	—	—
Senior Vice President	R.O.C.	Chih-Yu Su	M	20220127	(Note)	—	—	—	—	—	Bachelor of Information Management, Tamkang University		—	—	—	—
Senior Vice President	R.O.C.	Li-Hsun Chen	F	20220127	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chengchi University		—	—	—	—
Senior Vice President	R.O.C.	Hsiang-Ni Wu	F	20200312	(Note)	—	—	—	—	—	MBA, National Taipei University of Technology		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Cheng-Lueh Cheng	M	20210820	(Note)	—	—	—	—	—	Bachelor of Mechanical Engineering, National Taipei University of Technology		—	—	—	—
Senior Vice President	R.O.C.	Wei-Te Li	M	20210419	(Note)	—	—	—	—	—	Master of Finance, Fu Jen Catholic University		—	—	—	—
Senior Vice President	R.O.C.	Kai-Chung Cheng	M	20220127	(Note)	—	—	—	—	—	MBA, National Chung Cheng University		—	—	—	—
Senior Vice President	R.O.C.	Yao-Te Wang	M	20180502	(Note)	—	—	—	—	—	Master of Computer Science, University of Southern California	Senior Vice President of Cathay Financial Holdings	—	—	—	—
Senior Vice President	R.O.C.	Chih-Tung Huang	M	20190131	(Note)	—	—	—	—	—	Bachelor of Accounting, National Chung Hsing University	Director of Yu Hua Venture Capital Investment Co., Ltd.	—	—	—	—
Senior Vice President	R.O.C.	Pei-Wen Wu	F	20201113	(Note)	—	—	—	—	—	M.S., National Yunlin University of Science and Technology		—	—	—	—
Senior Vice President	R.O.C.	I-Chuan Shih	F	20210316	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—	—
Senior Vice President	R.O.C.	Kung-Yun Lin	F	20220101	(Note)	—	—	—	—	—	Master of Finance, National Chengchi University		—	—	—	—
Senior Vice President	R.O.C.	Yueh-Chun Hou	F	20210311	(Note)	—	—	—	—	—	Master of Law, University of Pennsylvania		—	—	—	—
Senior Vice President	R.O.C.	Tzu-Jen Chao	M	20101101	(Note)	—	—	—	—	—	Bachelor of Accounting, Tamkang University		—	—	—	—
Senior Vice President	R.O.C.	Jung-Hsi Li	M	20171109	(Note)	—	—	—	—	—	Bachelor of Law, National Taiwan University		—	—	—	—
Senior Vice President	R.O.C.	Shu-Chun Chuang	F	20090122	(Note)	—	—	—	—	—	Master of Investment Analysis, University of Stirling		—	—	—	—
Overseas branch Senior Vice President	R.O.C.	Hai-Ching Chen	M	20141216	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—	—
Overseas branch Senior Vice President	Singapore	Wei-Hsiang Lin	M	20190530	(Note)	—	—	—	—	—	Bachelor of Financial Administration, University of Southern California		—	—	—	—
Overseas branch Senior Vice President	R.O.C.	Shih-Jen Cheng	M	20180817	(Note)	—	—	—	—	—	Master of Finance, National Central University		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Wei-Chieh Lu	M	20071015	(Note)	—	—	—	—	—	Master of Finance, Chaoyang University of Technology		—	—	—	—
Overseas branch Senior Vice President	R.O.C.	Tu-Heng Tsai	M	20190826	(Note)	—	—	—	—	—	Master of Financial Management, California State University		—	—	—	—
Overseas branch Senior Vice President	R.O.C.	Chung-En Pan	M	20140919	(Note)	—	—	—	—	—	Bachelor of Statistics, National Chengchi University		—	—	—	—
Overseas branch Senior Vice President	R.O.C.	Fang-Chih Huang	M	20190816	(Note)	—	—	—	—	—	Master of Marketing, University of Hertfordshire		—	—	—	—
Overseas branch Senior Vice President	Indonesia	Setio Soejanto	M	20161014	(Note)	—	—	—	—	—	Bachelor of Business Administration, University of San Francisco		—	—	—	—
Senior Vice President	R.O.C.	Yu-Li Chen	F	20180817	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Tamsui Institute of Business Administration		—	—	—	—
Senior Vice President	R.O.C.	Wen-Hung Li	M	20141001	(Note)	—	—	—	—	—	MBA, the University of Texas at Arlington		—	—	—	—
Senior Vice President	R.O.C.	Yu-Peng Wu	M	20160819	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—	—
Senior Vice President	R.O.C.	Lei Lei	F	20201113	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—	—
Senior Vice President	R.O.C.	Shang-Wen Wang	M	20210116	(Note)	—	—	—	—	—	Bachelor of Financial Management, National Chengchi University		—	—	—	—
Senior Vice President	R.O.C.	Chung-Che Li	M	20180427	(Note)	—	—	—	—	—	MBA, National Chiayi University		—	—	—	—
Senior Vice President	R.O.C.	Shu-Yu Tu	F	20040501	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—	—
Senior Vice President of Regional Center	R.O.C.	Li-Hua Feng	F	20180817	(Note)	—	—	—	—	—	Master of Finance, Fu Jen Catholic University		—	—	—	—
Senior Vice President of Regional Center	R.O.C.	Ming-Hsuan Liu	M	20220127	(Note)	—	—	—	—	—	MBA, University of Missouri, USA		—	—	—	—
Senior Vice President of Regional Center	R.O.C.	Shih-Hsing Lin	F	20210116	(Note)	—	—	—	—	—	Department of Finance, Open College Affiliated with National Taipei University of Business		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Regional Senior Vice President	R.O.C.	Li-Meng Lin	F	20080822	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—	—
Regional Senior Vice President	R.O.C.	Kuan-Ling Kuo	F	20050315	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—	—
Regional Senior Vice President	R.O.C.	Chun-Ming Liu	M	20070401	(Note)	—	—	—	—	—	MBA, National Chiao Tung University		—	—	—	—
Regional Senior Vice President	R.O.C.	Sheng-Yu Huang	M	20070101	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—	—
Regional Senior Vice President	R.O.C.	Yi-Chung Hsiao	M	20050606	(Note)	—	—	—	—	—	Ph.D. in Commerce, Chung Yuan Christian University		—	—	—	—
Regional Senior Vice President	R.O.C.	Chun-Lin Li	M	20110503	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—	—
Regional 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.	Chien-Liang Chen	M	20130617	(Note)	—	—	—	—	—	MBA, Royal Roads University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chiu-Ling Hung	F	20200201	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—	—
Branch Senior Vice President	R.O.C.	Min-Chung Cheng	M	20210820	(Note)	—	—	—	—	—	Master of Finance, National Cheng Kung University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hui-Ting Li	F	20200821	(Note)	—	—	—	—	—	Master of Non-Profit Organization Management, Fu Jen Catholic University		—	—	—	—
Branch Senior Vice President	R.O.C.	Su-Yen Chi	F	20130625	(Note)	—	—	—	—	—	Department of Business Administration (On- job Program), Open College Affiliated with National Taipei University of Business		—	—	—	—
Branch Senior Vice President	R.O.C.	Ming-Hui Shih	M	20200201	(Note)	—	—	—	—	—	Bachelor of Information Management, Chinese Culture University		—	—	—	—
Branch Senior Vice President	R.O.C.	Yi-Pou Chen	F	20200201	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Ping-Tsang Lin	M	20160128	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—	—
Branch Senior Vice President	R.O.C.	Ya-Fen Lin	F	20210116	(Note)	—	—	—	—	—	Department of Banking and Insurance, Ming Chuan University		—	—	—	—
Branch Senior Vice President	R.O.C.	Kuei-Ching Juan	F	20031027	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hui-Wen Lin	F	20220127	(Note)	—	—	—	—	—	Master of Finance, National Central University		—	—	—	—
Branch Senior Vice President	R.O.C.	Shu-Hui Tsai	F	20160401	(Note)	—	—	—	—	—	Bachelor of Land Administration, National Chung Hsing University		—	—	—	—
Branch Senior Vice President	R.O.C.	Ching-Hui Lin	F	20200201	(Note)	—	—	—	—	—	Bachelor of Insurance, Chaoyang University of Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	Chia-Ching Lin	M	20180210	(Note)	—	—	—	—	—	Bachelor of International Trade, Tamkang University		—	—	—	—
Branch Senior Vice President	R.O.C.	Yung-Chin Tsai	M	20050322	(Note)	—	—	—	—	—	Bachelor of Industrial Construction Management, National Taiwan University of Science and Technology		—	—	—	—
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.	Jung-Tsung Tsao	M	20100429	(Note)	—	—	—	—	—	Bachelor of Business Administration, Fu Jen Catholic University		—	—	—	—
Branch Senior Vice President	R.O.C.	Ya-Hui Chi	F	20080601	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—	—
Branch Senior Vice President	R.O.C.	Chiu-Chin Chen	F	20180210	(Note)	—	—	—	—	—	Bachelor of Business Administration, Tamkang University		—	—	—	—
Branch Senior Vice President	R.O.C.	Feng-Chu Lin	F	20070618	(Note)	—	—	—	—	—	MBA, Soochow University		—	—	—	—
Branch Senior Vice President	R.O.C.	Wei-Te Hsu	M	20081215	(Note)	—	—	—	—	—	Bachelor of Business Administration, Ming Chuan University		—	—	—	—



Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Ling-Yu Lin	F	20031027	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Shih Chien University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chien-Hui Yu	F	20150320	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	Yin-Chi Lin	F	20200201	(Note)	—	—	—	—	—	Bachelor of Business Administration, Fu Jen Catholic University		—	—	—	—
Branch Senior Vice President	R.O.C.	Ching-Ya Huang	F	20210116	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—	—
Branch Senior Vice President	R.O.C.	Mei-Ling Chen	F	20080430	(Note)	—	—	—	—	—	Bachelor of Banking, National Chengchi University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hsiung-Hui Lin	M	20130826	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chin-Yung Chu	M	20190816	(Note)	—	—	—	—	—	Master of Finance, Tamkang University		—	—	—	—
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.	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.	Ling-Yi Chuang	F	20050901	(Note)	—	—	—	—	—	Master of Economics, Oklahoma State University		—	—	—	—
Branch Senior Vice President	R.O.C.	Jen-Chieh Liao	M	20140315	(Note)	—	—	—	—	—	Ph.D. in Commerce, Chung Yuan Christian University		—	—	—	—
Branch Senior Vice President	R.O.C.	Su-Mei Chen	F	20050607	(Note)	—	—	—	—	—	MBA, National Chiayi 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.	Yu-Lan Lu	F	20200821	(Note)	—	—	—	—	—	MBA, National Taiwan University		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Chih-Wen Chang	M	20120628	(Note)	—	—	—	—	—	Master of Economics, National Taiwan University		—	—	—	—
Branch Senior Vice President	R.O.C.	Yu-Hsing Fan	M	20031027	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Tamkang University		—	—	—	—
Branch Senior Vice President	R.O.C.	Che-Wei Ho	M	20220127	(Note)	—	—	—	—	—	Master of Commerce Automation & Management, National Taipei University of Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	Shu-Wei Chang	M	20220127	(Note)	—	—	—	—	—	Bachelor of Information Management, Chinese Culture University		—	—	—	—
Branch Senior Vice President	R.O.C.	Jen-Ming Liu	M	20180210	(Note)	—	—	—	—	—	Master of Finance, National Chung Cheng University		—	—	—	—
Branch Senior Vice President	R.O.C.	Jen-Yi Huang	M	20180210	(Note)	—	—	—	—	—	Bachelor of Urban Planning and Development, Chinese Culture University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hui-Fang Chen	F	20110503	(Note)	—	—	—	—	—	Bachelor of Commerce, National Open University		—	—	—	—
Branch Senior Vice President	R.O.C.	Kung-Pin Li	M	20160401	(Note)	—	—	—	—	—	Bachelor of Economics, Fu Jen Catholic University		—	—	—	—
Branch Senior Vice President	R.O.C.	Yi-Man Liu	F	20200121	(Note)	—	—	—	—	—	Bachelor of Statistics, Tamkang University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chih-Hsun Chang	M	20180210	(Note)	—	—	—	—	—	MBA, Tamkang University		—	—	—	—
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.	Chien-Yu Chen	M	20081110	(Note)	—	—	—	—	—	Master of Commerce, National Taiwan University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chen-Chung Li	M	20110503	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University of Science and Technology		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Hsin-Chun Li	M	20040407	(Note)	—	—	—	—	—	Bachelor of International Trade, Feng Chia University		—	—	—	—
Branch Senior Vice President	R.O.C.	Pai-Shun Li	M	20050516	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Hao Wu	F	20070822	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—	—
Branch Senior Vice President	R.O.C.	Neng-Che Shih	M	20200201	(Note)	—	—	—	—	—	Master of Finance, National Chung Cheng 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.	Chun-Yi Chen	M	20170101	(Note)	—	—	—	—	—	Master of Technology Management, National Chiao Tung 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.	Mei-Ling Ting	F	20090826	(Note)	—	—	—	—	—	Department of International Trade, National Taipei University of Business		—	—	—	—
Branch Senior Vice President	R.O.C.	Chia-Hui Sun	F	20120501	(Note)	—	—	—	—	—	Bachelor of Theatre Arts, Chinese Culture University		—	—	—	—
Branch Senior Vice President	R.O.C.	Tien-Chen Wang	M	20220127	(Note)	—	—	—	—	—	MBA, Massachusetts Institute of Technology, USA		—	—	—	—
Branch Senior Vice President	R.O.C.	Chun-Hsiang Tseng	M	20220127	(Note)	—	—	—	—	—	MBA, 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.	Tzu-Chen Tsao	F	20140827	(Note)	—	—	—	—	—	Bachelor of International Trade, Chung Yuan Christian University		—	—	—	—
Branch Senior Vice President	R.O.C.	Ya-Hui Lan	F	20150320	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Yi-Che Su	M	20200201	(Note)	—	—	—	—	—	Department of Business Administration, Chihlee University of 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.	Kuo-Yang Wu	M	20190131	(Note)	—	—	—	—	—	Bachelor of Banking, National Chengchi University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chen Wu	F	20080908	(Note)	—	—	—	—	—	Bachelor of Accounting, Tamkang University		—	—	—	—
Branch Senior Vice President	R.O.C.	Keng-Ping Lin	M	20200201	(Note)	—	—	—	—	—	Bachelor of Industrial Engineering, Feng Chia University		—	—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Yu Chen	M	20190131	(Note)	—	—	—	—	—	Master of Financial Management, National Chengchi University		—	—	—	—
Branch Senior Vice President	R.O.C.	Wen-Pin Yang	M	20030919	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Tsung Yen	F	20200201	(Note)	—	—	—	—	—	Department of Banking and Insurance, Ming Chuan University		—	—	—	—
Branch Senior Vice President	R.O.C.	Yao-Yi Huang	M	20150821	(Note)	—	—	—	—	—	Bachelor of Law, National Chung Hsing University		—	—	—	—
Branch Senior Vice President	R.O.C.	Wen-Feng Chen	F	20061110	(Note)	—	—	—	—	—	MBA, Schiller International University		—	—	—	—
Branch Senior Vice President	R.O.C.	Kuang-Nan Fan Chiang	M	20210116	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University of Science and Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	An-Ju Yang	M	20220127	(Note)	—	—	—	—	—	Master of Finance, The City University of New York		—	—	—	—
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.	Feng-Hsu Ko	M	20110315	(Note)	—	—	—	—	—	MBA, University of Illinois		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Jung-Chin Wu	M	20100524	(Note)	—	—	—	—	—	MBA, Tamkang University		—	—	—	—
Branch Senior Vice President	R.O.C.	Wen-Yuan Li	M	20040407	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, National Chung Hsing University		—	—	—	—
Branch Senior Vice President	R.O.C.	Yu-Ching Su	M	20200201	(Note)	—	—	—	—	—	Bachelor of Risk Management and Insurance, Ming Chuan University		—	—	—	—
Branch Senior Vice President	R.O.C.	Wen-Kan Lin	M	20080707	(Note)	—	—	—	—	—	Master of Finance, National Taipei University		—	—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chi Hsu	F	20190907	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Central University		—	—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Chi Hsiao	M	20081111	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture University		—	—	—	—
Branch Senior Vice President	R.O.C.	Ping-Hui Wu	M	20050617	(Note)	—	—	—	—	—	Department of Financial Taxation, National Tam Shui Vocational High School		—	—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chi Li	M	20130715	(Note)	—	—	—	—	—	Bachelor of Applied Commercial, Open College Affiliated with National Taipei University of Business		—	—	—	—
Branch Senior Vice President	R.O.C.	Te-Ching Ou	M	20050701	(Note)	—	—	—	—	—	Department of Finance, National Taipei University of Business		—	—	—	—
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.	Chih-Kao Tu	M	20220127	(Note)	—	—	—	—	—	Master of International Business, Soochow University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chung-Ping Jen	M	20080822	(Note)	—	—	—	—	—	Bachelor of Statistics, National Chung Hsing University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chi-Chu Peng	F	20210116	(Note)	—	—	—	—	—	MBA, National Chiayi University		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Chih-Hsien Lin	M	20210116	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Dong Hwa University		—	—	—	—
Branch Senior Vice President	R.O.C.	Fu-Tsung Cheng	M	20220127	(Note)	—	—	—	—	—	MBA, National Chiayi 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.	Kuang-Chung Chen	M	20031027	(Note)	—	—	—	—	—	MBA, Yuan Ze 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.	Ya-Ling Hsieh	F	20050520	(Note)	—	—	—	—	—	M.B.A, Yuan Ze University		—	—	—	—
Branch Senior Vice President	R.O.C.	Yu-Chu Hsiao	F	20040801	(Note)	—	—	—	—	—	MBA, University of Leicester		—	—	—	—
Branch Senior Vice President	R.O.C.	Te-Sung Liao	M	20220127	(Note)	—	—	—	—	—	MBA, National Changhua University of Education		—	—	—	—
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.	Chen-Te Kuo	M	20090122	(Note)	—	—	—	—	—	Master of Finance, National Central University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chi-Wei Lu	M	20141113	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Hua Chen	F	20210820	(Note)	—	—	—	—	—	Department of International Trade, Ming Chuan University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chih-Wei Lin	M	20220127	(Note)	—	—	—	—	—	Bachelor of Law, Fu Jen Catholic University		—	—	—	—
Branch Senior Vice President	R.O.C.	Shih-Cheng Chen	M	20050616	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—	—
Branch Senior Vice President	R.O.C.	Wei-Li Liang	M	20210116	(Note)	—	—	—	—	—	Bachelor of Industrial Engineering, Tunghai University		—	—	—	—
Branch Senior Vice President	R.O.C.	Liang-Jung Fan	M	20071229	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture University		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Chih-Chun Chung	M	20190722	(Note)	—	—	—	—	—	Bachelor of Banking and Insurance, Shih Chien University		—	—	—	—
Branch Senior Vice President	R.O.C.	Shih-Wei Li	M	20190916	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—	—
Branch Senior Vice President	R.O.C.	Chi-Jen Yeh	M	20200312	(Note)	—	—	—	—	—	Bachelor of International Trade, Tunghai University		—	—	—	—
Branch Senior Vice President	R.O.C.	Wen-Kai Chen	M	20040530	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing 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.	Hsi-Jen Liu	M	20170101	(Note)	—	—	—	—	—	Master of Finance, Chaoyang University of Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	Chin-Yu Chiu	M	20210116	(Note)	—	—	—	—	—	Department of Finance, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	Shih-Lin Sung	M	20140827	(Note)	—	—	—	—	—	Master of Accounting, National Changhua University of Education		—	—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chun Tseng	M	20070401	(Note)	—	—	—	—	—	Master of International Business, Asia University Taiwan		—	—	—	—
Branch Senior Vice President	R.O.C.	Hung-Hsiao Tsai	M	20190916	(Note)	—	—	—	—	—	Master of International Business, Asia University Taiwan		—	—	—	—
Branch Senior Vice President	R.O.C.	Chun-Ting Lin	M	20071015	(Note)	—	—	—	—	—	MBA, Chaoyang University of Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	Sung-Hsing Chen	M	20110101	(Note)	—	—	—	—	—	Department of Business Administration, Tamsui Institute of Business Administration		—	—	—	—
Branch Senior Vice President	R.O.C.	Yu-Jen Chiu	M	20210116	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—	—
Branch Senior Vice President	R.O.C.	Sheng-Hsieh Ho	M	20070401	(Note)	—	—	—	—	—	MBA, Chaoyang University of Technology		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					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.	Pei-Hsun Lin	M	20220127	(Note)	—	—	—	—	—	MBA, Southern Taiwan University of Science and Technology		—	—	—	—
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.	Yueh-Hung Hsu	M	20210116	(Note)	—	—	—	—	—	Master of Insurance, National Chengchi University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chun-Hsiang Tseng	M	20210820	(Note)	—	—	—	—	—	EMBA, 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.	Fu-Yao Hsieh	M	20220127	(Note)	—	—	—	—	—	Master of Finance, Fu Jen Catholic University		—	—	—	—
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.	Chien-Wei Peng	M	20201012	(Note)	—	—	—	—	—	MBA, Soochow 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.	Shou-Lu Liu	M	20210116	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Central University		—	—	—	—
Branch Senior Vice President	R.O.C.	Shu-Ling Chen	F	20070101	(Note)	—	—	—	—	—	Master of International Business, Asia University Taiwan		—	—	—	—
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.	Kao Yeh	M	20201113	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing University		—	—	—	—
Branch Senior Vice President	R.O.C.	Yi-Hung Yu	M	20210116	(Note)	—	—	—	—	—	Bachelor of Economics, Feng Chia University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hsiao-Kuang Li	F	20030919	(Note)	—	—	—	—	—	MBA, Preston University, U.S.A		—	—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chih Tsai	M	20070101	(Note)	—	—	—	—	—	Bachelor of International Trade, Chung Yuan Christian University		—	—	—	—



Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Branch Senior Vice President	R.O.C.	Kuei-Ying Wu	F	20180210	(Note)	—	—	—	—	—	Bachelor of Statistics, Fu Jen Catholic University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hui-Ying Chiang	F	20050615	(Note)	—	—	—	—	—	MBA, Providence University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chi Hsu	M	20170126	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—	—
Branch Senior Vice President	R.O.C.	Min-Cheng Chiang	M	20110503	(Note)	—	—	—	—	—	Master of International Business, National Changhua University of Education		—	—	—	—
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.	Chien-Ta Chen	M	20161114	(Note)	—	—	—	—	—	Bachelor of Law, Tunghai University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hsueh-Fen Yeh	F	20110503	(Note)	—	—	—	—	—	Bachelor of Commerce, National Open 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.	Hsiu-Chuan Chou	F	20190131	(Note)	—	—	—	—	—	Bachelor of International Trade, Yung Ta Institute of Technology and Commerce		—	—	—	—
Branch Senior Vice President	R.O.C.	Chi-Chen E	F	20150320	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Tainan Junior College of Home Economics		—	—	—	—
Branch Senior Vice President	R.O.C.	Ming-Hui Chang	M	20210820	(Note)	—	—	—	—	—	Master of Accounting, National Taipei University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chi-Yao Chang	F	20210116	(Note)	—	—	—	—	—	Bachelor of Business Administration, Tunghai University		—	—	—	—
Branch Senior Vice President	R.O.C.	Lu-Cheng Liu	M	20220127	(Note)	—	—	—	—	—	Master of Construction Engineering, National kaohsiung University of Science and Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	Fei-Hsiang Yeh	M	20050110	(Note)	—	—	—	—	—	MBA, National Sun Yat-Sen University		—	—	—	—

Title (Note 1)	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 (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Branch Senior Vice President	R.O.C.	Cheng-Tien Wu	M	20090826	(Note)	—	—	—	—	—	Bachelor of Finance, Fortune Institute of Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	Chien-Cheng Tsung	M	20090826	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Hsing University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chi Chen	M	20190131	(Note)	—	—	—	—	—	Bachelor of Finance, I-SHOU University		—	—	—	—
Branch Senior Vice President	R.O.C.	Jen-Kai Tseng	M	20090122	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hsiang-Lan Chang Chien	F	20070401	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai University		—	—	—	—
Branch Senior Vice President	R.O.C.	Te-Li Yang	M	20210820	(Note)	—	—	—	—	—	Bachelor of English Literature, Providence 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.	Ming-Liang Chen	M	20150320	(Note)	—	—	—	—	—	Master of Finance, National Kaohsiung First University of Science and Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	Ming-Nan Tsai	M	20031027	(Note)	—	—	—	—	—	MBA, National Sun Yat-Sen University		—	—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chin Huang	F	20050523	(Note)	—	—	—	—	—	MBA, National Pingtung University of Science and Technology		—	—	—	—
Branch Senior Vice President	R.O.C.	Yi-Ching Lin	F	20200201	(Note)	—	—	—	—	—	Bachelor of Economics, Fu Jen Catholic University		—	—	—	—
Branch Senior Vice President	R.O.C.	Chun-Huan Chiang	F	20090826	(Note)	—	—	—	—	—	Department of International Trade, National Taipei University of Business		—	—	—	—
Branch Senior Vice President	R.O.C.	Chih-Hao Hsiung	M	20040407	(Note)	—	—	—	—	—	Bachelor of Economics, National Taiwan University		—	—	—	—

Note 1: This should include all President, Executive Vice Presidents, Senior Vice Presidents, and those who hold the equivalent positions (regardless the job titles), as well as, key managers from each department and branch entity, must be disclosed.

Note 2: Experiences related with current position. Detailed job title and the working responsibilities should be described if previously worked for the auditing accounting firm or its affiliated company.

Note 3: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality and necessity of such an arrangement and any response measures taken, such as introduction of independent directors. Furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers.

Note 4: The Company became a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd. through an exchange of shares on December 18, 2002.

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



Remuneration range for non-independent and independent directors

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

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

## (II) Remuneration to Supervisors

Remuneration to Supervisors (collective disclosure by name and range of remuneration)

December 31, 2021; Unit: NT\$ thousand

Title	Name	Supervisor remuneration								Sum of A, B, C and D as percentage of Net Income		Compensation from parent company or business investments other than subsidiaries
		Compensation (A)		Pension upon retirement (B)		Remuneration (C)		Service Expenses (D)		The Bank	Consolidated subsidiaries	
		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries			
Resident Supervisor	Yiao-Chiun Lai	-	-	1,023	1,023	900	900	348	348	2,271	2,271	900
Supervisor	Liang-Lin Chien									0.010%	0.010%	
Supervisor	Chin-Hua Chiu											

### Remuneration range for supervisors

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

**(III) Remuneration paid to directors (including independent directors), supervisors, president, executive vice presidents, and employees in the latest fiscal year**

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

December 31, 2021; Unit: NT\$ thousand

Title	Name	Salary (A)		Pension upon retirement (B)		Bonuses & Allowance Paid (C)		Amount of Employee remuneration (D)				Sum of A, B, C and D as percentage of Net Income (%)		Compensation from parent company or business investments other than subsidiaries
		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank		Consolidated subsidiaries		The Bank	Consolidated subsidiaries	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Alan Lee	111,604	111,604	-	-	136,623	137,381	37	-	37	-	248,264 1.063%	249,022 1.046%	37,917
Senior Executive Vice president	Chung-Yi Teng													
Senior Executive Vice president	Jian-Hsing Wu													
Senior Executive Vice president	Wei-Hua Chou													
Senior Executive Vice president	Yu-Chin Cheng													
Senior Executive Vice president	Hsiang-Hsin Tsai													
Senior Executive Vice president	Xu-Jie Yao													
Executive Vice president	Hsing-Ming Lee													
Executive Vice president	Chang-Li Tsao													
Executive Vice president	Hung-Chang Yang													
Executive Vice president	Chao-Kuei Kuo													
Executive Vice president	Tsung-Meng Huang													
Executive Vice president	Chuo-Min Chin													
Executive Vice president	Hsiu-Chu Chuang													
Executive Vice president	Su-Chu Li													
Executive Vice president	Francis Peng													
Executive Vice president	Ching-Li Chang													
Executive Vice president	Chih-Fong Wang													
Executive Vice president	Yeun-Wei Hwang													
Executive Vice president	Chen-Tung Chang													
Executive Vice president	Ching-Hsiang Chan													
Executive Vice president	Chien-Hui Hung													
Executive Vice president	Po-Shen Fuh													
Executive Vice president	Michael Wen													
Executive Vice president	Fa-Hsiang Chang													
Executive Vice president	Hua-Ben Miao													
Executive Vice president	Kai Yuen Kan													
Executive Vice president	Yen-Wen Chen													
Executive Vice president	Kuan-Hsueh Chen													

Note: Salaries paid to drivers amounted to NT\$3,974,000.

Remuneration range for president and executive vice president

Range of remuneration paid to President and Executive Vice President	President and Vice President Name	
	The Bank	Consolidated subsidiaries E
Under NT\$1,000,000	Francis Peng	Francis Peng
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Wei-Hua Chou	Wei-Hua Chou
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Hung-Chang Yang	Hung-Chang Yang
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	Chuo-Min Chin, Hsiu-Chu Chuang, Kuan-Hsueh Chen	Chuo-Min Chin, Hsiu-Chu Chuang, Kuan-Hsueh Chen
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Chung-Yi Teng, Xu-Jie Yao, Hsing-Ming Lee, Chang-Li Tsao, Chao-Kuei Kuo, Tsung-Meng Huang, Su-Chu Li, Ching-Li Chang, Chih-Fong Wang, Yeun-Wei Hwang, Chen-Tung Chang, Chien-Hui Hung, Po-Shen Fuh, Fa-Hsiang Chang, Yen-Wen Chen	Chung-Yi Teng, Xu-Jie Yao, Hsing-Ming Lee, Chang-Li Tsao, Chao-Kuei Kuo, Tsung-Meng Huang, Su-Chu Li, Ching-Li Chang, Chih-Fong Wang, Yeun-Wei Hwang, Chen-Tung Chang, Chien-Hui Hung, Po-Shen Fuh, Fa-Hsiang Chang, Yen-Wen Chen
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	Jian-Hsing Wu, Yu-Chin Cheng, Hsiang-Hsin Tsai, Michael Wen, Hua-Ben Miao, Kai Yuen Kan	Jian-Hsing Wu, Yu-Chin Cheng, Hsiang-Hsin Tsai, Michael Wen, Hua-Ben Miao, Kai Yuen Kan
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Ching-Hsiang Chan	Ching-Hsiang Chan
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	Alan Lee	Alan Lee
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	29	29

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

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

Title	Name	Stock Amount	Cash Amount	Total	Total as a Percentage of Net Income (%)
Please see P33-44		-	NT\$322,000	NT\$322,000	0.00138%



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

None.

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

None.

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

None.

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

None.

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

None.

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

None.

- (XI) Amount of remuneration paid in the last two 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 2021 amounted to NT\$322,269,000 (representing 1.35% of net income in 2021), down 1.30% from the NT\$326,499,000 reported in 2020. The basis of remuneration disclosed above is different from the basis of the Income Tax Act; for this reason, the amount has been prepared solely for information disclosure, and not for tax purpose.

1. Remuneration to directors, supervisors and managers are determined according to the Bank's "Director and Supervisor Compensation Guidelines" and "Manager Compensation Guidelines"; both policies have been resolved in board meetings. Amount of remuneration is decided based on responsibilities, capacity and annual performance of each individual, while taking into consideration the benchmark level. Both the remuneration policy and amount are adjusted according to current and future risks and overall business performance to ensure alignment with shareholders' long-term interest.
2. In the "Director and Supervisor Compensation Guidelines" (referred to as the "Guidelines" below), a director's compensation includes fees, remuneration, and traffic and other allowances.

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

Compensation for independent directors and external directors appointed by the parent company is evaluated according to rules of the parent company; directors who concurrently assume managerial position within the Bank are not entitled to 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 at least four times a year. Given Indovina Bank's stature as a Vietnam-registered subsidiary jointly controlled by Industrial and Commercial Bank of Vietnam (50%), the Bank respects the decisions of its Vietnamese partner on related issues, including director remuneration, provided that such decisions are fair and do not adversely impact the shareholders' interest.

## IV. Implementation of Corporate Governance

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

A total of 8 meetings (A) were held in the last year (2021); below are directors' and supervisors' attendance records:

Title	Name (Note 1)	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Chairman	(Representative for Cathay Financial Holding Co., Ltd.) Andrew Ming-Jian Kuo	8	0	100.00%	
Vice Chairman	(Representative for Cathay Financial Holding Co., Ltd.) Tzung-Han Tsai	8	0	100.00%	
Managing Director (Independent Director)	(Representative for Cathay Financial Holding Co., Ltd.) Tang-Chieh Wu	8	0	100.00%	
Managing Director	(Representative for Cathay Financial Holding Co., Ltd.) Alan Lee	8	0	100.00%	
Managing Director	(Representative for Cathay Financial Holding Co., Ltd.) Chung-Yi Teng	7	1	87.50%	
Independent Director	(Representative for Cathay Financial Holding Co., Ltd.) Feng-Chiang Miao	8	0	100.00%	
Independent Director	(Representative for Cathay Financial Holding Co., Ltd.) Edward Yung-Do Way	8	0	100.00%	
Director	(Representative for Cathay Financial Holding Co., Ltd.) Tsung-Hsien Tsai	8	0	100.00%	
Director	(Representative for Cathay Financial Holding Co., Ltd.) Chi-Wei Joong	8	0	100.00%	
Director	(Representative for Cathay Financial Holding Co., Ltd.) Han-Kuo Chen	8	0	100.00%	
Director	(Representative for Cathay Financial Holding Co., Ltd.) Chang-Ken Lee	8	0	100.00%	
Director	(Representative for Cathay Financial Holding Co., Ltd.) Grace Chen	8	0	100.00%	
Director	(Representative for Cathay Financial Holding Co., Ltd.) Sophia Cheng	4	1	80.00%	Newly appointed on March 11, 2021; required attendance: 5 sessions.

Title	Name (Note 1)	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Director	(Representative for Cathay Financial Holding Co., Ltd.) <b>Jian-Hsing Wu</b>	8	0	100.00%	
Director	(Representative for Cathay Financial Holding Co., Ltd.) <b>Wei-Hua Chou</b>	8	0	100.00%	
Resident Supervisor	(Representative for Cathay Financial Holding Co., Ltd.) <b>Yiao-Chiun Lai</b>	8	0	100.00%	
Supervisor	(Representative for Cathay Financial Holding Co., Ltd.) <b>Chin-Hua Chiu</b>	6	0	100.00%	Newly appointed on February 4 , 2021; required attendance: 6 sessions.
Supervisor	(Representative for Cathay Financial Holding Co., Ltd.) <b>Liang-Lin Chien</b>	1	0	100.00%	Resigned on January 16, 2021; required attendance: 1 session

Note 1: Where directors and supervisors are corporate entities, the names of corporate shareholders and their representatives are stated.

Note 2: (1) The date of resignation is specified for directors or supervisors who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of board of directors meeting held and the number of actual attendance during active duty.

(2) If a re-election of directors or supervisors had taken place prior to the close of the financial year, directors/supervisors of both the previous and the current term are listed, in which case, the remarks column would specify the re-election date and whether the director/supervisor was elected in the previous term, the new term, or both. Actual attendance rate (%) was calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.

Note 3: The company is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.

■Other items to be stated:

I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Bank's resolution of said opinions:

(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act (Reason for not voting and actual voting counts):

Board meeting date/session	Motion	Company's response to all independent directors' opinions
2021.01.15 2nd extraordinary meeting of the 16th board of directors	◎Set the authorized limit in the monetary market in which the Bank engages in transactions with PT Bank Mayapada Internasional, Tbk.	None.
2021.02.03 9th meeting of the 16th board of directors	◎Passed allocation of 2020 performance bonus, special incentive, and long-term incentive for Chairman, Vice Chairman, and Chief Auditor. ◎Allocation of equipment and personnel expenses on shared information system used by Mainland subsidiary, Cambodia subsidiary and overseas branches. ◎ Appointment of chief internal auditor for the Bank's concurrent involvements in banking and securities service.	None.
2021.03.10 10th meeting of the 16th board of directors	◎Proposal of the Bank's 2020 earnings appropriation. ◎Participation in the underwriting of corporate bonds by CPC, and international bonds (including Formosa bonds) by companies including Goldman Sachs. ◎Extension of treasury limit for the fund initially granted by Cathay Securities Investment Trust.	None.
2021.04.28 11th meeting of the 16th board of directors	◎Annual review on short-term secured lending and treasury limit to Cathay Securities. ◎Statement of declaration for appointment of the Company's chief auditor (head of internal audit). ◎Acquisition of a finance company in Vietnam.	None.

Board meeting date/session	Motion	Company's response to all independent directors' opinions
2021.05.13 12th meeting of the 16th board of directors	<ul style="list-style-type: none"> <li>◎ Annual review on new treasury limit to Taiwan Finance Corporation.</li> <li>◎ Cooperative plan with Symphox Information.</li> <li>◎ Adjustment of salary for the Bank's Chairman, Vice Chairman and Chief Auditor in 2021.</li> </ul>	None.
2021.08.19 13th meeting of the 16th board of directors	<ul style="list-style-type: none"> <li>◎ Removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involvement in competing businesses.</li> <li>◎ Procurement with Symphox Information.</li> <li>◎ Procurement of the Group's bonus points from Symphox Information together with Cathay Life, Cathay Century Insurance and Cathay Securities.</li> <li>◎ Participation in the underwriting of corporate bonds by CPC, and international bonds (including Formosa bonds) by companies including Goldman Sachs.</li> </ul>	None.
2021.11.09 14th meeting of the 16th board of directors	<ul style="list-style-type: none"> <li>◎ Appointment of financial statement auditors and review of audit remuneration for 2022.</li> <li>◎ 2022 audit plan.</li> <li>◎ Leasing transaction with Cathay Life.</li> <li>◎ Procurement of automated equipment hotline service from Symphox Information.</li> <li>◎ Sharing of Cathay Life information system by Cathay Financial Holdings and 8 subsidiaries including the Bank.</li> <li>◎ Sharing of information equipment and human resource by Cathay Financial Holdings and 8 subsidiaries including the Bank.</li> <li>◎ Sharing of Cloud Service Resources by Cathay Financial Holdings and 7 subsidiaries including the Bank.</li> <li>◎ Establishment of authorized limits to Cathay Life and others.</li> <li>◎ Extension of treasury limits for Cathay Life and Cathay Century Insurance.</li> <li>◎ Annual review on additional short-term secured lending and existing credit facilities to Cathay Securities.</li> </ul>	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
Alan Lee	Set the authorized limit in the monetary market in which the Bank engages in transactions with PT Bank Mayapada.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Passed allocation of 2020 performance bonus, special incentive, and long-term incentive for Chairman, Vice Chairman, and Chief Auditor.	The motion concerned the interest of director(s) listed on the left and 2nd-degree direct relatives or closer thereof	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Alan Li, Chung-Yi Teng and Wei-Hua Chou	Allocation of equipment and personnel expenses on shared information system used with Cathay United Bank (China) Ltd., Cathay United Bank (Cambodia)and overseas branches.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Participation in the underwriting of corporate bonds by CPC, and international bonds (including Formosa bonds) by companies including Goldman Sachs.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman) and Chang-Ken Lee	Extension of treasury limit for Cathay Securities Investment Trust.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Annual review on short-term secured lending and treasury limit to Cathay Securities.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Alan Lee and Wei-Hua Chou	Annual review on new treasury limit to Taiwan Finance Corporation.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Adjustment of salary for the Bank's Chairman, Vice Chairman and Chief Auditor in 2021.	The motion concerned the interest of director(s) listed on the left and 2nd-degree direct relatives or closer thereof	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman)	Removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involving in competing businesses.	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Procurement with Symphox Information.	The motion concerned a business that the listed on the left director is in charge of, and 2nd-degree direct relatives or closer thereof	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman), Tsung-Hsien Tsai and Chang-Ken Lee	Procurement from Symphox Information together with Cathay Life, Cathay Century Insurance and Cathay Securities.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Participation in the underwriting of corporate bonds by CPC, and international bonds (including Formosa bonds) by companies including Goldman Sachs.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting
Alan Lee, Chung-Yi Teng, Jian-Hsing Wu and Wei-Hua Chou	2022 audit plan.	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting



Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Leasing transaction with Cathay Life.	The motion concerned a business that the listed on the left director is in charge of, and 2nd-degree direct relatives or closer thereof	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Tzung-Han Tsai (Vice Chairman), Tsung-Hsien Tsai and Chang-Ken Lee	Sharing of Cathay Life information system by Cathay Financial Holdings and 8 subsidiaries including the Bank.	The motion concerned the enterprises in which director(s) listed on the left assume the responsible persons.	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Tzung-Han Tsai (Vice Chairman), Chung-Yi Teng, Tsung-Hsien Tsai, Chang-Ken Lee, Grace Chen and Sophia Cheng	Sharing of information equipment and human resource by Cathay Financial Holdings and 8 subsidiaries including the Bank.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Tzung-Han Tsai (Vice Chairman), Chung-Yi Teng, Tsung-Hsien Tsai, Chang-Ken Lee, Grace Chen and Sophia Cheng	Sharing of Cloud Service Resources by Cathay Financial Holdings and 7 subsidiaries including the Bank.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman), Alan Lee, Chung-Yi Teng, Tsung-Hsien Tsai, Chang-Ken Lee and Wei-Hua Chou	Establishment of authorized limits to Cathay Life and others.	The motion concerned a business that the listed on the left director is in charge of, and 2nd-degree direct relatives or closer thereof	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman) and Tsung-Hsien Tsai	Extension of treasury limits for Cathay Life and Cathay Century Insurance.	The motion concerned a business that the listed on the left director is in charge of, and 2nd- degree direct relatives or closer thereof	Disassociated from discussion and voting

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Chang-Ken Lee	Annual review on additional short-term secured lending and existing credit facilities to Cathay Securities.	The motion concerns a business that the listed on the left director is in charge of	Disassociated from discussion and voting

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

According to Article 3 of the Bank’s “Board of Directors and Functional Committee Performance Evaluation Principles,” the board of directors is subject to performance assessment once a year. The 2021 assessment found the board having performed “Above Standard,” and the outcome was reported during board meeting. Board member performance evaluation rules and methods have been established according to “Director and Supervisor Performance Evaluation Policy”; the Bank examines performance of board members on a yearly basis.

### **Execution of Board Performance Evaluation**

Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
Once a year	2021.01.01~ 2021.12.31	Board of directors performance evaluation	Board of directors internal self-assessment	<ol style="list-style-type: none"> <li>1. Level of participation in the Company’s operations.</li> <li>2. Improvement of board decision quality.</li> <li>3. Composition of the board of directors.</li> <li>4. Board members and ongoing education.</li> <li>5. Internal control</li> </ol>
Once a year	2021.01.01~ 2021.12.31	Functional committee internal performance evaluation	Functional committee internal self-assessment	<ol style="list-style-type: none"> <li>1. Level of participation in the Company’s operations.</li> <li>2. Improvement of functional committee’s decision quality.</li> <li>3. Composition of functional committee.</li> <li>4. Election and ongoing education of functional committee members.</li> <li>5. Internal control.</li> </ol>

Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
Once a year	2021.01.01~ 2021.12.31	Performance assessment of individual directors	Director self-assessment	<ol style="list-style-type: none"> <li>1. Attendance (excluding proxy attendance) at board meetings.</li> <li>2. Supervision over business execution.</li> <li>3. Supervision over finance and operations.</li> <li>4. Supervision over internal audit, internal control, risk management and compliance.</li> <li>5. Company credit rating.</li> <li>6. Fulfillment of corporate social responsibilities.</li> <li>7. Ongoing education of corporate governance-related courses.</li> </ol>
Once a year	2021.01.01~ 2021.12.31	Supervisor self-assessment	Supervisor member self-assessment	<ol style="list-style-type: none"> <li>1. Attendance at board meetings.</li> <li>2. Interaction with audit department.</li> <li>3. Execution of compliance tasks.</li> <li>4. Enhancement of corporate governance.</li> <li>5. Ongoing education of corporate governance-related courses.</li> <li>6. Other matters specified by the authority.</li> </ol>

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, 2021, 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, election and ongoing education of board members, and enforcement of internal control.
- (2) Director individual performance assessment: director's awareness toward the Bank's goals and missions, awareness to duties, level of participation in the Bank's operations, maintenance of internal relations and communication, professionalism and ongoing education, and enforcement of internal control.
- (3) Performance assessment for functional committees: participation in the Bank's operations, awareness to duties, quality of committee's decisions, composition and member selection, and enforcement of internal

control.

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

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

■ Enhancement of board performance

- Board meetings are being held more frequently and more efficiently to accommodate the Bank's growing size and businesses.
- In order to build the Bank's "Accountability" core spirit effectively, the "Accountability Committee" was established under the Board of Directors in 2021.
- A set of "Board of Directors and Functional Committee Performance Evaluation Principles" was established in 2018 to support the Bank's corporate governance efforts and to improve the efficiency of the board and functional committees, based on the ways they operate. The Bank expressly defined the five major evaluation indicators, including "participation in the company's operation," "improvement of the Board of Directors' (functional committees') decision quality," and "composition of the Board of Directors (functional committees)," "election and ongoing education of the directors (functional committee members)" and "internal controls." The board performance evaluation should be conducted once a year. The outcomes of the 2021 board performance evaluation have been reported during the board meeting held on January 26, 2022, and ongoing efforts will be made to improve performance targets and the board's operation. Furthermore, the Bank engaged an independent third party to evaluate performance of the board of directors in 2020 out of concerns for the independence and efficiency of the evaluation process. The institution offers professional insight to various aspects including corporate governance and operations that helps board members supervise more effectively to ensure accomplishment of sustainability goals.
- During the meeting held in March 2019, the Bank's board of directors passed a resolution to appoint a "Corporate Governance Officer" to oversee corporate governance affairs. In March 2020, the Bank passed "Standard Operating Procedures for Resolving Directors' and Supervisors' Requests" to support directors and supervisors with their duties and improve efficiency of the board.
- For the trend issues valued by the competent authority, the Bank continued to arrange diversified external ongoing education courses to strengthen their expertise and enable them to implement the duty of due care as a good administrator and also exercise the ability to make a decision and lead and

supervise.

■ Improvement of information transparency

- The Bank prepares annual reports in both Chinese and English and discloses them on its website to facilitate globalization and strengthen communication.
- The Bank created a “Corporate Governance” section up on its website to disclose internal policies relating to corporate governance, such as the “Articles of Incorporation,” “Board of Directors Conference Rules,” “Corporate Governance Guidelines,” “Business Integrity Procedures and Behavioral Guidelines,” and “Asset Acquisition and Disposal Guidelines,” both in Chinese and English.

**(II) 1. Functionality of the Audit Committee: No Audit Committee established.**

**2. Supervisors' involvement in board of directors meetings:**

Supervisors' involvement in board of directors meetings

A total of 8 board meetings (A) were held in the last year (2021); 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	8	100%	
Supervisor	(Representative for Cathay Financial Holding Co., Ltd.) Chin-Hua Chiu	6	100%	Newly appointed on February 4 , 2021; required attendance: 6 sessions.
Supervisor	(Representative for Cathay Financial Holding Co., Ltd.) Liang-Lin Chien	1	100%	Resigned on January 16, 2021; required attendance: 1 session

Other items to be stated:

I. Constitution and responsibilities of supervisors:

- Supervisors' communication with bank employees and shareholders (e.g. communication channels and methods).
  1. The Bank has open channels to facilitate bilateral communication between supervisors and employees, and to ensure delivery of supervisors' correspondence and message. Supervisors are also able to contact the Bank's employees on various matters.
  2. The company is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.
- Communication between supervisors and internal/external auditors (e.g. the Bank's financial and business affairs, the methods and outcome of communication).
  1. The Bank's supervisors communicate with the Chief Auditor and heads of internal audit unit through meetings on an unscheduled basis (at least once a year; 2 sessions were held in 2021). 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 Company's financial and business performance.
- II. Opinions expressed by supervisors in board meetings; state the date and session of the meeting held, the motion, the board's resolution, and how the company has responded to supervisors' opinions: None.

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

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

1. Corporate governance guidelines of the Bank:

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

2. Financial position, business performance and annual report:

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

3. Donations:

<https://www.cathaybk.com.tw/cathaybk/about/about/announcement/donation-info/>

4. Spokesperson and changes in insider shareholding:

<http://mops.twse.com.tw/mops/web/t146sb05>

5. Composition of the board of directors and supervisors:

<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/>

<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/#first-tab-02>

6. Risk management information:

<https://www.cathaybk.com.tw/cathaybk/about/about/announcement/announce-risk/>



**(IV) Status of Corporate Governance, 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	
<p>I. Equity structure and shareholders' rights of the Bank</p> <p>(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?</p> <p>(II) Is the Bank constantly informed of the identities of its major shareholders and the ultimate controller?</p> <p>(III) Whether the Bank establishes or implements some risk control and firewall mechanisms between the Company and its affiliates?</p>	V		<p>(I) The Bank is a 100%-owned subsidiary of Cathay FHC. Being the only shareholder, Cathay FHC does not resolve shareholders' suggestions, questions, disputes and legal actions relating to the Bank.</p> <p>(II) The Bank is a 100%-owned subsidiary of Cathay FHC. Cathay FHC is the only shareholder.</p> <p>(III) 1. The Bank has implemented "Cathay United Bank Policy on Credit and Non-credit Transactions with Stakeholders," "Cathay United Bank Credit or Transaction Guidelines," and "Cathay United Bank Self-discipline Guidelines for Transaction with Watchlisted Parties" to ensure: control over stakeholder risk, compliance with requirements of the Banking Act and Financial Holding Company Act regarding credit and non-credit transaction with stakeholders, and that all transactions with stakeholders involve no conflict of interest and do not compromise the Bank's operational stability in any way.</p> <p>2. The Bank has established a firewall policy that all directors, supervisors, managers, and employees are bound to comply, and enforced it with proper hardware, software, and internal control systems to prevent any conflict that may arise from exchange of customers' information, joint marketing, and stakeholder lending/transaction between subsidiaries of Cathay Financial Holding Co., Ltd.</p>	No significant difference

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
II. Composition and responsibilities of board of directors (I) Whether the Board of Directors has set forth the diversity policy and specific management goals?	V		(I) 1. Article 28 of the Bank’s “Corporate Governance Best Practice Principles”, the board make ought to take into consideration the company operational framework, business development direction, future development trends, and various needs, as well as evaluating various diversified dimensions such as basic makeup (i.e., gender, age, nationality, race, etc.), professional experience (i.e., finial holdings, banks, insurance, securities, industries, technology etc.), and professional knowledge and skills (i.e., commerce, finance, accounting, law, marketing, digital technology, overseas market/M&A and risk management). 2. The Board members should possess general knowledge, skills, and literacy required for performing job tasks. In order to achieve the ideal goal of corporate governance, the board as a whole should possess the following competencies: (1) Operational judgment competency; (2) Accounting and financial analysis ability; (3) Business management ability (including ability to manage subsidiaries); (4) Risk management ability; (5) Crisis management ability; (6) Knowledge of industry; (7) An international market perspective; (8) Leadership ability; (9) Decision-making ability; (10) Experience in corporate governance.	No significant difference
(II) Is the Bank, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?			(II) The Bank has established M&A Special Committee and Accountability Committee. 1. M&A Special Committee The Bank formulated the organization rule of M&A Specail Committee 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.	Being a 100%-owned subsidiary of Cathay FHC, the Bank’s directors and supervisors are appointed by Cathay FHC. Cathay FHC may choose to establish an Audit Committee or appoint supervisors.

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks																												
	Yes	No	Summary																													
	V		<p>(1) A total of 3 M&amp;A Special Committee meetings were convened in 2021. The average attendance rate was 100%. The attendance records are summarized below:</p> <table border="1"> <thead> <tr> <th>Independent Director Name</th> <th>Actual attendance</th> <th>Attendance by proxy</th> <th>Actual attendance rate</th> </tr> </thead> <tbody> <tr> <td>Tang-Chieh Wu</td> <td>3</td> <td>0</td> <td>100%</td> </tr> <tr> <td>Feng-Chiang Miao</td> <td>3</td> <td>0</td> <td>100%</td> </tr> <tr> <td>Edward Yung-Do Way</td> <td>3</td> <td>0</td> <td>100%</td> </tr> </tbody> </table> <p>(2) Motion and resolution are summarized below:</p> <table border="1"> <thead> <tr> <th>Time/session</th> <th>Motion</th> <th>Resolution</th> </tr> </thead> <tbody> <tr> <td>2021.04.12 1st M&amp;A Special Committee meeting</td> <td>Passed the appointment of independent experts.</td> <td>Passed by all present independent directors unanimously.</td> </tr> <tr> <td>2021.04.28 2nd M&amp;A Special Committee meeting</td> <td>Review on the fairness and reasonableness for the acquisition of the finance company in Vietnam.</td> <td>Passed by all present independent directors unanimously.</td> </tr> <tr> <td>2021.10.20 3rd M&amp;A Special Committee meeting</td> <td>Review on the reasonableness of the transaction price proposed by the Bank before participation in the tender submission for the sale of M&amp;A subject.</td> <td>Passed by all present independent directors unanimously.</td> </tr> </tbody> </table> <p>2. Accountability Committee</p> <p>Responsible for reviewing the Bank's accountability investigation on the senior management to discuss related liability and implement the Bank's business integrity</p>	Independent Director Name	Actual attendance	Attendance by proxy	Actual attendance rate	Tang-Chieh Wu	3	0	100%	Feng-Chiang Miao	3	0	100%	Edward Yung-Do Way	3	0	100%	Time/session	Motion	Resolution	2021.04.12 1st M&A Special Committee meeting	Passed the appointment of independent experts.	Passed by all present independent directors unanimously.	2021.04.28 2nd M&A Special Committee meeting	Review on the fairness and reasonableness for the acquisition of the finance company in Vietnam.	Passed by all present independent directors unanimously.	2021.10.20 3rd M&A Special Committee meeting	Review on the reasonableness of the transaction price proposed by the Bank before participation in the tender submission for the sale of M&A subject.	Passed by all present independent directors unanimously.	No significant difference
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Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
			precisely.	
<p>(III) Has the TWSE/TPEX listed bank established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration and nomination decisions?</p> <p>(IV) Does the Bank conduct regular assessments regarding the independence of its financial statement auditors?</p>	V		<p>(III) The Bank also has adopted the “Cathay United Bank Director and Supervisor Performance Evaluation Policy” to conduct performance evaluations on the directors and supervisors. Meanwhile, the Bank also established the “Board of Directors and Functional Committee Performance Evaluation Principles,” requiring that the board performance evaluation should be conducted once a year. The outcomes of the 2021 board performance evaluation were reported during the board meeting held on January 26, 2022.</p> <p>(IV) Financial statement auditors’ independence is evaluated on a yearly basis; supervisors are able to communicate with CPAs on issues concerning the Company’s financial and business performance.</p>	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	
<p>III. Has the Bank allocated adequate number of competent corporate governance staff and appointed a Chief 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)?</p> <p>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.)?</p>	V		<p>The Bank has assigned a Chief Corporate Governance Officer and specialists to oversee corporate governance-related affairs including:</p> <ol style="list-style-type: none"> <li>1. Providing directors and supervisors with the information needed to perform duties.</li> <li>2. Handling of board meeting affairs.</li> <li>3. Preparation of board meeting minutes.</li> <li>4. Assisting directors and supervisors with ongoing education.</li> <li>5. Assisting directors and supervisors with compliance regulations.</li> <li>6. Other tasks mentioned in Articles of Incorporation or foundation principles.</li> </ol> <p>(I) The Bank has diverse and open channels available for stakeholders to communicate with the Bank, including phone, e-mail, Internet, written correspondence, and meetings. The Bank maintains a corporate sustainability (CS) webpage and uses it to communicate with stakeholders on sustainability issues. Stakeholders may visit “Bank’s CS webpage” to download the group corporate sustainability report and watch CSR-related news and videos, or raise queries to the CS team through the e-mail and FB links disclosed on financial holding company’s “CS” webpage.</p> <p>(II) Cathay FHC, the Bank’s parent company, has an Investor Relations section created on its website (<a href="https://www.cathayholdings.com/holdings/investor-relations/intro/contact-us">https://www.cathayholdings.com/holdings/investor-relations/intro/contact-us</a>) to appropriately respond to corporate social responsibility issues that are of significant concern to stakeholders.</p> <p>(III) The Bank has also established the “Environmental, Social and Governance (ESG) Rules for Corporate Loan” available to address the ESG issues reflected by stakeholders. For each incident brought to attention, the Bank would conduct the necessary investigations and assessments so that responses and actions can be taken to address issues of concern for all stakeholders adequately.</p>	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?			(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:  <a href="https://www.cathaybk.com.tw/cathaybk/about/">https://www.cathaybk.com.tw/cathaybk/about/</a>	
(II) Has the Bank adopted other means to disclose information (e.g. English website, appointment of designated personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?			(II) The Bank also has an English website created to disclose financial, business and corporate governance-related information in English:  <a href="https://www.cathaybk.com.tw/cathaybk/english/about-us/about-us/company-history/">https://www.cathaybk.com.tw/cathaybk/english/about-us/about-us/company-history/</a>	
(III) Does the Bank publish and make official filing of annual financial reports according to the Banking Act and Securities and Exchange Act within the required timeframe after the end of an accounting period, and publish/file Q1, Q2, and Q3 financial reports plus monthly business performance before the specified due dates?			(III) The Bank publishes and makes official filing of annual financial reports according to the Banking Act and Securities and Exchange Act within the required timeframe after the end of an accounting period, and publishes/files Q1, Q2 and Q3 financial reports plus monthly business performance before the required due dates.	

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
<p>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)?</p>	V		<p>(I) Employee rights and employee care: 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 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.</p> <p>(II) Directors' and supervisors' ongoing education: Progress of directors' and supervisors' education has been disclosed on Market Observation Post System. (<a href="http://mops.twse.com.tw/mops/web/t93sc03_1">http://mops.twse.com.tw/mops/web/t93sc03_1</a>)</p> <p>(III) Implementation of risk management policy and risk measurement criteria: 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.</p> <p>(IV) Implementation of customer policy: According to the "Cathay United Bank Customer Dispute Handling Manual for Business Units," the Bank establishes the standard procedure for settling disputes with customers, and has the officer in charge of disputes with customers record the grievance filed by customers and resolution process thereof in the "dispute reporting system." The Bank also established the consumer review committee mechanism to have significant disputes and special cases rendering more significant influence settled at the review meeting chaired by the Bank's President.</p>	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	
			<p>(V) Purchase of liability insurance for directors and supervisors: “Director, Supervisor, and Manager Liability Insurance” is collectively purchased by Cathay FHC. The insurance policy covers all directors and supervisors of the Bank, and the terms of which are reported during the Bank’s board of directors meetings. These policies are intended to minimize the levels of risk borne by directors, supervisors, and the organization, and to support a robust corporate governance system.</p> <p>(VI) Implementation of donation to political parties, stakeholders and charity organizations: The Bank and its subsidiaries have implemented donation guidelines that require “all donations to political parties, stakeholders, and non-profit organizations in the current year to be disclosed publicly on the Bank’s website.”</p>	



Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
	V		<p>(VII) The Bank also has “Cathay United Bank Director and Supervisor Performance Evaluation Policy” in place to supervise directors in fulfilling their duties, which in turn improves corporate performance and achieves sustainability goals. Indicators include 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, 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.</p> <p>(VIII) The Bank has established its “Board of Directors and Functional Committees Performance Evaluation Guidelines” to involve the board of directors, functional committee members, and meeting organizers in annual performance review of directors/functional committees on five main aspects (including: participation in the Bank’s operations, enhancement of decision quality, composition and structure, member selection and continuing education, and internal control). Performance of the board and functional committees is assigned one of three ratings: Above Standard, Standard, and Substandard. Internal performance assessment on the “Board of Directors and functional committees” was completed for 2021 with “qualitative indicators” self-assessed by directors and functional committee members, 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 no aspect</p>	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	
				or area that required improvement. The outcome of this internal performance assessment was discussed and approved during the Board of Directors meeting dated January 26, 2022, and is indicative of the progress the Bank has made to enhance the Board's functionality.
<p>VII. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies. (Not required if the Company is not one of the evaluated subjects)</p> <p>The Bank is not part of the evaluation</p>				

**(V) Describe the composition, duties and operations of the remuneration committee or nominating committee, if available:**

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

**(VI) Status of ESG practices, and deviation from Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof**

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
I. Does the Bank implement a governance framework that supports corporate sustainability, and designate a unit that specializes (or is involved) in the promotion of corporate sustainability? Is the unit empowered by the Board of Directors and run by senior management, and how does the Board supervise progress?	V		(I) The Bank has assembled a “Cathay United Bank Corporate Sustainability (CS) Task Force” based on the structure of the financial holding company’s “CS Committee” to execute and manage CS-related practices and perfect the promotion and logistic management of CS momentum. The task force comprises representatives from various departments and offices, and enforces CS on three main aspects: environmental (E), social (S) and governance (G). The task force represents the Bank’s primary CS enforcer; its lead committee is assumed by the President, whereas the role of the executive committee is undertaken by the CAO, and the Sustainable Banking Section of the International Audit Department serves as the secretariat. The task force has six panels established to promote “responsible investment, responsible product, sustainability governance, green operation, employee care, and social exclusion.” Together, they work toward fulfilling the Bank’s vision of “creating a sustainable future through green banking.” The CS Task Force convenes quarterly CS conferences to track the progress of each panel and to discuss key issues relating to CS, which help monitor work progress, resolve obstacles, and enforce the Bank’s key initiatives.	No significant difference

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
II. 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		<p>(II) “Cathay United Bank CS Task Force” makes half-yearly reports to the board of directors to explain the Bank’s progress regarding CS vision, organization, systems and performance highlights. By making transparent disclosures on corporate governance and sustainability practice, the Bank strives to fulfill corporate social responsibilities while building its reputation as the leader in “green banking.” Regular reporting also enhances the Board’s strategic role in the promotion of CS and enables CS policies to be implemented from the top down throughout the Bank, thereby urging the Bank to continue support to CS efforts at the required intensity.</p> <p>The Bank has implemented environmental/social/governance risk management guidelines and policies of materiality to assess and address ESG issues that are relevant to its operations. A more detailed explanation is provided below:</p> <p>(I) According to the “ESG and Climate Risk Management Guidelines,” the Bank combines various core competencies, including investment and financing, insurance, underwriting of bonds and wealth management operations, to adopt corresponding ESG management rules applied to mitigate the environment/social/governance risk and seize the environment/social/governance opportunities. Meanwhile, the Bank uses its best effort to optimize the loaning and investment</p>	No significant difference

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
<p>III. Environmental issues</p> <p>(I) Has the Bank established environmental policies suitable for the Company's industrial characteristics?</p>	V		<p>mechanism internally, and improve services and commodities externally, to facilitate the Bank to move forward towards a sustainable future together with the environment and society in which the Bank exists.</p> <p>(II) For each ESG issue brought to attention by different stakeholders, the Bank would conduct the necessary investigations and assessments so that responses and actions can be taken the all stakeholders adequately.</p> <p>(I) In the aspect of operations, the Bank promotes various energy and environment management systems proactively, including ISO14001, ISO50001 and ISO14064-1, in order to find the opportunities to conserve energy, and set the target of carbon reduction and aim for RE100.</p>	No significant difference

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
<p>(II) Does the Bank endeavor to upgrade the efficient use of energy, and the use of environmental-friendly materials?</p> <p>(III) Does the Bank assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?</p>	V		<p>(II) The Bank has digitalized the traditional application service for paper copies completely upon receipt of the Carbon Footprint Label and Carbon Footprint Reduction Label for the “personal unsecured loan service” from the Environmental Protection Administration, Executive Yuan. Customers may complete the application for such service on the Bank’s online banking APP or online banking webpage. Meanwhile, the automated review and allocation of loans may help reduce paper consumption and also emission of the waste gas generated from the communication of paper documents. The carbon emission weighing 8.9KG was generated per transaction of service in 2019, reduced by 27.7% compared to 12.3KG in 2018.</p> <p>(III) The Company follows the Equator Principles and “ESG and Climate Risk Management Guidelines” to identify and evaluate the ESG and climate risks of customers or trading counterparts or asset portfolios. When processing various business and strategy planning, the Bank would also take into account its risk preference, level of impact to be posed by climate risk and frequency and importance of such risk, and adopt responsive measures. Meanwhile, the Bank would evaluate and measure the scope and level of impact posed by the climate risk to the Bank through the analysis of various risk scenarios, and then adopt the corresponding responsive strategies and risk management plan.</p>	No significant difference

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
<p>(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?</p>	V		<p>(IV) Since 2016, the Bank has started to implement the GHG investigation. In 2020, the Bank also extended the investigation to all of its business locations domestically, including the investigation on power consumption, water consumption and waste volume, and already passed ISO14064-1 GHG investigation and certification. The Bank adopts water-conservation equipment at its worksites comprehensively, replaces old energy-consuming equipment actively, and implements the visual energy management system. Meanwhile, the Bank advocates waste reduction from the source of waste, e.g. Reduction of disposable tableware, refusal of cup drinks, removal of personal trash cans, installation of resource recycling bins, and adoption of garbage classification, etc.</p>	No significant difference
<p>IV. Social issues</p> <p>(I) Whether the Bank establishes the related management policies and procedures in accordance with the relevant laws and international human right conventions?</p>			<p>(I) The Bank complies with labor regulations and has management policies and transparent channels in place to promote and protect employees' rightful interest. The Bank adopts practices that conform with globally recognized basic human rights, including freedom of association, collective bargaining, care for the socially disadvantaged, prohibition of child labor, elimination of forced labor, and elimination of employment discrimination. There have been no violation of workers' basic rights.</p>	

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX 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		(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.	No significant difference
(III) Whether the Bank provides the existence of a safe and healthy work environment; regular safety and health training to company employees?			(III) 1. Workplace carbon dioxide levels and lighting are inspected once every six months, whereas drinking fountains are subjected to water quality tests once every quarter. The Bank has a total of 33 nursery rooms at 13 office locations to provide employees with safe and comfortable work environment.	



Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
	V		<p>2. The Bank arranges regular employee health checkups and adopts a tier-based health management system. Physician and 7 professional, full-time nurses are available to provide medical consultation on site. Other services such as blood pressure measurement, EAP (employee assistance program) and health promotion activities have been arranged to address and promote employees' health.</p> <p>3. The Bank organizes on-the-job occupational health and safety training courses and occupational hazard prevention awareness programs on a regular basis, processes the unit zero-occupational disaster incentive project, and appoints the occupational health and safety managers and first-aid staff, in order to protect employees' health and safety.</p> <p>4. The Bank has a total of 214 AEDs deployed throughout. All employees are given practical training on AED+CPR for their own protection as well as safety of customers and the workplace.</p>	No significant difference

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(IV) Has the Bank established some effective career development training plan for employees?	V		(IV) Per the corporate development targets, the Bank plans the career roadmap for various roles and trains all staff in a systematic manner under the five major training systems, including talent training, Head Office personnel training, channel personnel training, new employee training and statutory training. Meanwhile, the Bank makes good use of digital tools to develop diversified digital learning models including the live streaming seminars, podcasts and e-newsletters, and also introduces external digital learning resources, such as hahow for business, HyRead digital library, and Master cheers, etc., in order to encourage its staff to learn voluntarily. By virtue of the diversified learning resources and course design, assisted by the competency evaluation and performance management and development system, the Bank makes every endeavor to promote employees' career and competency development.	No significant difference
(V) Has the Bank complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer or costumer protection policies and complaint procedures?			(V) The Bank has adopted the "Cathay United Bank Consumer Protection Guidelines" in accordance with the consumer protection principles under Article 63 of the "Corporate Governance Best-Practice Principles for Banks," and "Financial Consumer Protection Act." The Bank also adheres to the principles of fairness and reciprocity and discloses various standard contracts on its official website or in writing to help customers understand their interests and rights deserved by them. The Bank has also adopted the relevant regulations and implemented the same precisely with respect to various business policies and grieving procedure, in order to protect customers' interests and rights.	

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(VI) Has the Bank implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	V		(VI) Starting from September 2012, it is mandatory for all supplier contracts to be drafted with the clause that: "Supplier must duly comply with corporate social responsibility requirements, including employment, occupational safety and health, environmental protection and workers' rights, as stipulated in the laws of any location relevant to contract fulfillment. The Bank may also perform audit at any time to evaluate supplier's compliance." Furthermore, the Bank has amended Article 28 of "Notes on Procurement Management" to specify that: "The Bank may blacklist or suspend dealing with suppliers that are in violation of corporate social responsibilities depending on the severity of violation." A set of "Supplier CSR Code of Conduct" was established and announced over the group vendor management system in 2020 to minimize ESG risks and impacts associated with business operations. The Bank invites all supplier partners to commit to a common set of corporate social responsibilities, and in doing so fulfill the organization's sustainability vision of achieving the right balance between economic development, social care, and environmental protection.	No significant difference

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
	V		<p>Cathay Financial Holdings, the Bank's parent company, and subsidiaries have adopted sustainable procurement practices based on ISO 20400 Sustainable Procurement – Guidance and established procurement policies, strategies and supply chain management procedures accordingly since 2018. In 2021, the parent company and subsidiaries engaged suppliers in a number of events including online training and self-assessment to communicate issues concerning sustainability, human rights, and environmental protection.</p> <p>The Bank passed certification for CNS45001 and ISO45001 - Occupational Health and Safety, which requires the establishment of the regulations governing the review of health and safety of procured goods and contractor management regulations.</p>	No significant difference

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
V. Does the Bank prepare sustainability 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		<p>(I) The Bank’s parent company, Cathay FHC, prepares the “ESG Report” in accordance with the core options defined under the Global Reporting Initiative (GRI) Standards (“GRI Standards”), and also the SDGS of the United Nations, primarily covering the major subsidiaries of Cathay FHC (including Cathay Life Insurance Co., Ltd, Cathay United Bank Co., Ltd, Cathay Century Insurance Co., Ltd, Cathay Securities (including Cathay Futures), Cathay Securities Investment Trust Co., Ltd, and Cathay Venture Inc.). The Report is based on each subsidiary’s diversified financial competencies, as well as the three major ESG strategic development axes, namely “Climate, Health and Empowerment,” as the Group’s long-term strategic execution orientation, covering the matters including implementation of the ESG system framework, analysis of materiality and stakeholders &amp; issues concerned by the stakeholders, promotion of corporate governance, realization of the inclusive finance, development of sustainable environment and business management, and future orientations and targets. The Report is also posted on the official website of Cathay FHC which may be accessed by the public.</p> <p>(<a href="https://www.cathayholdings.com/holdings/csr/intro/csr-report">https://www.cathayholdings.com/holdings/csr/intro/csr-report</a>)</p>	No significant difference

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
	V		<p>(II) Validation and assurance of report:</p> <ol style="list-style-type: none"> <li>1. The Bank’s parent company has engaged BSI Taiwan Branch to validate the report for High-level Assurance GRI Standard – core option and AA1000 AS v3 Type 2. A copy of BSI’s independent assurance statement has been provided in the appendix of the report.</li> <li>2. The Bank’s parent company engages PwC Taiwan to perform independent assessment and provide limited assurance, subject to the ESG performance chosen in the Report prepared based on GRI Standards and SDGs comparison results thereof, using the standards published by the Accounting Research and Development Foundation in Statement of Assurance Principles No. 1 – “Audit and Review of Non-financial Information” (which was established in reference to International Standard on Assurance Engagements; ISAE3000). A copy of the limited assurance report has been included in the appendices of the ESG Report.</li> <li>3. The Bank prepares self-assessment reports on compliance with United Nations Principles for Responsible Banking (PRB), and engages PwC Taiwan to provide limited assurance on certain aspects of its operation that are relevant to PRB. A copy of the limited assurance report has been presented on the CS section of the Bank’s website and in the appendices of the parent company’s sustainability report.</li> </ol>	No significant difference

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
<p>VI. If the Bank has established sustainable development principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation:</p> <p>In light of rising ESG awareness throughout the world, the Bank’s parent company has responded with the introduction of “Cathay Financial Holdings Corporate Sustainability Best-Practice Principles” and assembled a “CS Committee” to help broaden its global 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.</p>				
<p>VII. Other information material to the understanding of the ESG practices:</p> <p>(I) The Bank was the first in the industry to contribute to the field of art, starting with the establishment of the Culture and Charity Foundation of the Cathay United Bank in 1980, followed by the founding of the Cathay United Art Center in 2000. Driven by its mission to “give back to society,” the Bank has promoted the education and charity business proactively through the Foundation, including education for children and juveniles, charity activity, art &amp; culture activity and other sponsorships, to fulfill its corporate social responsibility. The Foundation’s major activities are briefed as follows:</p> <p>1. Education for children and juvenile:</p> <p>(1) Elevated Tree Program – Grow A Big Tree From A Shoot:</p> <p>Continue to promote the "Elevated Tree Program" to root the education and help the child students learn without worry, train their self-confidence and develop their future. The “Elevated Tree Program Scholarship” implemented in 2021 has assisted a total 6,784 disadvantaged child students in paying their tuition and miscellaneous expenses, processing fees and after-school program fees.</p> <p>In order to extend the spirit of the Elevated Tree Program - Grow A Big Tree From A Shoot, the Bank also encouraged students to engage in physical education activities in 2021. The “Elevated Tree Program - Physical Education Donation” was applied to support elementary schools’ and junior high schools’ promotion of the physical education spirit, train child students’ self-discipline and teamwork, and help them discover themselves through participation in large-size sports games.</p> <p>In 2021, the Bank sponsored 10 sports teams, including the soccer team of Nantou County Shuili Elementary School, for participation in</p>				

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
<p>sports games, training expenditure and purchase of the relevant gear, and also sponsored the organization of 3 games of the “Xucun Cup National Juvenile Soccer Competition.”</p> <p>(2) Activities co-organized by Cathay Charity Group:</p> <p>The Bank participated in “Cathay Scholarship,” “Teach For Taiwan (TFT),” “Cathay Dream Come True Project for Child Students,” “After-School Care Program in Rural Areas” and “Giving Winter Warmth,” and was involved in the preparation of Cathay Charity Group annual report.</p> <p>2. Art and cultural events:</p> <p>Based on the core philosophy of support for the local arts and promotion of art education, Cathay United Art Center organizes the art exhibitions and seminars periodically to provide Taiwan’s artists with the stage for their performance and also enable the public to have the chance to appreciate, and learn from, the arts without charge. Due to the raging epidemic, only 5 art exhibitions and 5 art lectures were organized in 2021. Meanwhile, in response to Cathay Arts Festival, the new century potential painting was exhibited. Further, it also designed Cathay Financial Group’s art calendar based on the theme “Finding the Light, Finding the Future”, in order to promote the beauty of the good deed.</p> <p>3. Charity and sponsored activities:</p> <p>In order to extend the care for indigenous people and social &amp; business development, in 2021, the Bank procured the homemade products from the “Down Syndrome Foundation of the R.O.C.,” “Yu-cheng Social Welfare Foundation” and “Pingtung Christian Bethany Home (PCBH),” out of the intent to create the demand and supply through the procurement project and also the revenue for the social welfare organizations; provided financial aid to the “Bunun Cultural and Education Foundation” to help it maintain park operations and promote the tourism to train the Bunun people’s self-sufficiency ability; sponsored PCBH to have the service recipients exercise their own abilities and find their self-confidence and value through the diversified service models; sponsored the “84th Tai-Yang Arts Exhibition” by Tai-Yang Art Association; and sponsored the “45th Oil Painting Competition and Exhibition” by the Republic of China Oil Painting Association.</p> <p>(II) Cathay Financial Group upholds the three major ESG axes, namely “Climate, Health and Empowerment.” Among the other things, the Bank continues to practice the occupational empowerment, implement diversified and inclusive corporate culture to provide friendly workplaces,</p>				



Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
<p>provide various training channels for employee empowerment, and train various emerging skills, in order to ensure that the employees may grow with the company together in the mid of digital wave. Cathay believes that youth empowerment may lay the foundation for society's progress. In order to shorten the divide between higher education and the job market for the youth and train their soft/hard power in workplaces, the Bank works with various colleges/universities throughout Taiwan to provide multiple industry-academia cooperation projects and internship projects that may help improve the youth's competitiveness in workplaces. The Bank took the initiative to establish the "Southeast Asia industry-academia cooperation master program" and "International CMA," to reserve the local students in Southeast Asia through the industry-academia cooperation, from life to financial talent training, so as to establish a stable source of professionals, integrate with the occupational empowerment and youth empowerment, provide employment opportunities and mitigate inequality.</p> <p>(III) The Bank continues to promote inclusive financial education, by publishing research reports and investment insights on its official website periodically. The Bank also accelerates the digitalized applications and produces diversified content subject to the different generation and attributes of customers, e.g. online forums, seminars, and audiovisual programs, and invite domestic/overseas renowned masters to share their views and open the seminars to the public online for free. Meanwhile, the Bank would also work with external renowned financial and economic bloggers and talk shows to communicate the correct wealth management concepts and financial knowledge, in order to improve the nationals' financial literacy and mitigate financial weakness.</p> <p>(IV) For the consumer banking services, the Bank has promoted the whole online credit loan services since 2017, and expanded the scope of applicability to provide more diversified and robust online financial services year by year. In April 2021, the Bank received the "Carbon Footprint Label" for the "personal unsecured loan service" from the Environmental Protection Administration, Executive Yuan, ahead of the others in the industry. Then, it attained the target of carbon emission by 3% and received the "Carbon Footprint Reduction Label" at the same time within one year. All of these reflect the specific efforts it made to mitigate the effects posed by climate change.</p> <p>(V) Below is a summary of main environmental protection events the Bank had organized in 2021:</p> <ol style="list-style-type: none"> <li>1. The President succeeded in assuming the responsibility for KPI zero-carbon target, and led the staff to achieve the target jointly. He also promised to attain the RE100 in 2030.</li> <li>2. Domestically, the Bank is the first bank to receive the Carbon Footprint Label and Carbon Footprint Reduction Label for the "personal</li> </ol>				

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
<p>unsecured loan service”.</p> <p>3. The Bank promotes financial digitalization. The number of paper reduced within one year implies that the Bank has planted 160,000 trees within one year.</p> <p>4. The Bank is the first one to show the willingness to follow the United Nations Principles for Responsible Banking (PRB) voluntarily and also pass the assurance. The Bank also takes into account the ESG factors in the green finance investment and loan.</p> <p>5. The Bank establishes the environmental protection education planning balancing theories and practice at the same time (online and tangible courses, beach cleaning and family activities).</p> <p>6. The Bank invites customers to join the “Life Carbon Footprint Calculator” on the official website, in order to realize the importance of carbon reduction in daily life. The Bank responds to the green consumption cycle philosophy promoted by the Environmental Protection Administration, urging the staff to participate in the environmental protection reward points collection activity to make the “green consumption” become a part of their life. The Bank organizes the charity bazaar for second-hand sales to reduce the waste from the source and respond to the green life initiative.</p> <p>(VI) Below is a summary of main health promotion events the Bank had organized in 2021:</p> <p>1. Cathay Financial Group organized a “Weight Loss Program” to promote healthy lifestyles, proper exercise habits, and a healthy diet, and thereby improving the health and energy of its employees. The Bank’s employees achieved a total weight loss of 2.3 tonnes, for which the financial holding company made a donation of NT\$100 per KG (no more than NT\$2 million) to charity causes. The Bank will continue working with the Group to promote the health of its employees in the future.</p> <p>2. In response to the Group’s policy, the Bank uses the best effort to work on the green operation and construction of a sustainable homeland. In 2021 when the epidemic became sluggish, the Bank continued to respond to the environmental initiatives, organized the beach cleaning activity to combine the family environmental education, and also invited suppliers to participate in the activity altogether to fight for the environmental protection. The three beach cleaning events were attended by more than 200 participants including the employees of Cathay United Bank and their family members, and also suppliers. The marine litters totaling 171KG have been cleaned.</p> <p>3. The Bank organized its “2021 Blood Donation” event and invited participation from employees, customers and the general public. In addition</p>				

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
			<p>to the health benefits (such as increased metabolism), donors also received exquisite concessions prepared by the Bank. A total of 4 sessions were held in this year, all of which received overwhelming responses from the local community, and resulted in 880 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.</p> <p>4. The Company has been organizing a Working Mother Protection Program since June 2016 to support maternal health. The program not only offers employees the benefit to apply for childcare concessions, but also uses questionnaires to evaluate employees’ childcare needs and provide relevant assistance. A total of 219 pregnant employees applied for maternal concessions, while 179 female employees applied for post-labor concessions and 81 male employees applied for parental concessions in 2021.</p> <p>(VII) With the construction of the branches’ automatic service areas and online banking facility, and installation of iPad devices, the automatic service experience of customers is improved, which also provides guidance to customers in the application and use of digital functions. In addition, the objective of customers’ use of digital instruments is improved, such that paper use quantity is reduced, and the carbon emission due to transportation necessary for customers to travel to the counter for transactions in person can be reduced, thereby achieving contributions to the mitigation of SDG climate change. A total of 165 branches were all staffed with guidance specialists and also equipped with accessibility service counters to assist the physical disabled in various financial services. Among the other things 109 branches out of them also provided the ATMs applicable to citizens moving with wheelchairs.</p> <p>(VIII) The branches’ power conservation challenges have helped conserve the power by about 590,000 kWh compared to the same period last year. By virtue of the visual energy management system, the Bank monitored the power status of equipment after work and promoted the branches’ improvement. It has completed the marking of an air-conditioning zone in 33 branches (expected to complete the marking in the remaining 132 branches in 2022) to help the branches save power.</p> <p>(IX) The selection of relocation subject matter of the Bank and the planning of decoration of branches are required to comply with fire control and building related laws and regulations, and such selection and planning are made based on the consideration of avoiding social concerns, cultural asset or world heritage sites and monuments or any disputable and sensitive subject matters.</p> <p>(X) In order to respond to the “2030 Bilingual National Policy Development Blueprint,” the Bank has completed the bilingual environmental facilities and signs for 52 branches, and is expected to complete the same for the remaining branches by 2030.</p>	

Implementation items	Implementation Status			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(XI) The Bank responds to the “Trust 2.0” program promoted by the FSC proactively, in order to practice the inclusive financial value of trust. The Bank has launched the “Micro Nursing Trust” claiming the three major characteristics in July 2021, i.e. acceptance of pre-application, no threshold and requirement of upfront payment for NT\$999 only, with respect to the nationals who are about to attain 55 years old or above, in order to provide nationals with more convenience nursing service. Meanwhile, the Bank also continued to promote the trust planning in the community or via newspapers and media, and combined with trust services to encourage nationals to arrange for the trust planning as early as possible to prevent the financial exploitation, such as elderly scams, and aim to protect nationals’ financial security at old age.				
(XII) 1. Promote e-bills proactively, respond to environmental protection trends, reduce paper consumption, and lay the foundation for ESG development. 2. Expand the online applications for card issuance and transaction acquisition services, and reduce the carbon emission generated from printing application forms and business correspondences. 3. Provide the functions, such as cloud signature and online (network) transactions, via channels to reduce the printing quantity of written correspondences significantly. 4. Guide customers to adopt the green consumption and change the transportation means by replacing scooters or cars with mass transportation means, through promotional materials, in order to reduce carbon emission, e.g. credit card reward programs partnered with organic food and drink merchants, THSR and MRT, etc.. 5. Set up the financial service stations to provide residents in communities/rural areas with education on digital finance and ATMs and digital account application services, hoping to lower the threshold for consumers to use the FinTech products and accelerate the popularization of digital finance.				

**(VII) Enforcement 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	
<p>I. Enactment of ethical management policy and program</p> <p>(I) Has the Bank established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?</p>	√		<p>(I) According to Article 12 of the United Nations Convention against Corruption, all member countries shall, in accordance with the fundamental principles of its legal system, undertake measures to prevent corruption, and ensure that effective internal control systems are adopted by businesses to prevent and discover corruption. “Integrity” is Cathay’s most important value, for which Cathay FHC has established “Business Integrity Policy and Code of Conduct” and “Business Integrity Procedures and Behavioral Guidelines” in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” published by Taiwan Stock Exchange Corporation and Taipei Exchange and implemented with the approval of the board of directors. The Bank engages in commercial activities out of the utmost fairness, honesty, faithfulness and transparency, and takes pro-active actions to prevent act of dishonesty. The Bank has established a set of “Business Integrity Procedures and Behavioral Guidelines” based on Cathay FHCs’ “Business Integrity Policy and Code of Conduct” and local</p>	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
	V		<p>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. A set of “Cathay United Bank Corporate Governance Guidelines” has been established in accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and “Corporate Governance Best-Practice Principles for Banks” following approvals sought in the 12th meeting of the 14th board of directors held on April 28, 2016 (the most recent amendment was approved in board of directors meeting dated August 20, 2020) to support a sound corporate governance system. The Guidelines state that the Bank is bound to uphold integrity principles and respect and protect the rightful interests of shareholders, customers, employees, consumers, local communities, and other stakeholders of the Bank.</p>	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
<p>(II) Has the Bank developed systematic practices for assessing integrity risks? Does the company 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”?</p>	V		<p>(II) The Bank has established internal rules for various business activities, and implemented robust systems to verify transactions, regularly review employees’ conducts, rotate job duties and thereby minimize integrity risks. All new products and services have to undergo rigorous review procedures and risk assessments before launch for the protection of consumers’ and stakeholders’ interests.</p>	No significant difference
<p>(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?</p>			<p>(III) “Cathay Financial Holding Co., Ltd. Business Integrity Policy and Code of Conduct” and “Cathay United Bank Business Integrity Procedures and Behavioral Guidelines” clearly outline behavioral guides, disciplinary actions and grievance systems on a broad range of issues including business ethics, workplace conducts, compliance, prevention of conflicting interest, gifting/treatment, bribes/kickbacks, political donation, sponsorship, confidentiality, fair trading, insider trading, AML and maintenance of work environment; all of which have been duly implemented. Meanwhile, other policies such as “Cathay</p>	

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	
<p>II. Implementation of ethical management</p> <p>(I) Has the Bank assess a trading counterpart’s ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?</p>	V		<p>United Bank Unethical Conduct or Misconduct and Complaint Handling Policy” and “Cathay United Bank Employee Reward and Disciplinary Policy” 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 Company 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.</p> <p>(I) Prior to engaging in commercial transactions, the Company first considers the legitimacy and reputation of its counterparties and avoids dealing with those that exhibit a history of dishonest conduct. All contracts signed with counterparties include terms that outline integrity obligations to be fulfilled by contract principals. The Bank is entitled to terminate a contract with any counterparty that exhibits dishonest conduct.</p>	No significant difference



Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
<p>(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)?</p> <p>(III) Has the Bank defined any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?</p>	V		<p>(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.</p> <p>(III) According to “Cathay United Bank Business Integrity Procedures and Behavioral Guidelines,” if a director, or a corporate entity represented by the director, holds conflicting interest with respect to a motion proposed in a board of directors meeting, the director shall explain key details of the conflicting interest during the current meeting session and may still express opinions and answer queries but must not participate in the discussion or voting of such motion. In addition, the director may not exercise voting rights on behalf of other directors with respect to the motion. Furthermore, all personnel regulated in the abovementioned behavioral guidelines are bound to report to the line manager and relevant</p>	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(IV) Has the Bank implemented an effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees’ compliance with various preventions against dishonest conduct?	V		<p>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.</p> <p>(IV) The Bank devises audit plans according to “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” and risk assessment outcome of its risk-driven internal audit system; it conducts general as well as special audits on business activities performed by Head Office, domestic (overseas) branches and subsidiaries, and engages CPAs to perform regular audit on the internal control system.</p>	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
<p>(V) Has the Bank organized internal/external education training program for ethical management periodically?</p> <p>III. Status of the Bank’s complaint system</p> <p>(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?</p>	V		<p>(V) The Bank organized multiple training programs on ethical management-related issues in 2021 (e.g. training on integrity and ethics, fair dealing policy, AML/CFT and whistleblowing system). These sessions received a total of 55,814 enrollments and delivered 62,222 man-hours of training.</p> <p>(I) “Cathay United Bank Whistleblower Guidelines” and “Cathay United Bank Whistleblower Policy” have been established based on “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” and “Cathay Financial Group Whistleblower System.” These policies are intended to build a corporate culture of integrity and transparency, promote sound business practices, and encourage people with knowledge to report misconduct so that the incident can be addressed quickly and properly before it escalates, and thereby prevent damage to the Bank’s reputation. Details of available whistleblower channels have been disclosed on website, and the Compliance Department has been appointed to accept misconduct reports.</p>	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(II) Has the Bank implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	V		(II) The Bank has developed investigation procedures based on the above whistleblower guidelines and policy, and outlined subsequent actions and confidentiality measures to be undertaken after completion of investigation.	No significant difference
(III) Has the Bank adopted any measures to prevent the complainants from being abused after filing complaints?			(III) The Bank has adopted whistleblower protection to protect informants from improper treatment, including: <ol style="list-style-type: none"> <li>1. Confidentiality over the informant’s identity, and prevention against leakage of any information that can be used to establish informant’s identity.</li> <li>2. Assurance that whistleblowers are not subjected to adverse treatment of any kind, such as dismissal, relief of duty, demotion, salary cut, or any loss of benefit that they are entitled to under laws, contracts or customary practices, as a result of the reports they raise.</li> </ol>	

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	
<p>IV. Enhancing Information Disclosure</p> <p>Has the Bank has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?</p>	V		<p>The Bank has disclosed “Cathay United Bank Business Integrity Procedures and Behavioral Guidelines” on its Chinese and English website: <a href="https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/#first-tab-04">https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/#first-tab-04</a>;</p> <p>The Bank has also complied with “Mandatory Disclosure Guidelines for Bank Annual Reports” and discloses execution of integrity policy in its annual report, which can be found at: <a href="https://cathaybk.com.tw/cathaybk/about/about/finance/">https://cathaybk.com.tw/cathaybk/about/about/finance/</a></p>	No significant difference
<p>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:</p> <p>No deviation was found.</p>				
<p>VI. Other information material to the understanding of ethical management operation (e.g. discussion of amendments to the Bank’s business integrity code of conduct):</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Active prevention of financial crime: All subsidiaries of Cathay Financial Holdings have duly completed the Know Your Customer (KYC) process and conducted product suitability reviews based on customers’ investment profile and product risk rating. Furthermore, customers aged 70 or above and high-risk customers/transactions are subjected to enhanced control. The Bank monitors extraordinary and unusual transactions through its internal audit system, and has outlined in its work rules and policies the behaviors that employees are bound to obey as well as disciplinary systems. Training is organized on a yearly basis to promote employees’ awareness toward laws such as Money Laundering Control</li> </ol>				

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	
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.**

Please visit the “Corporate Governance” section on the Bank’s official website for details.

<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/>

## **(X) Implementation of the internal control system**

### **Declaration of Internal Control System of Cathay United Bank**

On behalf of Cathay United Bank, we hereby declare that, between the period January 1 and December 31, 2021, 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 regularly reported to the Board of Directors and supervisors. Meanwhile, the Bank has also strictly complied with the subparagraph 5, Article 38, Article 38-1 of said Rules, as well as the information security self-disciplinary regulations adopted by the relevant trade associations. With regards to the Bank’s concurrent involvement in the securities business, we also evaluated to confirm whether 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” were effective. With regards to the Bank’s concurrent involvement in the insurance agency business, we also evaluated to confirm whether the design and execution of internal control system using the effectiveness criteria specified in the “Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies” were effective. 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, legal compliance and information security tasks during the year.

This declaration constitutes part of the Bank’s annual report and prospectus, and shall be disclosed to the 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.

To

Financial Supervisory Commission

Stated by:

Chairman: Andrew Ming-Jian Kuo

President: Alan Lee

Chief Auditor: Su-Chu Li

Chief Compliance Officer: Yeun-Wei Hwang

CIO: Jian-Hsing Wu

March 11, 2022

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

**(Baseline date: December 31, 2021)**

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
<p>The plan to revise the information system and equipment software needs to be improved. The urgent response operations for abnormality is defective.</p>	<ol style="list-style-type: none"> <li>1. The large-size project launch management operations need to be improved. The test on projects needs to be improved in width and depth, and so does the preparation of related response plans.</li> <li>2. The Bank will complete said response plan and drills by Q2 this year to ensure the completeness of the project launch and response system.</li> <li>3. The Bank will sort out and strengthen the information system changes management and launch system throughout the Bank, in order to mitigate the system launch risk and ensure perfect customer service.</li> </ol>	<p align="center">Rectified</p> <p align="center">2022/6/30</p> <p align="center">2022/12/31</p>



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

Cathay United Bank Co., Ltd.:

We have completed the due diligence investigation on the accuracy of regulatory reports, execution of internal control system and compliance system and adequacy of bad debt allowance provision policy, and the personal data protection projects, of Cathay United Bank Co., Ltd. in 2021. Given that the due diligence process was determined by the Company, 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 Company 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 Company's management. The procedures chosen by us as auditors, along with our findings, have been disclosed in the Appendix.

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 adequacy of bad debt allowance provision policy, and the personal data protection projects, of Cathay United Bank Co., Ltd. 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 Company 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, 2022

**(XI) Penalties imposed against the Bank in the last 2 years up till the publication date of this annual report; describe the weaknesses found, the improvements made, and provide the following disclosures:**

Disclosure	Motion	Improvement
<p>I. Indictment of the Company’s statutory responsible person or an employee by prosecutors for crimes committed on the job.</p>	<p align="center">None</p>	
<p>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 of the Republic of China, 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.</p>	<p>(I) A former financial advisor of the Banqiao Branch was found to have embezzled customers’ funds, failed to establish insurance applicants’ needs, and failed to check the solicited applications before submission. These defects were in violation of Paragraph 1, Article 45-1 of The Banking Act and Article 6 and Paragraph 1, Article 7 of the “Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies,” for which a fine of NT\$12 million was imposed out of concern for the robust banking operations. Furthermore, pursuant to Subparagraph 1, Paragraph 1, Article 164-1 of the Insurance Act and Subparagraph 2, Paragraph 1, Article 61-1 of the Banking Act, the Bank’s Banqiao Branch was suspended from soliciting</p>	<p>The Company has enhanced its control over non-counter transactions, its assessment of customers’ insurance needs and product suitability, its identification of abnormal insurance transactions, and the monitoring of cash flow between financial advisors or related accounts and customers. Meanwhile, on-site audits, self-audits, and training are being conducted at high intensity to promote employees’ compliance awareness.</p>

Disclosure	Motion	Improvement
	<p>new insurance brokerage and money trust customers for one month each, starting from the effective date of penalty, and may resume service only when improvements are approved by the FSC.</p> <p>(Letter Jin-Guan-Yin-Kong-Zi No. 10902743842 of December 31, 2020)</p>	
<p>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.</p>	<p>(I) Former employee of Anhe Branch was found to have embezzled customers' funds, for which an order of correction was issued in accordance with Paragraph 1, Article 61-1 of the Banking Act out of concern for the integrity of business operations.</p> <p>(Letter Jin-Guan-Yin-Kong-Zi No. 10902743841 of December 31, 2020)</p>	<p>The subsidiary has abolished the practice of manually stamping the collection seal; statements are now printed automatically by the system with warning messages to prevent fraud.</p>
<p>IV. Other disclosures required by the Financial Supervisory Commission.</p>	<p>None</p>	

**(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 Appendix II.

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

None.

**(XIV) Resignation or dismissal of personnel related to financial statement preparations (including the chairman, president, head of finance, head of accounting, chief internal auditor and corporate governance officer) in the most recent year up till the publication date of annual report:**

None.

## V. Professional Fees to the CPA

### Professional Fees to the CPA

Amount Unit: NT\$ thousand

Accounting firm name	Names of Auditors	Audit period	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Cheng-Hung Kuo	2021.01.01	9,144	13,571	22,715	-
	Hsu-Jan Cheng	~ 2021.12.31				

Note 1: If the CPAs or public accounting firms for the Company were replaced during the year, the duration of their audit engagement should be separately disclosed, and the reason for replacement should be explained in the remark section, and information such as audit and non-audit fees paid should be disclosed in said sequence: None.

Note 2: The contents of non-audit fees for the current year are primarily tax certification, consultation, transfer pricing, audit on personal data protection, financial consulting and computer system information security evaluation, etc.

Note 3: The decrease in the audit fees by NT\$2,136,000, i.e. 19%, from the previous year primarily resulted from the Bank's classification of tax certification and consulting service fees into the non-audit fees in response to the amendments to the "Regulations Governing Information to be Published in Annual Reports of Public Companies" this year.

## 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 Appendix 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 10 shareholders

Baseline date: March 31, 2022

Name	Under own name Number of shares held		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.	10,698,582,892	100%	-	-	-	-	-	-	-

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

Aggregate shareholding percentage

Baseline date: March 31, 2022 Unit: shares; %

Invested enterprise	Owned by the Bank		Owned by Directors, Supervisors, President, Vice Presidents, Assistant 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
<b>Financial institutions</b>						
Taiwan Depository and Clearing Corporation	739,142	0.17%	-	-	739,142	0.17%
Taipei Forex Inc.	800,000	4.04%	-	-	800,000	4.04%
Global Securities Finance Corporation (Note 1)	0	2.46%	-	-	-	2.46%
Taiwan Futures Exchange Co., Ltd.	2,622,046	0.62%	-	-	2,622,046	0.62%
Financial Information Service Co., Ltd.	12,576,746	2.41%	-	-	12,576,746	2.41%
Taiwan Finance Corporation	126,813,700	24.57%	-	-	126,813,700	24.57%
IBF Securities Co., Ltd.	87,703,335	10.32%	-	-	87,703,335	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%
Sunny Asset Management Co., Ltd.	562,299	9.37%	-	-	562,299	9.37%
Visa (Note 2)	116,426	0.02%	1,200	0.00%	117,626	0.02%
Indovina Bank Limited (Note 3)	-	50.00%	-	-	-	50.00%
Cathay United Bank (Cambodia) Corporation Limited	100,000,000	100.00%	-	-	100,000,000	100.00%
Taiwan Mobile Payment Company	2,400,000	4.00%	-	-	2,400,000	4.00%
Philippine Clearing House Corporation	21,000	1.69%	-	-	21,000	1.69%
Quantifeed Holdings Limited	2,829,225	7.80%	-	-	2,829,225	7.80%
Cathay United Bank (China) Limited (Note 3)	-	100.00%	-	-	-	100.00%
Srisawad Corp PCL	63,127,254	4.60%	-	-	63,127,254	4.60%

Invested enterprise	Owned by the Bank		Owned by Directors, Supervisors, President, Vice Presidents, Assistant 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
<b>Non-financial institutions</b>						
AnFeng 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%
China National Goods Promotion Center Co., Ltd.	18,500	4.87%	-	-	18,500	4.87%
Development International Investment Co., Ltd.	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%
Hantong Venture Capital Co., Ltd.	7,091,512	12.95%	-	-	7,091,512	12.95%
YuHua Venture Co., Ltd.	19,999	5.00%	-	-	19,999	5.00%
Harbinger Venture Capital Co., Ltd.	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. (Note 4)	900,000	2.16%	-	-	900,000	2.16%

Note 1: Global Securities Finance Corporation passed a resolution during the 2020 annual general meeting to dissolve the company, and the baseline date for dissolution was set at June 30, 2020. The company is still in its liquidation stage, but the Bank had already surrendered its physical share certificates to the share transfer agent in December 2020 to facilitate distribution of residual assets.

Note 2: 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.

Note 3: Indovina Bank and Cathay United Bank (China) do not issue shares.

Note 4: 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.



## Four. Capital Overview

### I. Capital and Shares

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

#### (I) Capital Source

Baseline date: March 31, 2022 Unit: shares/\$

Date	Issue price	Registered Capital		Total Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Capital Source	Others
2003.10	10	4,318,240,663	\$43,182,406,630	4,318,240,663	\$43,182,406,630	-	-
2005.06	10	4,642,051,816	\$46,420,518,160	4,642,051,816	\$46,420,518,160	Capitalization of earnings NT\$ 3,238,111,530	Note 1
2006.11	10	4,868,941,336	\$48,689,413,360	4,868,941,336	\$48,689,413,360	Cash issue totaling NT\$ 2,268,895,200 for the merger of Lucky Bank	Note 2
2009.09	10	5,227,702,586	\$52,277,025,860	5,227,702,586	\$52,277,025,860	Capitalization of earnings NT\$ 3,587,612,500	Note 3
2013.08	10	6,142,471,362	\$61,424,713,620	6,142,471,362	\$61,424,713,620	Capitalization of earnings NT\$ 9,147,687,760	Note 4
2013.09	37	6,466,849,362	\$64,668,493,620	6,466,849,362	\$64,668,493,620	Private cash issue of NT\$ 12,001,986,000, which increased paid-up capital by NT\$ 3,243,780,000	Note 5
2014.06	10	6,711,276,198	\$67,112,761,980	6,711,276,198	\$67,112,761,980	Capitalization of earnings NT\$ 2,444,268,360	Note 6
2015.06	10	6,947,960,503	\$69,479,605,030	6,947,960,503	\$69,479,605,030	Capitalization of earnings NT\$ 2,366,843,050	Note 7
2016.06	10	7,209,981,464	\$72,099,814,640	7,209,981,464	\$72,099,814,640	Capitalization of earnings NT\$ 2,620,209,610	Note 8
2017.06	28	7,745,624,324	77,456,243,240	7,745,624,324	77,456,243,240	Private cash issue of NT\$ 14,998,000,080, which increased paid-up capital by \$ 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

Date	Issue price	Registered Capital		Total Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Capital Source	Others
2019.11	20	10,165,835,208	101,658,352,080	10,165,835,208	101,658,352,080	Private cash issue of NT\$ 10,000,000,000, which increased paid-up capital by NT\$ 5,000,000,000	Note 13
2020.06	10	10,698,582,892	106,985,828,920	10,698,582,892	106,985,828,920	Capitalization of earnings NT\$ 5,327,476,840	Note 14

Note 1: Approved by FSC under Letter No. Jin-Guan-Zheng-I-Zi No. 0940124410 dated June 24, 2005.

Note 2: Approved by FSC under Letter No. Jin-Guan-Zheng-I-Zi No. 0950150920 dated November 15, 2006.

Note 3: Approved by FSC under Letter No. Jin-Guan-Zheng-I-Zi No. 0980048422 dated September 22, 2009.

Note 4: Approved by FSC under Letter No. Jin-Guan-Zheng-Fa-Zi No. 1020027960 dated July 24, 2013.

Note 5: Approved by FSC under Letter No. Jin-Guan-Yin-Kong-Zi No. 10200250381 dated September 18, 2013.

Note 6: Approved by FSC under Letter No. Jin-Guan-Zheng-Fa-Zi No. 1030021170 dated June 10, 2014.

Note 7: Approved by FSC under Letter No. Jin-Guan-Zheng-Fa-Zi No. 1040022239 dated June 18, 2015.

Note 8: Effected by FSC on June 22, 2016.

Note 9: Approved by FSC under Letter No. Jin-Guan-Yin-Kong-Zi No. 10600114621 dated May 31, 2017.

Note 10: Effected by FSC on June 13, 2017.

Note 11: Effected by FSC on June 19, 2018.

Note 12: Effected by FSC on June 21, 2019.

Note 13: Approved by FSC under Letter No. Jin-Guan-Yin-Kong-Zi No. 10802216072 dated November 21, 2019.

Note 14: Effected by FSC on June 29, 2020.

Unit: shares/\$

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

## (II) Shareholder structure

Baseline date: March 31, 2022

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

(III) Distribution of equity

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

Baseline date: March 31, 2022

Shareholding levels	Number of shareholders	Number of shares	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 40,000	—	—	—
40,001 to 50,000	—	—	—
50,001 to 100,000	—	—	—
100,001 to 200,000	—	—	—
200,001 to 400,000	—	—	—
400,001 to 600,000	—	—	—
600,001 to 800,000	—	—	—
800,001 to 1,000,000	—	—	—
Over 1,000,001	1	10,698,582,892	100%
Total	1	10,698,582,892	100%

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

2. Preferred shares: None.

(IV) List of major shareholders

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

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

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

Item		Year (Note 8)	2020	2021	As of March 31, 2022
		Market Share Price (Note 1)	Highest	-	-
	Lowest	-	-	-	
	Average	-	-	-	
Share Book Value (Note 2)	Before payout	22.65	23.03	23.03	
	After payout	21.20	Not yet resolved in a shareholder meeting	-	
Earnings Per Share (Note 3)	Weighted Average No of Shares	10,698,582 thousand shares	10,698,582 thousand shares	10,698,582 thousand shares	
	Earnings Per Share	Before Adjustment: 2.04	2.18	0.63	
		After Adjustment: 2.04			
Per Share Dividend	Cash Dividend	1.45	Not yet resolved in a shareholder meeting	-	
	Stock Dividend	From Retained Earnings	-	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 Board of Directors or 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 = average share market price / earnings per share.

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

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

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

## (VI) Dividend Policy and Implementation

### 1. Dividend Policy and Implementation:

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

### 2. Details of 2021 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\$1,892,039,519
- (2) Net fair value impact from disposal of investment property: NT\$(15,363,543)
- (3) Legal reserve: NT\$7,566,261,520
- (4) Special reserve: NT\$6,090,474
- (5) Distribution of stock dividends: NT\$1,612,826,350
- (6) Distribution of cash dividends: NT\$16,047,874,336

## (VII) Impacts of proposed stock dividends on the Company'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 2021:

- (1) Proposal was made to pay out employee remuneration of NT\$13,367,782 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 2021.

(IX) Buyback of own shares:

None.

## II. Issuance of bank debentures

Type of bank debenture	2012 1st financial debenture issue	2012 2nd financial debenture issue	2013 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. 10100108800 dated April 18, 2012	Letter No. Jin-Guan-Yin-Kong-Zi No. 10200029320 dated February 19, 2013 by FSC
Date of issue	2012.6.6	2012.8.7	2013.4.24
Face value	NT\$10 million	NT\$10 million	NT\$10 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	NT\$	NT\$	NT\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	NT\$4.2 billion	NT\$5.6 billion	NT\$9.9 billion (10 years, NT\$9.9 billion)
Interest rate	1.65%	1.65%	1.70%
Duration	10 years Expiration date: June 6, 2022	10 years Expiration date: August 7, 2022	10 years Expiration date: April 24, 2023
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\$4.2 billion	NT\$5.6 billion	NT\$9.9 billion
Paid-up capital in the previous year	NT\$52.277 billion	NT\$52.277 billion	NT\$52.277 billion
Audited net worth in the previous year	NT\$90.358 billion	NT\$90.358 billion	NT\$103.045 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	4.65	10.85	19.12
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: May 30, 2012, twAA	Taiwan Ratings: August 1, 2012, twAA	Taiwan Ratings: July 24, 2013, twAA-

Type of bank debenture	2014 1st financial debenture issue	2014 2nd financial debenture issue	2014 3rd financial debenture issue
Date of authority's approval and reference number	Letter No. Jin-Guan-Yin-Kong-Zi No. 10300093700 dated April 8, 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. 10300254740 dated September 11, 2014 by FSC
Date of issue	2014.05.19	2014.10.08	2014.10.08
Face value	NT\$10 million	\$1 million	\$1 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	NT\$	US\$	US\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	NT\$12 billion (10 years, NT\$12 billion)	US\$660 million	US\$330 million
Interest rate	1.85%	5.10%	4.00%
Duration	10 years Expiration date: May 19, 2024	No expiration date	15 years Expiration date: October 8, 2029
Priority of repayment	Subordinated	Subordinated	Subordinated
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Cathay Securities (primary)	Cathay Securities, E.Sun Bank (primary)	Cathay Securities, E.Sun Bank (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	Redeemable at face value at the end of the 12th anniversary, subject to the authority's approval	Repayment of principal on due date
Outstanding balance	NT\$12 billion	US\$660 million	US\$330 million
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\$122.11 billion	NT\$122.11 billion	NT\$122.11 billion
Fulfillment conduct	Normal	Normal	Normal
Terms for redemption or early repayment	None	Redeemable at face value at the end of the 12th anniversary, subject to the authority's approval	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	25.96	42.45	50.69
Whether regarded as eligible capital	Yes/Tier 2	Yes/Tier 1 non-common share equity	Yes/Tier 2
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: May 8, 2014, twAA-	Taiwan Ratings: September 30, 2014, twA	Taiwan Ratings: September 18, 2014, twAA-



Type of bank debenture	2017 2nd financial debenture issue	2017 3rd financial debenture issue	6-Month exchange rate-linked structured bonds issued by Cathay United Bank, Hong Kong Branch
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 March 7, 2017 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 1100226442 dated November 1, 2021 by FSC
Date of issue	2017.4.18	2017.11.24	2022.02.08
Face value	NT\$10 million	\$1 million	US\$50,000
Issuance & Listing	R.O.C.	R.O.C.	Hong Kong/R.O.C.
Currency	NT\$	US\$	US\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	NT\$15.1 billion (7-year/10-year, NT\$2.4 billion/NT\$12.7 billion)	US\$300 million	US\$19.6 million
Interest rate	1.50%/1.85%	0% (internal rate of return: 4.10%)	Portfolio of fixed interest rate and combined interest rate (foreign exchange rate type)
Duration	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"	2022.08.08
Priority of repayment	Subordinated	Ordinary	Senior
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Yuanta Securities, MasterLink Securities, Taiwan Cooperative Securities, Cathay Securities	Self-underwritten	None
Certifying attorney	None	None	None
Certifying CPA	None	None	None
Certifying financial institutions	None	None	None
Repayment method	Repayment of principal on due date	Bullet repayment at maturity, unless recalled by exercising "issuer's right of recall"	Exchange rate-linked structured bonds with principal payable in full on due date
Outstanding balance	NT\$15.1 billion	US\$300 million	US\$19.6 million
Paid-up capital in the previous year	NT\$72.1 billion	NT\$72.1 billion	NT\$52.277 billion
Audited net worth in the previous year	NT\$160.274 billion	NT\$160.274 billion	NT\$122.11 billion
Fulfillment conduct	Normal	Normal	Normal
Terms for redemption or early repayment	None	Five years after the bond is issued, the Bank is entitled to recall on various dates specified in the Bond Recall/Repayment Chart	None
Terms and conditions for conversion	None	None	None
Restriction Clause	Subordinated	None	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 the lending and investment operations, and enhance liquidity
Proposed amount of issuance plus outstanding balance as a % of audited net worth in the previous year	48.04	53.66	77.27
Whether regarded as eligible capital	Yes/Tier 2	No	No
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: September 29, 2016, twAA+	Taiwan Ratings: October 23, 2017, twAA+	Taiwan Ratings: October 25, 2021, twAA+

### **III. Issuance of preferred shares**

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

### **IV. Issuance of Global Depositary Receipts**

None.

### **V. Issuance of Employee Stock Option Plan**

None.

### **VI. Issuance of New Restricted Employee Shares**

None.

### **VII. Merger or acquisition of other financial institution**

None.

### **VIII. Implementation of the Capital Utilization Plans**

#### **(I) Plan details**

In an attempt to increase capital adequacy ratio and finance medium- and long-term lending and business development of overseas branches, the Bank submitted a debt issuance plan to the competent authority and received the approval under Letter No. Jin-Guan-Yin-Kong-Zi No. 10600042300 from FSC on March 7, 2017 for the issuance of ordinary and subordinated bank debentures at NT\$30 billion (or equivalent foreign currency) each, and the approval under Letter No. JIn-Guan-Yin-Kong-Zi No. 1100226442 on November 1, 2021 for the Head Office's issuance of the ordinary bank debentures denominated in foreign currency and overseas branches' issuance of offshore structured notes at US\$2.5 million (or equivalent foreign currency) in total. 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\$28.6 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 3 years but without significant benefits as yet: None.

## (II) Implementation Status

The Bank utilized US\$495 million (equivalent to NT\$13.7 billion) of the NT\$30-billion (or equivalent foreign currency) pre-approved ordinary bank debenture limit in 2017 to finance its long-term USD lending, which presented a lower treasury risk. US\$195 million (equivalent to NT\$5.4 billion) of the above-mentioned USD bonds were recalled early in 2020; the remaining issuance limit will be utilized depending on capital requirement and current market conditions.

The Bank utilized NT\$15.1 billion of the NT\$30 billion (or equivalent foreign currency) pre-approved subordinated bank debenture limit in 2017 to strengthen tier-2 capital. The remaining limit of NT\$14.9 billion had expired in March 2018. The Bank's capital adequacy ratio as of December 2021 was reported at 16.25%; 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 company'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 digital deposit, principal account and sub-account, and online securities opening services to satisfy personal cash flow needs. In addition, the Bank operates a network of physical and digital channels and automated service equipment that satisfies customers' needs for payment and fund transfer.

##### **2. Credit service**

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

##### **■ Corporate banking service**

##### **1. Corporate finance**

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

##### **2. Policy-based project lending**

The Bank offers financing solution for special purposes such as SME assistance, promotion of private brand to overseas market, and small business starters.

##### **3. Syndicated and structured loans**

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

##### **4. Guarantee and acceptance service**

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

## 5. Trade financing

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

## 6. Cash management

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

## 7. Factoring and supply chain financing

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

## 8. Foreign currency service

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

### ■ Wealth management service

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

### ■ Trust service

#### 1. Mutual fund and foreign securities service

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

#### 2. Real estate trust

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

### 3. Personal trust

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

### 4. Corporate trust

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

### 5. Custodian service

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

## ■ Credit card service

The Bank offers revolving credit, installment purchase, and cash advance services over the credit cards it issues, and constantly explores diverse, innovative, and convenient payment applications as well as cardholder-exclusive privileges, campaigns, and integrity of tree points. By incorporating digital solutions, in order to perfect the undisrupted digitalized processes from the application for credit card until consumption with the credit card. The Bank would observe the update on customer risk profile on a quarterly basis, provide the differentiated optimal interest rate pricing, and create a financial ecosystem that satisfies all of customers' consumption needs. Through the use of scenario-based service, digitalized process, and AI-assisted customer sourcing, the Bank is able to segment customers more precisely and deliver better financial service experience overall.

## ■ Payment service

### 1. Transaction acquisition service

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

### 2. New payment service

The Bank offers mobile payment modules and cooperates with major merchants to integrate cash flow services into their digital channels and help them develop membership systems through mobile payment, and also allows the channel members to access more financial applications via the channel's digital platform.

### 3. Automated channels service

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

#### ■ Digital banking service

1. B2C digital banking service: The Bank has adopted a mobility-oriented design focus as the first priority in line with the ongoing mobility trend, and integrated MMB and online banking service to demonstrate the largest advantage residing in the One Platform and build the bridge between the online banking webpage/MMB. This Platform allows customers to seamlessly switch between APP and web versions of online banking service using SSO (single sign-on) and satisfy their search needs, where they can make inquiries, transact and apply for financial products entirely using mobile devices.
2. New digital banking service: The Bank continues to introduce innovative 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.
3. Smart investment services: Smart investment uses algorithms and models to provide customers with professional advice on wealth management, and provide customers with the investment portfolio best fitting their own attributes. Per the customers' different investment purposes, the Bank provides diversified investment portfolio available to customers, including the target investment applicable to beginners and also strategic investment for experts. In the future, the Bank will launch ETF products to enable customers to complete asset allocation easily through the one-stop service.

#### ■ Offshore banking service

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

#### ■ Overseas operations

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

banking, global transactions, green project financing, digital banking etc.). In the Greater china market, the Bank not only explores greater diversity of financial products and services denominated in RMB, but also focuses on strengthening cross-border connections.

■ Investment and treasury marketing

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

(II) Revenue weight by business category:

Business types	2021	2020
Corporate banking service	14%	14%
Consumer banking service	51%	51%
Wealth management service	18%	15%
Investment and others	17%	20%

(III) 2022 business plans

■ Consumer banking service

1. 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.
2. Continue to focus on the management of loan target customers and enhance digital marketing and customer communication through the use of innovative technology and big data.
3. Integrate the Bank's tangible channels and local operating ability, leverage the advantages of a branch engaged in providing omnibus services, and provide customers with comprehensive financial services to deepen the management relationship with customers.
4. Capitalize on the extensive distribution channels of Cathay subsidiaries and coordinate group resources into providing all-round financial service for customers. Shift emphasis toward customers of high potential and products of high profit contribution for stronger customer attachment, higher customer contribution, and product penetration.
5. Provide customers with more convenient mobile payment tools and services through product optimization and new digital features. Attract potential customers through the use of digital marketing tools and the help of cross selling and promotional campaigns; enhance product features for optimal customer experience.



6. Enhance deposit infrastructure and standardize online/offline service for consistent customer experience. Incorporate financial service into customers' routine activities for closer interaction between the Bank and its customers.

■ Corporate banking service

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

11. Utilize product and channel advantages of the Bank and subsidiaries of the financial group, and integrate group resources to provide full range of financial services.

■ Wealth management service

1. The Bank offers a diverse range of services from investment, insurance, trust planning, insurance planning to integrated wealth management solutions to help customers build a robust portfolio that addresses their every financial need and goal.
2. Strengthen wealth management specialists' competence as professional financial advisor; assist customers in managing their investment positions proactively, verify the changes in investment positions in a timely manner, provide suggestions on adjustment of asset allocation, manage assets for customers with care, and build value to wealth management service.
3. As a response to the changes in the market environment, start from satisfaction with customers' needs, shift focus back to the feature of insurance, and support promotion efforts for both investment-linked and protection-oriented products to meet the diverse needs of customers across different segments.
4. Add the digital channels for communication with customers and combine the data model to explore customers' wealth management needs to verify customers' preference, provide customers with suitable financial wealth management and insurance products and services, and deliver the best end-to-end transaction experience for customers.

■ Trust service

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

■ Credit card service

1. Empower customers with digital data, focus on the management of CUB customer bases, allow customers to have voluntary and diversified experience, more independent options and brand new financial service, and explore more possibilities, in the aspect of finance. A small tree life circle is established under the axes including streamlined APP interface services and process, diversified product options, active notice of suggestions, and resilient adjustment of interest and right to guide customers to connect finance and their life under the point reward and exchange system. Assist in the cross-selling management by virtue of secret equity programs, engage in e-commerce for fast marketing of event experience to attract customers to keep noting the event messages and urge customers to consume with credit cards, verify customer preferences to provide them with personalized recommendations, and integrate the consistent experiences as demanded. Start from the credit card

products, connect the end-to-end processes corresponding to other products/services by integration of financial needs and equity design, and re-check, integrate and optimize from the Customer Single View to realize the strategic target for One Customer, One Card, One Account.

2. Utilize new data analytical tools to keep track of customers' online and offline activities, and apply machine learning algorithms to seize the opportunities for controlling the needs of high-contribution customer bases all-roundly and create value from the data obtained; adopt data-as-a-service and incorporate data analysis into financial service scenarios while introducing one-stop financial services ahead of market; complete the smart transformation proactively upon implementation of the new technologies, such as AI, big data and other mobile devices, in order to upgrade the customers' experience in consumer banking services across the channels.
3. Using data-driven forecast and real-time feedback, the Bank plans to interact with merchants on multiple dimensions and provide consumers with better experience, satisfaction, and flexibility for improved attachment and market share.

#### ■ Payment service

1. Transaction acquisition: Create an environment that accepts diverse payment tools; develop automated services for improved customer experience; manage customers by segment and aim to raise market share and profitability.
2. New payment service: Connect financial services and channel digital platform closely through the innovative cash flow services to create more cross-border financial services and applications.
3. Automated channels: Optimize the efficiency and user interface of automated equipment with customers' experience in mind; cooperate with distribution partners on service differentiation.

#### ■ Digital banking service

1. 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. Customer-sourcing and customer-oriented digital channels: Create digital pipelines, emphasize customer relationship management, and aim to increase the size of customers attracted and their profit contribution.
6. Build Top 1 smart investment platform providing the most perfect investment service: Reduce the investment threshold, optimize the shopping guide process, enhance the level of product diversity and integrate online/offline investment experience, hoping to make the smart wealth management services more popular, serve more extensive customer bases and deliver more substantive income.

■ Overseas operations

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

■ Investment and treasury marketing

1. Enhance the system interface and business procedure for customers' experience.
2. Improve the product items in width and depth to strengthen customers' attachment to the Bank's business.
3. Help overseas branches to develop overseas financial derivatives business.

(IV) Market analysis

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

(1) Supply

Given the epidemic, the domestic wealth management business has accelerated its digitalized transformation. Peers in the same industry have also strengthened the role of online banks successively. The Bank will continue to build additional digital channels engaged in communication with customers, deliver the best end-to-end transaction experience for customers, verify customers' needs and preference, and provide suitable financial wealth management and insurance products and services. Coupled with the fact that the domestic insurance market is intensively competitive with an oversupply of highly homogeneous products, the Company will place greater emphasis on delivering professional services in line with customers' needs.

(2) Demand and growth

Accelerated vaccination has also relieved the economic lockdown successively. Therefore, the economic is recovering, thus helpful for supporting the risk-based assets' performance, improving nationals'

investment and wealth management needs and also developing the wealth management services.

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

### (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 forming alliances and integrating resources with partners from different industries to develop innovative practices that are different from traditional banking. Backed by a strong customer base and data model analysis technologies, the Bank is able to take the initiative in offering investment solutions that meet customers' needs. Meanwhile, the Bank adheres to the principles of stable management to strengthen the control over customers' investment risk, perfect the health of customers' asset allocation, reduce the market volatility risk over investment positions and upgrade customers' trust over time.

The Bank actively explores expansion opportunities in Greater China and Southeast Asian markets, sets up branches and divisions in 9 member states of ASEAN and establishes fair relationship with local and multinational excellent enterprises, and Taiwanese enterprises. The stable economic growth in the target market, sufficient labor force, diversified industrial structure and global trade network, investment in infrastructure and digitalization, and increasing foreign direct investment (FDI) will drive the Bank's continuing growth.

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. Besides, in consideration of the changes in consumption types in the market, middle-class consumers are emerging and thereby deliver the potential growth opportunities in the consumer banking market. The Bank will serve local customer bases with new products, new channels and new business models through the innovation based on FinTech, and drive co-marketing of the other local subsidiaries' business to create consolidated effects for the Group.

## **2. Future opportunities, threats, and response strategies**

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

#### **■ Opportunities**

- ① The Bank owns the financial group's resources and advantages, combines the professional market analysis and diversified financial instruments and resources inside and outside the Group, and provides customers with new wealth management products and strategic investment orientation. Besides, the Bank is exclusively engaged in sale of the insurance policies of Cathay Life and Cathay Century Insurance and, therefore, able to respond to any problems about design and adjustment of products more quickly than peers in the same industry and also leverage the competitive strengths of Cathay Financial Holdings' platform effectively.
- ② The Bank has had great success delivering complete digital financial services to customers using modern technologies and a digital platform in recent years. The Bank will continue to optimize the digital channel product trading procedure and expand the scope of online services via the digital platform, combine the data model to explore customers' wealth management needs and deliver the best transaction experience for customers at the same time.
- ③ The credit card market scale is still growing. Consumers have already been accustomed to the consumption with plastic money. Besides, the epidemic drove increasing home economy. All walks of life have transformed into contactless electronic payment scenarios and online channels to strive for the delivery market. Large-size chain stores are investing in their private brand wallet and member APP, thus helping improve the utilization rate of mobile payment, accelerating nationals' acceptance of various digital services, enabling banks, merchants and consumers to connect with each other more closely, and also supplement the consumption database, thus helpful for analysis on customers' needs to increase the opportunities for cross-selling and horizontal alliance.
- ④ The Bank operates a broad network of automated equipment with extensive customer coverage, thus opening up opportunities for financial service providers to grow.
- ⑤ Looking forward to 2022, most research institutions believe that the global economy should continue recovering and the supply and demand imbalance issue should be relieved, with the international inflation expected to become sluggish. Notwithstanding, the challenges, such as main advanced economies' monetary policy normalization, changes in the relationship between China and the

USA, the global supply chain bottleneck and changeable epidemic, still remain and keep affecting the growth force. Domestically, the consumption demand was getting better in 2H of last year. The export of electronic and semiconductor products was booming. Benefited from the global logistic demand, the shipping industry also delivered fair business performance. Further, the inflation rate is expected to decline and economy expected to recover mildly this year, as indicated by the Central Bank at its recent board of directors/supervisors meeting. Therefore, the policy-based interest rate remains unchanged, and it will keep observing the control over epidemic to help the economic recovery in market. The Bank continues to monitor credit risks and industry changes, and offers diverse financial services without compromising asset quality as a means to improve business performance.

#### ■ Threats

- ① Top 5 credit card issuing banks are offering credit cards packaged with high rewards or privileges and loyal customers management plan in an attempt to maintain market share, which soars competition of the banking service even more. Meanwhile, credit cards are now used mostly as payment tools, and low utilization of the credit function caused a decline in profits. Continuing aggressive credit card reward marketing from peers have resulted in additional marketing costs and undermined profitability.
- ② Considering that the payment tools are diversified and changeable rapidly, with high costs in updating equipment and competition from tangible channels and e-commerce dealers, it is hard to expand the non-cash market scale immediately and, therefore, the relevant service providers have to compete with each other for the limited customer base and consumption scenes. The payment market is still expected to be highly competitive in 2022.
- ③ The financial market is already overwhelmed with information and homogeneous competition among peers and in regions. Besides, the epidemic resulted in acceleration of digitalized transformation, and peers in the same industry strengthened the role of online banks successively, thus posing an even greater challenge to digital wealth management services.
- ④ The competent authorities have tightened supervision over investment-linked payment products, reduced policies with guaranteed payouts, and forced an increase in premiums that may adversely affect sales. It would be more challenging to develop new investment-linked products that meet customers' needs.
- ⑤ Given the increasingly tightened financial supervision and frequent

amendments to laws, how to grow business and revenues while catering for business risk and compliance will be a challenge to be dealt with by the financial industry.

- ⑥ It is difficult for banks to enjoy excess profit margin due to saturation of the domestic financial market and the prevailing low-interest environment. Furthermore, given the rapid changes in financial products and the banking environment, banks have to constantly adjust and adapt, which presents major challenge to future operations.

■ Response measures

- ① With the support of big data analysis, the Bank will aim to introduce new products and campaigns that give consumers the option to choose depending on their needs and preferences, and in doing so improve marketing yields, customer satisfaction, and attachment.
- ② More attention will be directed towards digitalization of product and service offerings in an attempt to develop the young digital natives more thoroughly and combine diversified lifestyle scenes. Make timely adjustments in response to the pandemic, and actively provide financial services with differentiated and identifiable innovations as means to raise the Bank's brand competitiveness. Oriented toward customer experience and service, make early preparation for post-pandemic opportunities and avoid succumbing to price competition of the banking industry.
- ③ The innovative payment service constitutes a part of the banking services only. More diversified and complete financial services would be provided via channels continuously to deliver more innovative services to the channels' members.
- ④ Continually provide financial advisors with new product knowledge as well as skills to help customers adjust investment strategies and build up a strong portfolio; actively monitor customers' existing investment positions and enhance risk management over customers' exposures.
- ⑤ Embrace the challenges of digitalized wealth management service with a "customer-centric" philosophy, verify customers' needs and preference, provide suitable financial wealth management and insurance products and services, and deliver the best end-to-end transaction experience for customers.
- ⑥ Strengthen the service and internal controls in response to the increasingly tightened laws and regulations, continue to transform the product sale structure, integrate the Group's professional resources and develop diversified product categories to cater to customers' needs.



- ⑦ Integrating across devices, platforms and physical/virtual channels, provide digital cash flow service and enhance account collection/payment functions to become the customers' primary banker.
- ⑧ Make optimal use of existing customer base and physical channels, and intensify intra-group business referral in ways that improve the depth and breadth of relationship with top customers.
- ⑨ The financial industry remains highly competitive while the three online-only banks are already approved to start operating. Given the ongoing changes in the business environment, banks are compelled to transform and adopt a higher level of digitalization and agility, which gives rise to higher demand for financial data analysts and strategy talents. The Bank will continue its talent training efforts and build the diversified applications of information technology combining with wholesale banking services, in order to secure the Bank's competitive advantages.

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

■ Opportunities

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

■ Threats

The increasingly tightened regulatory standards resulted in additional compliance costs, with economic growth sluggish due to the COVID-19 epidemic, in various countries.

■ Response measures

The ongoing pandemic has resulted in the sluggish GDP growth across the Greater China Region and ASEAN members, and negatively impacted all professions and industries around the world. The COVID-19 pandemic has profoundly changed people's working and spending habits. The Bank has boosted the digital transformation proactively to keep the financial services uninterrupted and continued to launch new financial products and services during the work from home (WFH) period. Meanwhile, the Bank has responded with progressive digitalization and enforced "localization strategies" at business locations where the pandemic is better controlled. By consolidating resources across non-life insurance, life insurance, banking, and other subsidiaries of the group, projects such as data-driven customer service, smart investment, automated process, and Equator Principles-compliant financing have been undertaken to enhance product development skills and satisfy customer's needs with greater precision. By consistently delivering values and experiences above customers' expectation, the Bank has secured its place as customers' best overseas

partner and the leading bank in Asia Pacific.

(V) Research and development of new financial instruments

1. New 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) Deposits and loans

Item	End of 2021	End of 2020
Deposit balance	NT\$2,870.7 billion	NT\$2,594 billion
Mortgage (including: home equity loan) balance	NT\$858 billion	NT\$784.2 billion
Unsecured credit balance	NT\$117.5 billion	NT\$100.6 billion

① Deposit balance amounted to NT\$2,870.7 billion at the end of December 2021, up NT\$276.7 billion or 10.67% from the end of 2020, and NT\$2,114.4 billion of which were demand deposit while NT\$756.3 billion of which were time deposit.

② At the end of December 2021, outstanding balance across mortgage products (including: home equity loan) totaled NT\$858 billion, up NT\$73.8 billion or 9.41% from the end of 2020.

③ At the end of December 2021, outstanding balance across personal loan products totaled NT\$117.5 billion, up NT\$16.9 billion or 16.80% from the end of 2020.

(2) Treasury

Approved to underwrite the “financial products and services applicable to high-asset customers” (May 2021).

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

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

Unit: NT\$ thousand

Year	2020	2021	2022 estimate
Amount	547,265	571,981	972,685
Growth rate (%)	19.17%	4.52%	70.06%

## (2) Research and development outcomes completed in 2021

Name of major project	Costs invested (NT\$ thousand)
A-A implementation of front-end banking platform	60,640
Introduction and implementation of cloud platform/structure	44,760
Construction of market risk assessment system	21,038
Introduction of group cloud banking application	15,000
Smart financial voice assistant	10,840

## (3) Future R&amp;D plans and progress

March 31, 2022

Plan/project in the most recent year	Progress	Additional budget required (NT\$ thousand)	Estimated time of completion	Factors critical to the success of research and development
Video customer service	Completed	17,890	2022/01	System integration and optimization
Credit card transaction acquisition lightweight	In progress (10% incomplete)	6,732	2022/04	System integration and optimization
Group market risk management system (ALGO) upgrading	In progress (50% incomplete)	4,245	2022/06	Effective communication with the departments in need
Private bank - Head Office, Hong Kong	In progress (50% incomplete)	181,022	2022/09	Effective communication with the departments in need
Smart workstation	In progress (100% incomplete)	3,510	2022/10	Effective communication with the departments in need
Construction of loan integrated platform (BPM)	In progress (30% incomplete)	14,612	2022/11	Effective communication with the departments in need
New seal/signature platform	In progress (30% incomplete)	7,950	2022/12	Effective communication with the departments in need
A-A implementation of NTD core banking system (Bancs)	In progress (50% incomplete)	69,560	2022/12	System integration and optimization
EAI implementation of the intermediary platform (TR)	In progress (70% incomplete)	2,760	2022/12	System integration and optimization
Bank-wide recording system replacement and access platform development	In progress (100% incomplete)	63,250	2022/12	Effective communication with the departments in need
Construction of application and trading fraud detection system	In progress (45% incomplete)	70,790	2023/02	Effective communication with the departments in need

## (VI) Long and short-term business plans

### 1. Short-term plan:

#### (1) Consumer banking

- ① Optimize the mortgage and personal credit end-to-end process to upgrade efficiency and digitalize services.
- ② Apply big data analysis to identify target customers and trends for precise marketing.
- ③ Continue coordinating joint marketing efforts between group subsidiaries and expand customer base. Utilize the cash flow network to provide integrated financial products and services and optimize synergy.
- ④ Aim to expand customer base and revenue contribution particularly from high net worth individuals; introduce integrated solutions aimed at enhancing product attachment.
- ⑤ Optimize service interface and deliver good customer experience for enhanced relationship and performance.
- ⑥ The Bank will continue to work with Cathay Life to promote the value-oriented management philosophy, focus back to the feature of insurance, and strengthen the promotion of protection-oriented products to raise nationals' awareness toward insurance, and develop new protection-oriented and investment-linked products per customer bases' requirement to meet the diversified needs of customers.

#### (2) Corporate banking

Complete the infrastructure planning by virtue of talent planning and adjustment of business structure from the point of view of ESG; explore the target customer base and business value based on data to improve the contribution of transactions; make use of the collaterals, such as SME credit guarantee and financial assets, for risk mitigation and introduce detailed capital management practices that improve capital efficiency for the wholesale banking segment; and develop high-frequency product module and integrate resources for reduction in customer acquisition cost, better control of cross-selling business opportunities, and sustained profitability and growth.

#### (3) Trust service

Develop employee shareholding trust in line with upcoming deregulations and policy incentives; cooperate with Cathay Life on the promotion of insurance trust to help nationals plan their retirement life and protect their property.

#### (4) Credit card service

- ① Continue the planning and control over integration of bank credit card products and business effects, develop original new equity product combining fast marketing activities, build diversified equity framework, develop fast reward accumulation ecosystem for resilient management, and create the cross-selling business opportunities to improve the consolidated effects of business throughout the Bank. Create a financial service ecosystem through sharing and exchange of resources with merchants, development of business models that merchants may apply at multiple sites and streamlining of operating procedures. Continue to conceive small test projects and expand collaborative scenarios upon successful testing; realize the horizontal sharing of data, technology and marketing resources to build a mutually beneficial ecosystem that satisfies customers' diverse financial needs and voluntary financial experience.
- ② Continue apply the smart data tools to probe into customers' consumption preference, accessed channels and different scenes; discover high-value customers, and distinguish customer bases subject to customers' attributes; cross-sell the optimal credit card products and services to various customer bases by integration of the marketing and channel resources of various subsidiaries of Cathay Financial Holdings to improve customers' contribution, and solicit for customers continuously via credit card products to introduce diversified customer bases.

#### (5) Payment service

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

#### (6) Digital banking

Continue enhancement of online and offline service integration; empower customers the high personal resilient experience from the Customer Single View to deepen customers' attachment to transactions with the Bank.

(7) Offshore banking

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

(8) Investments and financial products

- ① Enhance assistance to business owners in wealth management, improve the corporate customers' attachment to the Bank's services, and build a strong customer base.
- ② The Company will also optimize the online trading platform to make it operate more easily.
- ③ The Bank will implement the OJT (On the Job Training) spirit and integrate it into the education & training and business development to improve the service quality.
- ④ Continue to improve and optimize business procedures, improve the business efficiency and reduce operating costs.

2. Long-term plan:

(1) Consumer banking

- ① Continue to adhere to a customer-oriented management philosophy and offer diverse financial services to accommodate customers' distinctive characteristics; actively develop digital cash flow service, optimize customers' experience in personal loan services via digital channels, increase account utilization, and bring banking service into customers' lifestyles and business operations, as the customers' priority bank.
- 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 Take initiative in growing wealth management services for high-asset customer bases; deepen the customer management; offer diverse range of customized products and services and strive to offer robust asset allocation plans to the satisfaction with the need for investment & wealth management and wealth transfer of high-asset customer bases thereby creating the value service and improving the Bank's competitiveness.
- ⑤ Implement the FinTech applications and apply big data analysis to establish detailed knowledge on target customers' investment requirements and product preferences to plan adequate wealth management products, expand digital wealth management customer bases and improve the service coverage.
- ⑥ Design new wealth management trading procedures by taking into account the risk control and customer experience, and continue to strengthen the internal procedure and risk control.

(2) Corporate banking

Adhere to the corporate sustainability strategy and provide sustainable banking services by implementing ESG; enhance operating efficiency and create synergy through hardware/software implementation, use of digital tools, optimization of customer experience across channels, strategies and sorting of procedures streamlining Strategy process, and increasing product breadth and depth; adopt a flattened and lightened management structure to achieve medium- and long-term goals of the corporate banking segment.

(3) Trust service

Continue to construct the omnibearing trust platform in response to the social trends, in order to satisfy nationals' needs.

(4) Credit card service

- ① Empower customers through digital data and provide scenario allowing independent options, digital experience and multiple applications, in the spirit of CUBE. The overall design of products/services shall be conceived from the Customer Single View in the future. The CUBE spirit is identified as an orientation that all units throughout the Bank must work together to practice. Customers are expected to access the same personal digital experience as the other industries from the financial services. Starting from the card and accounts, One Customer, One Card, One Account, connect with other products/services by integration of financial needs and equity design. The end-to-end procedure corresponding to products/services needs to



be rechecked, integrated and optimized from the Customer Single View. The risk control mechanism needs to break through the status in independent development of various products, and should be re-considered and constructed at the target of One Customer One Limit. The business indicator follow up and business management need to break through the channel KPI. Product P&L should be converted to the Effective Indicator more significant to the customer management throughout the Bank. All units throughout the Bank shall assist to respond to customers' changeable needs more rapidly.

- ② Expand the high-contribution value customer bases, create the map guiding a journey for customers by combining digital data based on customers' needs, shortening the demand gap during the journey, and tailor-made the most optimal high-yield product recommendation programs, boost customers' loyalty ahead of customers and build the permanent and stable profit engine.

(5) Payment service

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

(6) Digital banking

By digital empowerment, practice the CUBE innovation spirit in more cross-product connections and experience, and build independent and diversified personal financial experience to become gateway for more advanced dealings with mass-market customers.

(7) Offshore banking

- ① Connect branches and partner platforms local and abroad to grow trade financing and cash management services within the boundaries permitted by law. Offer convenient financial services to customers' needs while at the same time improve accessibility of capital in ways that make 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.
  - ④ Continue integration of local and overseas systems in ways that support the Bank’s vision of becoming “the best financial institution in Asia Pacific”; help customers improve efficiency and availability of capital, and provide a more comprehensive range of financial services in line with needs.
  - ⑤ Monitor digital banking trends; explore and adopt innovative financial service models; enforce risk management and sustainable practices while pursuing service innovation and financial/business growth.
- (8) Investments and financial products
- ① Promote user-end product quotation system to improve service quality and efficiency.
  - ② Offer diversified product consulting and design services to improvement sales and promotion of transactions with high-asset customers.
  - ③ Improve the risk management platform and monitor the risk appetite of products sold.
  - ④ Offer niche products, and improve the utilization of treasury limit and revenue from service charges.

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

March 31, 2022

Year		2020	2021	As of March 31, 2022
Number of employees	Managers	779	762	775
	General employees	9,737	9,694	9,765
	Total	10,516	10,456	10,540
Average Age		38.52	38.94	38.89
Average years of services		9.71	10	9.94
Highest educational attainment	Doctorate	0.14%	0.12%	0.12%
	Master	20.20%	20.84%	20.71%
	University/college	75.56%	74.37%	75.04%
	High School	4.09%	4.14%	4.13%
	Below High School	0.01%	0.01%	0%
Professional certificates held by employees	Proficiency Test for Financial Planning Personnel	1,686	1,625	1,600
	Basic Proficiency Test for Junior Credit Personnel	3,558	3,482	3,449
	Basic Proficiency Test for Bank Internal Controls	7,145	6,874	6,782
	Basic Proficiency Test for Junior Foreign Exchange Personnel	2,974	2,891	2,873
	Qualification Exam for Personal Insurance Representative	6,633	6,373	6,283
	Qualification Exam for Non-Life Insurance Representative	6,690	6,382	6,255
	Proficiency Test for Trust Operations Personnel	6,469	6,269	6,038
	Qualification Exam for Investment-orientated Insurance Product Representative	3,333	3,282	3,239
	Real Estate Appraiser	2	2	2
	Taiwan Bar Exam	3	3	2
	Certified Public Accountant	8	8	6
	Certified Internal Auditors (CIA)	13	14	13
	Financial Risk Manager (FRM)	26	24	25
	Chartered Financial Analyst (CFA)	22	22	22
	Certified Anti-Money Laundering Specialist (CAMS)	38	44	44
	Certified Financial Service Auditor (CFSA)	8	7	7
	Project Management Professional (PMP)	63	65	65
	Certified Financial Planner (CFP)	198	283	296
	Certified Information Systems Auditor (CISA)	5	4	4

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

### III. Corporate responsibility and moral conduct

Cathay Financial Group upholds the three major ESG axes, namely “Climate, Health and Empowerment.” Among the other things, the Bank continues to practice the occupational empowerment, implement diversified and inclusive corporate culture to provide friendly workplaces, provide various training channels for employee empowerment, and train various emerging skills, in order to ensure that the employees may grow with the company together in the mid of digital wave. Cathay believes that youth empowerment may lay the foundation for society’s progress. In order to shorten the gap between higher education and the job market for the youth and train their soft/hard power in workplaces, the Bank works with various colleges/universities throughout Taiwan to provide multiple industry-academia cooperation projects and internship projects that may help improve the youth’s competitiveness in workplaces. The Bank took the initiative to establish the “Southeast Asia industry-academia cooperation master program” and “International CMA,” to reserve the local students in Southeast Asia through the industry-academia cooperation, from life to financial talent training, so as to establish a stable source of professionals, integrate with the occupational empowerment and youth empowerment, provide employment opportunities and mitigate inequality.

The Bank was the pioneer in the industry to contribute to the field of art, starting with the establishment of the Culture and Charity Foundation of the Cathay United Bank in 1980, followed by the founding of the Cathay United Art Center in 2000. Driven by its mission to “give back to society,” the Bank has promoted the education and charity business proactively through the Foundation, including education for children and juveniles, charity activity, art & culture activity and other sponsorships, to fulfill its corporate social responsibility. The Foundation’s major activities are briefed as follows:

#### 1. Education for children and juvenile:

##### ① Elevated Tree Program – Grow A Big Tree From A Shoot:

Continue to promote the "Elevated Tree Program" to root the education and help the child students learn without worry, train their self-confidence and develop their future. The “Elevated Tree Program Scholarship” implemented in 2021 has assisted a total 6,784 disadvantaged child students in paying their tuition and miscellaneous expenses, processing fees and after-school program fees.

In order to extend the spirit of the Elevated Tree Program - Grow A Big Tree From A Shoot, the Bank also encouraged students to engage in physical education activities in 2021. The “Elevated Tree Program - Physical Education Donation” was applied to support elementary schools’ and junior high schools’ promotion of the physical education spirit, train child students’ self-discipline and teamwork, and help them discover themselves through participation in large-size sports games.

In 2021, the Bank sponsored 10 sports teams, including the soccer team of

Nantou County Shuili Elementary School, for participation in sports games, training expenditure and purchase of the relevant gear, and also sponsored the organization of 3 games of the “Xucun Cup National Juvenile Soccer Competition.”

② Activities co-organized by Cathay Charity Group:

The Bank participated in “Cathay Scholarship,” “Teach For Taiwan (TFT),” “Cathay Dream Come True Project for Child Students,” “After-School Care Program in Rural Areas” and “Giving Winter Warmth,” and was involved in the preparation of Cathay Charity Group annual report.

2. Art and cultural events:

Based on the core philosophy of support for the local arts and promotion of art education, Cathay United Art Center organizes the art exhibitions and seminars periodically to provide Taiwan’s artists with the stage for their performance and also enable the public to have the chance to appreciate, and learn from, the arts without charge. Due to the raging epidemic, only 5 art exhibitions and 5 art lectures were organized in 2021. Meanwhile, in response to Cathay Arts Festival, the new century potential painting was exhibited. Further, it also designed Cathay Financial Group’s art calendar based on the theme “Finding the Light, Finding the Future”, in order to promote the beauty of the good deed.

3. Charity and sponsored activities:

In order to extend the care for indigenous people and social & business development, in 2021, the Bank procured the homemade products from the “Down Syndrome Foundation of the R.O.C.,” “Yu-cheng Social Welfare Foundation” and “Pingtung Christian Bethany Home (PCBH),” out of the intent to create the demand and supply through the procurement project and also the revenue for the social welfare organizations; provided financial aid to the “Bunun Cultural and Education Foundation” to help it maintain park operations and promote the tourism to train the Bunun people’s self-sufficiency ability; sponsored PCBH to have the service recipients exercise their own abilities and find their self-confidence and value through the diversified service models; sponsored the “84th Tai-Yang Arts Exhibition” by Tai-Yang Art Association; and sponsored the “45th Oil Painting Competition and Exhibition” by the Republic of China Oil Painting Association.

4. Environmental protection system:

The Bank insists on supporting the sustainable environmental development and engages in the “transformation to zero-carbon business,” to reduce the carbon emission in the financial service process. In 2021, the Bank took the initiative to adopt the Product Category Rules (PCR) for “personal unsecured loan service” among the peers in the same industry, and became the first bank receiving the Carbon Footprint Label and Carbon Footprint Reduction Label for the product. The Bank’s loan policy completely supports the green energy development and also takes into account the ESG factors in the green finance investment and loan.

Meanwhile, the Bank promote the green workplace in its operations, including GHG investigation, implementation of ISO energy and environmental management system, construction of the branches' smart energy management system and replacement of old and energy-consuming equipment. The Head Office is expected to attain the target of 100% green power consumption by 2025, while domestic business locations are expected to attain the target of 100% renewable energy consumption by 2030 to practice the RE100 target by 2030.

**IV. No. 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	2020	2021	Difference
No. of full-time non-managerial employees	9,737	9,814	77
Mean salary of full-time non-managerial employees	1,234	1,283	49
Median salary of full-time non-managerial employees	1,038	1,071	33

**V. Information System**

Overview of main IT equipment used by the Bank:

(I) Key information system setup and maintenance:

1. Host:

- (1) Core banking system hardware: models of IBM Power System E980, S922 and S822
- (2) Core system software: OS - IBM AIX; DB – Oracle DB and IBM DB2
- (3) Credit card hardware: IBM 2965-L02
- (4) Credit card software: IBM z/OS, CICS TS, VTAM and TCP/IP
- (5) Foreign exchange system hardware: IBM Power System E980 and S922
- (6) FX software: IBM OS/400 and DB2/400.

2. Open system Windows and Linux platform host:

(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 and HDS (Hitachi Data Systems) storage.

(2) Software:

- ① OS: Windows Server, Red Hat Enterprise Linux

② Database: MSSQL DB, Oracle DB, Hadoop, IBM DB2, Teradata, PostgreSQL, MySQL, MongoDB and Neo4J

(II) Future development or procurement plans:

1. Host and server:

(1) Upgrade to Windows 2012 operating system Windows 2019

(2) Consolidation and upgrade of MS SQL database

(3) Disk drive expansion

(4) Oracle database version upgrading

2. Network

(1) Bank-wide recording system and automated switchboard replacement and update

(2) Qingpu control room network and DWDM equipment construction

(3) EOS network equipment replacement

(4) Network control software system upgrading

3. Terminals equipments

(1) Introduction of client cloud virtualization

(2) Completion of distribution of laptop to mobile users by segment

4. Information security

(1) Introduction of EDR terminal detection and response system

(2) Web application firewall (WAF) diversion

(3) Robot attack protection system implementation

(4) Continual enhancement of overseas IT maintenance and security framework

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

(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.

(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, web application firewall, 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. Furthermore, the Bank constantly reviews the security framework of its computer system, and assesses weaknesses on all aspects from information security, network administration, anti-virus, anti-hack to the recovery plan. We hope to enhance information security measures in a way that caters for security and convenience at the same time, while reducing the risk of data leakage and threat of malicious intrusion from the outside. By enhancing security over the Bank's computer system and network, we are able to assure the quality of service delivered to customers.

## **VI. Cybersecurity management**

- (I) Describe the cybersecurity risk management framework, cybersecurity policies, concrete management programs, and investments in resources for cybersecurity management:
1. The Bank established the information security dedicated unit in March 2018 to take charge of the planning, supervision and promotion of the information security policies and management, and also designated the management holding the position as Vice President or above or equivalent to serve as the CIO in charge of the promotion of information security policies and resource allocation concurrently.
  2. The Bank reviews the information security policies periodically, and follows the information security roadmap of the parent company, Cathay Financial Holdings, as guiding principles. Meanwhile, the Bank implements cybersecurity protections as part of internal control in line with industry trends, new technologies, cloud applications, laws and self-governing rules. The unit is also responsible for maintaining certification with global cybersecurity



standards (such as ISO 27001 and PCIDSS). Furthermore, the Bank implements the FFIEC CAT to evaluate the maturity of information security, and conducts review and improvement per the revaluation results periodically. The Bank also engages external professional consultants and white hat hackers to perform security assessments and tests on a yearly basis, so that improvements can be made as necessary to enhance and keep cybersecurity protections up to date.

3. In order to ensure the compliance with and promotion of information security policies, and supervise and coordinate the information security management tasks, the Bank establishes the cross-functional “Information Security Committee.” The Bank’s President serves as the Committee Chairman, and invites the heads of information, legal affairs, legal compliance, risk management, information security and digital transformation to form the Committee. The CIO holds the position as the executive secretary. The Committee shall meet at least once per six months.
4. The Bank has devised a 4-year program in support of FSC’s “Financial Information Security Action Plan” introduced on August 6, 2020. The action plan aims to strengthen the financial industry’s protection against security threat, thereby ensuring the security, convenience, and continuity of services rendered. The objectives to be completed by financial institution are almost completed, including appointment of the CIO, selection of the information security consulting taskforce, adoption of international cybersecurity standards and acquisition of relevant certification, effectiveness assessment on cybersecurity governance, establishment of cybersecurity monitoring service center, encouragement to cybersecurity personnel for obtaining international certification, assembly of emergency response team for cybersecurity incidents in coordination with the financial holding company, and implementation of international business continuity management standards and acquisition of relevant certification.

- (II) List any losses suffered by the Bank in the most recent fiscal year and up to the date of publication of the annual report due to significant cybersecurity incidents, the possible impacts therefrom, and countermeasures. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

When carrying out the Electronic Funds Transfer (“EFT”) and database upgrading operations, the system abnormality resulted in the failure of certain transactions via ATM. In order to compensate customers, the Bank refunded/reduced the customers’ service charges totaling NT\$7,149,000. The Bank will perform more complete stimulation and alter the review procedure to achieve the test on stability and accuracy and ensure the system’s stable operation.

## **VII. Industrial Relations**

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

1. Employee benefit measures:

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

2. Pension system:

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

3. Employment negotiation and protection of employees' interests:

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

In terms of employee protection measures, the Bank has developed work rules in accordance with the Labor Standards Act and implemented with the authority's approval. The work rules not only protect employees' basic work

rights, but also emphasize on the protection of female employees, employees of indigenous origin, and employees with disabilities. The Bank has created an employee assistance hotline (extension 8885 for the Head Office) and mailbox (8885@cathaybk.com.tw) in accordance with Employee Assistance Hotline Establishment Guidelines. All matters raised through the above grievance channels are kept strictly confidential with informants' identities protected. The Bank has dedicated personnel available to assist employees on various issues from personnel policy, staff management, interpersonal relationship, career planning, overtime, leave of absence, opinion feedback to sexual harassment prevention and complaint. Together, they bridge communication between managers and employees within the organization.

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

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

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

## VIII. Important contracts and commitments

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
The assignment of performing lending assets	KGI Bank/Taishin International Bank co., Ltd.	2021/1/26	Total amount US\$18,300,000/US\$30,000,000	None
	Bank of Communications Co., Ltd. (Hong Kong)/China Everbright Bank, Hong Kong Branch	2021/2/9	Total amount HK\$99,572,913.39/HK\$108,813,910.65	
	E.SUN Bank/Cathay United Bank	2021/4/16	Total amount US\$15,506,000/US\$5,427,100	
	The Goldman Sachs Group/Deutsche Bank AG London	2021/5/10	Total amount US\$5,000,000/US\$35,520,000	
	Fubon Bank (China) Co., Ltd	2021/5/11	Total amount RMB180,000,000	
Urban renewal contract	Radium Life Tech Co., Ltd.	2021/5/28	<p>1. Areas occupied by the land: 621.028 square meters (about 187.861 pings) approximately.</p> <p>2. Areas occupied by the building: 6,450.04 square meters (about 1,951.137 pings) approximately.</p> <p>3. Expected allocation percentage: No less than 70.64% for the company.</p> <p>4. Expected investment capital: NT\$1,575,144,270 approximately.</p>	None
The assignment of performing lending assets	Bank Sinopac Co., Ltd./KGI Bank	2021/6/28	Total amount US\$14,026,000/US\$11,360,000	None
	<ol style="list-style-type: none"> <li>1. Chang Hwa Commercial Bank, Ltd.</li> <li>2. CTBC Bank Co., Ltd.</li> <li>3. Hua Nan Commercial Bank, Ltd., Offshore Banking Branch, Macau Branch</li> <li>4. Mega International Commercial Bank Co., Ltd., Offshore Banking Branch</li> <li>5. Taiwan Cooperative Bank, Offshore Banking Branch</li> <li>6. Bank of Baroda, Singapore Branch</li> <li>7. First Commercial Bank, Offshore Banking Branch</li> <li>8. Taishin International Bank Co., Ltd.</li> <li>9. State Bank of India Tokyo Branch; State Bank of India Singapore Branch</li> <li>10. Bank of Taiwan, Hong Kong Branch</li> <li>11. Landesbank Baden-Wuerttemberg, Singapore Branch</li> <li>12. Land Bank of Taiwan, Singapore Branch</li> </ol>	2021/08/26	Total amount US\$39,000,000	

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
	13. Taiwan Business Bank, Ltd., Offshore Banking Branch 14. Taiwan Shin Kong Commercial Bank Co., Ltd 15. E.SUN Commercial Bank, Ltd., Singapore Branch 16. The Export-Import Bank of the Republic of China 17. Sunny Bank, Ltd 18. Yuanta Commercial Bank Co., Ltd. 19. Deutsche Zentral-Genossenschaftsbank, Frankfurt Am Main 20. BDO Unibank, Inc. 21. The Shanghai Commercial & Savings Bank, Ltd. Offshore Banking Branch			
Right-of-use assets	Cathay Life Insurance Co., Ltd.	2021/11/09	1. For a total of 25 transaction units of the office premises: 10,153.468 pings for the office premises. 2. Right-of-use assets per unit: NT\$67,318/ping; 3. For a total of 10 transaction units of the parking lots: 20 parking lots; right-of-use assets per unit: NT\$201,731/unit; 4. Total amount of right-of-use assets: NT\$687,544,284	None
The assignment of performing lending assets	The Shanghai commercial & Savings Bank, Ltd.	2021/11/30	Total amount NT\$372,000,000	None
	O-Bank/Taishin International Bank co., Ltd./Entie Commercial Bank/Barclays PLC	2021/12/23	Total amount US\$4,556,066/US\$1,831,479/ US\$8,614,051/US\$4,762,589	

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

None in 2021.

## Six. Financial Status

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

#### (I) Summary consolidated balance sheet

Unit: NT\$ thousand

Item	Year	Financial information for recent years (Note 1)				
		2021	2020	2019	2018	2017
Cash and cash equivalents, due from Central Bank and call loans to banks		299,935,568	200,511,415	163,943,090	172,080,779	191,122,312
Financial assets at fair value through profit or loss		285,354,534	324,043,978	298,874,753	250,685,216	311,985,059
Financial assets at fair value through other comprehensive income		313,368,538	336,097,816	324,130,110	200,572,902	-
Investment in debt instruments measured at amortized cost		571,901,742	501,728,143	444,934,985	421,022,506	-
Financial assets available for sale		-	-	-	-	148,480,669
Derivative financial assets for hedging		-	-	-	-	-
Securities purchased under agreements to resell		42,029,115	27,142,475	14,295,350	44,612,132	87,483,656
Receivable - net		103,894,679	99,813,146	100,888,023	85,978,726	76,980,817
Current income tax assets		2,740	38,817	-	-	-
Assets held for sale - net		283,087	-	-	-	-
Loans - net		1,807,076,659	1,661,295,961	1,553,150,906	1,595,323,251	1,434,558,167
Held to maturity financial assets		-	-	-	-	34,345,085
Investments accounted for using the equity method - net		1,832,266	1,863,169	1,776,839	1,768,874	1,744,047
Assets subject to restriction		-	-	-	-	-
Other financial assets - net		4,346,973	364	909	1,271	388,288,869
Property and equipment - net		24,504,088	25,330,466	25,774,420	25,440,564	24,873,298
Right-of-use asset - net		3,660,366	4,257,544	4,226,097	-	-
Investment property - net		657,440	646,445	857,504	1,439,686	1,547,372
Intangible assets - net		8,250,600	8,139,303	8,153,189	8,020,939	7,785,984
Deferred tax assets - net		4,612,273	4,407,980	3,864,923	1,872,542	2,223,266
Other assets		27,612,414	34,143,238	28,625,256	35,061,248	24,285,305
<b>Total assets</b>		<b>3,499,323,082</b>	<b>3,229,460,260</b>	<b>2,973,496,354</b>	<b>2,843,880,636</b>	<b>2,735,703,906</b>
Deposits by the Central Bank and other banks		74,605,174	66,131,059	84,108,128	81,432,233	90,417,859
Bankers acceptances and funds borrowed		1,076,000	1,076,000	-	-	-
Financial liabilities at fair value through profit or loss		75,884,932	115,614,629	106,770,939	103,407,778	87,407,651
Derivative financial liabilities for hedging		-	-	-	-	-
RP bill and bond liabilities		37,161,652	10,092,058	48,180,452	55,974,509	109,941,425

Item	Year	Financial information for recent years (Note 1)				
		2021	2020	2019	2018	2017
Payables		27,055,843	24,609,128	26,864,803	24,912,970	23,457,177
Current income tax liabilities		71,994	286,330	395,561	184,817	439,896
Liabilities directly related to assets pending for sale		-	-	-	-	-
Deposit and remittances		2,935,693,967	2,648,995,024	2,335,331,108	2,227,661,690	2,098,367,963
Financial debenture payable		46,800,000	53,800,000	53,900,000	55,600,000	63,350,000
Special stock liabilities		-	-	-	-	-
Other financial liabilities		31,502,729	39,748,324	65,604,222	76,509,334	66,057,646
Provisions		3,810,166	3,845,796	3,698,353	3,421,427	3,187,664
Lease liability		3,679,114	4,293,299	4,246,381	-	-
Deferred tax liabilities		2,872,121	3,464,973	3,250,712	1,657,768	1,712,831
Other liabilities		8,382,187	10,848,019	9,250,515	7,311,083	9,056,227
Total liabilities	Before payout	3,248,595,879	2,982,804,639	2,741,601,174	2,638,073,609	2,553,396,339
	After payout	(Note 3)	2,998,336,639	2,751,601,174	2,648,073,609	2,533,396,339
Equity attributable to owners of parent		246,351,112	242,296,872	227,485,604	201,765,546	178,463,478
Capital stock	Before payout	106,985,830	106,985,830	101,658,353	91,197,623	78,604,060
	After payout	(Note 3)	106,985,830	106,985,830	96,658,353	91,197,623
Capital surplus		38,687,276	38,687,276	38,687,276	33,610,983	33,610,983
Retained earnings	Before payout	98,502,438	88,733,278	81,794,948	75,580,519	67,103,367
	After payout	(Note 3)	73,201,277	66,467,471	60,119,789	54,509,804
Other equity		2,175,568	7,890,488	5,345,027	1,376,421	(854,932)
Treasury stock		-	-	-	-	-
Non-controlled interests		4,376,091	4,358,749	4,409,576	4,041,481	3,844,089
Total equity	Before payout	250,727,203	246,655,621	231,895,180	205,807,027	182,307,567
	After payout	(Note 3)	231,123,620	221,895,180	195,807,027	182,307,567

Note 1: All financial information between 2017 and 2021 has been audited; no auditor-reviewed or audited financial information was available for 2022 as of the publication date of annual report.

Note 2: The Company did not conduct any revaluation of assets in 2017 to 2021.

Note 3: Post-dividend figures for 2021 were not specified as the Bank has yet to convene its shareholder meeting.

## (II) Summary consolidated statement of comprehensive income

Unit: NT\$ thousand

Item	Year	Financial information for recent years(Note 1)				
		2021	2020	2019	2018	2017
Interest income		49,074,607	50,092,601	58,126,269	53,787,868	46,240,981
Less: Interest expenses		(10,535,553)	(14,869,483)	(21,680,489)	(20,390,612)	(16,540,184)
Net interest income		38,539,054	35,223,118	36,445,780	33,397,256	29,700,797
Net income other than interest		25,803,353	26,668,227	26,680,068	27,457,788	25,520,973
Net income		64,342,407	61,891,345	63,125,848	60,855,044	55,221,770
Bad debt expenses, commitment and guarantee liability provisions		(2,986,134)	(3,382,467)	(2,852,780)	(5,031,541)	(3,494,144)
Operating expenses		(33,876,777)	(32,685,892)	(33,805,682)	(31,340,148)	(29,301,447)
Profit before tax from continuing operations		27,479,496	25,822,986	26,467,386	24,483,355	22,426,179
Income tax (expense) benefit		(3,671,182)	(3,511,682)	(3,980,972)	(3,230,004)	(2,762,573)
Net profit (loss) this term of the units in continued business operation		23,808,314	22,311,304	22,486,414	21,253,351	19,663,606
Profit (loss) of the unit discontinued from business operation		-	-	-	-	-
Net profit (net loss) this term		23,808,314	22,311,304	22,486,414	21,253,351	19,663,606
Other comprehensive income		(4,264,028)	2,920,566	3,695,733	(622,753)	(1,890,435)
Other comprehensive income this term (net amount after tax)		(3,733,624)	2,895,709	3,918,860	(671,291)	(1,283,203)
Total comprehensive income this term		20,074,690	25,207,013	26,405,274	20,582,060	18,380,403
Profit attributable to the owner of parent this term		23,344,196	21,853,667	21,822,653	21,020,332	19,302,403
Profit belonging to non-controlled equity this term		464,118	457,637	663,761	233,019	361,203
Net profit from total comprehensive income attributable to the owner of parent this term		19,586,240	24,811,268	25,643,765	20,103,126	18,189,671
Net profit from total comprehensive income belonging to non-controlled equity this term		488,450	395,745	761,509	478,934	190,732
Earnings Per Share		2.18	2.04	2.14	2.17	2.17

Note 1: All financial statements between 2017 and 2021 have been audited; no auditor-reviewed or audited financial information was available for 2022 as of the publication date of annual report.

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



## (III) Summary standalone balance sheet

Unit: NT\$ thousand

Item	Financial information for recent years (Note 1)					
	Year	2021	2020	2019	2018	2017
Cash and cash equivalents, due from Central Bank and call loans to banks		274,172,699	189,474,475	159,935,997	169,358,457	180,202,438
Financial assets at fair value through profit or loss		281,821,324	320,798,792	294,191,635	246,407,565	309,972,777
Financial assets at fair value through other comprehensive income		281,577,371	304,618,288	293,510,005	180,253,805	-
Investment in debt instruments measured at amortized cost		570,526,304	501,266,786	443,835,161	419,828,413	-
Financial assets available for sale		-	-	-	-	142,212,975
Derivative financial assets for hedging		-	-	-	-	-
Securities purchased under agreements to resell		34,175,439	18,338,416	9,780,448	40,462,461	85,388,175
Receivable - net		103,077,662	99,694,198	99,115,885	85,277,180	76,953,234
Current income tax assets		-	-	-	-	-
Assets held for sale - net		283,087	-	-	-	-
Loans - net		1,732,854,284	1,593,426,912	1,487,889,877	1,533,747,366	1,399,567,004
Held to maturity financial assets		-	-	-	-	31,853,543
Investments accounted for using the equity method - net		26,111,194	25,777,352	25,617,511	25,501,114	9,017,435
Assets subject to restriction		-	-	-	-	-
Other financial assets - net		8,693,946	364	909	1,271	388,288,869
Property and equipment - net		23,360,033	24,174,666	24,554,606	24,755,100	24,262,267
Right-of-use asset - net		3,116,075	3,697,989	3,717,597	-	-
Investment property - net		657,440	646,445	857,504	1,439,686	1,547,372
Intangible assets - net		7,771,516	7,635,738	7,628,450	7,509,044	7,398,865
Deferred tax assets - net		4,612,273	4,371,750	3,860,039	1,861,573	2,223,266
Other assets		27,266,908	30,472,784	28,401,262	34,418,482	23,704,316
Total assets		3,380,077,555	3,124,394,955	2,882,896,886	2,770,821,517	2,682,592,536
Deposits by the Central Bank and other banks		62,610,289	63,383,248	70,709,191	67,728,200	84,375,047
Bankers acceptances and funds borrowed		1,076,000	1,076,000	-	-	-
Financial liabilities at fair value through profit or loss		74,475,373	114,386,759	106,531,886	102,960,537	87,305,126
Derivative financial liabilities for hedging		-	-	-	-	-
RP bill and bond liabilities		31,297,585	10,092,058	43,710,339	55,974,509	109,941,425
Payables		24,704,942	22,325,212	23,858,296	23,816,109	22,794,360

Item	Year	Financial information for recent years (Note 1)				
		2021	2020	2019	2018	2017
Current income tax liabilities		21,690	189,195	241,436	87,061	408,947
Liabilities directly related to assets pending for sale		-	-	-	-	-
Deposit and remittances		2,846,473,269	2,559,958,727	2,276,606,769	2,174,157,863	2,056,168,811
Financial debenture payable		46,800,000	53,800,000	53,900,000	55,600,000	63,350,000
Special stock liabilities		-	-	-	-	-
Other financial liabilities		28,655,043	35,331,092	60,218,085	76,509,334	66,057,646
Provisions		3,780,862	3,766,162	3,682,517	3,389,976	3,187,664
Lease liability		3,134,128	3,719,319	3,739,711	-	-
Deferred tax liabilities		2,554,019	3,330,151	3,046,972	1,645,038	1,580,152
Other liabilities		8,143,243	10,740,160	9,166,080	7,187,344	8,959,880
Total liabilities	Before payout	3,133,726,443	2,882,098,083	2,655,411,282	2,569,055,971	2,504,129,058
	After payout	(Note 3)	2,897,630,084	2,665,411,282	2,579,055,971	2,504,129,058
Capital stock	Before payout	106,985,830	106,985,830	101,658,353	91,197,623	78,604,060
	After payout	(Note 3)	106,985,830	106,985,830	96,658,353	91,197,623
Capital surplus		38,687,276	38,687,276	38,687,276	33,610,983	33,610,983
Retained earnings	Before payout	98,502,438	88,733,278	81,794,948	75,580,519	67,103,367
	After payout	(Note 3)	73,201,277	66,467,471	60,119,789	54,509,804
Other equity		2,175,568	7,890,488	5,345,027	1,376,421	(854,932)
Treasury stock		-	-	-	-	-
Total equity	Before payout	246,351,112	242,296,872	227,485,604	201,765,546	178,463,478
	After payout	(Note 3)	226,764,871	217,485,604	191,765,546	178,463,478

Note 1: All financial information between 2017 and 2021 has been audited; no auditor-reviewed or audited financial information was available for 2022 as of the publication date of annual report.

Note 2: The Company did not conduct any revaluation of assets in 2017 to 2021.

Note 3: Post-dividend figures for 2021 were not specified as the Bank has yet to convene its shareholder meeting.

## (IV) Summary standalone statement of comprehensive income

Unit: NT\$ thousand

Item	Year	Financial information for recent years (Note 1)				
		2021	2020	2019	2018	2017
Interest income		43,142,092	43,507,190	51,391,239	49,156,871	42,724,485
Less: Interest expenses		(7,410,699)	(11,398,019)	(18,742,159)	(18,330,503)	(15,037,732)
Net interest income		35,731,393	32,109,171	32,649,080	30,826,368	27,686,753
Net income other than interest		25,478,800	26,559,968	27,464,942	27,659,677	25,268,099
Net income		61,210,193	58,669,139	60,114,022	58,486,045	52,954,852
Bad debt expenses, commitment and guarantee liability provisions		(2,568,304)	(2,900,505)	(2,871,227)	(4,341,281)	(2,729,328)
Operating expenses		(31,925,693)	(30,746,967)	(31,940,142)	(30,118,732)	(28,399,121)
Profit before tax from continuing operations		26,716,196	25,021,667	25,302,653	24,026,032	21,826,403
Income tax (expense) benefit		(3,372,000)	(3,168,000)	(3,480,000)	(3,005,700)	(2,524,000)
Net profit (loss) this term of the units in continued business operation		23,344,196	21,853,667	21,822,653	21,020,332	19,302,403
Profit (loss) of the unit discontinued from business operation		-	-	-	-	-
Net profit (net loss) this term		23,344,196	21,853,667	21,822,653	21,020,332	19,302,403
Other comprehensive income		(4,288,360)	2,982,458	3,597,985	(868,668)	(1,719,964)
Other comprehensive income this term (net amount after tax)		(3,757,956)	2,957,601	3,821,112	(917,206)	(1,112,732)
Total comprehensive income this term		19,586,240	24,811,268	25,643,765	20,103,126	18,189,671
Earnings Per Share		2.18	2.04	2.14	2.17	2.17

Note 1: All financial statements between 2017 and 2021 have been audited; no auditor-reviewed or audited financial information was available for 2022 as of the publication date of annual report.

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

## II. Financial analysis for the most recent five years

Unit: %, NT\$ thousand

Analysis Item (Note 3)		Year (Note 1)		Financial analysis for the most recent years									
				2021		2020		2019		2018		2017	
				Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Operational ability	Deposit to loan ratio (%)	61.88	61.36	62.93	62.47	66.58	65.52	71.34	70.66	68.42	68.33		
	NPL ratio (%)	0.09	0.09	0.14	0.14	0.15	0.15	0.16	0.16	0.21	0.21		
	Interest expense as a % of yearly average deposit balance	0.32	0.23	0.50	0.39	0.74	0.64	0.69	0.61	0.60	0.54		
	Interest revenue as a % of yearly average loan balance	1.98	1.80	2.19	1.98	2.51	2.28	2.44	2.28	2.19	2.05		
	Total assets turnover (times)	1.91	1.88	2.00	1.95	2.17	2.13	2.18	2.14	2.08	2.04		
	Average revenues per employee	5,319	5,871	5,096	5,592	5,203	5,704	4,987	5,458	4,738	5,058		
	Average earnings per employee	1,968	2,239	1,837	2,083	1,835	2,071	1,742	1,962	1,687	1,844		
Profitability	Return on tier 1 capital (%)	11.00	11.30	10.94	11.24	12.18	12.38	12.44	12.76	12.78	12.73		
	ROA (%)	0.71	0.72	0.72	0.73	0.77	0.77	0.76	0.77	0.74	0.74		
	ROE (%)	9.57	9.55	9.32	9.30	10.27	10.17	10.86	10.96	11.49	11.54		
	Net profit margin (%)	37.00	38.14	36.05	37.25	35.62	36.30	34.92	35.94	35.61	36.45		
	Earnings Per Share (NTD)	2.18	2.18	2.04	2.04	2.14	2.14	2.30	2.30	2.53	2.53		
Financial structure	Liabilities to total assets ratio (%)	92.83	92.71	92.36	92.24	92.20	92.11	92.76	92.72	93.34	93.35		
	Property, plant and equipment as a percentage of shareholders' equity	9.77	9.48	10.27	9.98	11.11	10.79	12.36	12.27	13.64	13.60		
Growth rate (%)	Asset growth rate (%)	8.36	8.18	8.61	8.38	4.56	4.04	3.95	3.29	6.59	6.80		
	Profitability growth rate (%)	6.41	6.77	-2.43	-1.11	8.10	5.31	9.17	10.08	13.61	13.28		
Cash flows	Cash flow ratio (%)	60.13	57.96	27.32	23.79	-18.29	-21.26	-16.78	-10.81	25.81	26.01		
	Net cash flow adequacy rate (%)	320.08	311.02	28.11	33.88	-246.17	-237.41	48.33	95.13	298.83	312.92		
	Cash flow coverage ratio (%)	11,759.51	5,809.41	-23,845.86	12,518.83	-681.20	-644.39	-514.39	134.36	926.46	1,054.54		
Liquidity reserve ratio		34.28	34.28	38.56	38.56	36.59	36.59	34.22	34.22	31.88	31.88		
Outstanding secured loans to stakeholders		11,123,432	11,123,432	8,949,207	8,949,207	7,738,185	7,738,185	7,374,185	7,374,185	6,975,529	6,975,529		
Outstanding secured loans to stakeholders as a percentage of total loan balance		0.62	0.62	0.54	0.54	0.51	0.51	0.47	0.47	0.49	0.49		
Scale of operation	Market share of asset (%)	4.64	4.48	4.52	4.37	4.46	4.32	4.43	4.32	4.43	4.34		
	Market share of net worth (%)	5.08	4.99	5.15	5.06	5.04	4.94	4.83	4.74	4.54	4.45		
	Market share of deposits	5.71	5.52	5.53	5.35	5.35	5.20	5.33	5.18	5.13	5.02		
	Market share of loans	5.49	5.26	5.45	5.22	5.45	5.22	5.85	5.63	5.54	5.41		

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

Standalone

1. [NPL ratio] decreased: The Bank's aggressive disposal of NPL and solicitation for the opportunity to collect NPL resulted in the decrease in NPL by NT\$696 million from 2020, thus improving the overall asset quality significantly.
2. [Interest expense as a % of yearly average deposit balance] decreased: Mainly due to the increase in demand deposits by NT\$124 billion at the end of 2021.
3. [Profit growth rate] grew: Mainly due to the decrease in "interest expenses" by NT\$4 billion in 2021 compared to 2020.
4. [Cash flow ratio], [cash flow adequacy ratio] and [cash flow coverage ratio] increased: Mainly due to the increase in "net cash flow from operating activities" by NT\$62.3 billion in 2021.
5. [Outstanding secured loans to stakeholders] increased: Mainly due to the increase in personal house loan accounts.

Consolidated:

1. [NPL ratio] decreased: The Bank's aggressive disposal of NPL and solicitation for the opportunity to collect NPL resulted in the decrease in NPL by NT\$696 million from 2020, thus improving the overall asset quality significantly.
2. [Interest expense as a % of yearly average deposit balance] decreased: Mainly due to the increase in demand deposits by NT\$345 billion at the end of 2021.
3. [Profit growth rate] increased: Mainly due to the decrease in "interest expenses" by NT\$4.3 billion in 2021 compared to 2020.
4. [Cash flow ratio], [cash flow adequacy ratio] and [cash flow coverage ratio] increased: Mainly due to the increase in "net cash flow from operating activities" by NT\$70.4 billion in 2021.
5. [Outstanding secured loans to stakeholders] increased: Mainly due to the increase in personal house loan accounts.

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

Note 1: Data from 2017 to 2021 have been audited and certified by the independent auditors.

Note 2: As of the publication date of this annual report, no financial information of 2022 had been audited or reviewed by CPAs.

Note 3: Formulas of various analyses are defined below:

1. Operational ability

- (1) Deposit to loan ratio = total loan / total deposit
- (2) NPL ratio = total non-performing loan / total loan
- (3) Interest expense as a % of yearly average deposit balance = total interest expense on deposits / yearly average deposit balance
- (4) Interest revenue as a % of yearly average loan balance = total interest revenue from loans / yearly average loan balance
- (5) Total assets turnover = net profit/average total assets
- (6) Revenues per employee (Note 7) = net revenue / total employees
- (7) Average earnings per employee = corporate earnings / total number of employees

2. Profitability

- (1) Return on tier 1 capital = profit before tax / average tier 1 capital.
- (2) Return on assets = after-tax profit / average total assets.
- (3) Return on equity = after-tax profit / average total shareholders' equity.
- (4) Net profit margin = corporate earnings/net income
- (5) Earnings per share (EPS) = (attributable to shareholders' equity of the parent – preferred stock dividends) / weighed average quantity of outstanding shares.(Note 5)

3. Financial structure

- (1) Debt to asset ratio = total liabilities / total assets.
- (2) Property, plant and equipment to equity ratio = net property, plant and equipment / net shareholders' equity.

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

Note 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 accumulated preferred shares are not accumulative in nature, dividend for preferred shares shall be deducted from corporate earnings, if any. In case of loss, no adjustment shall be made.

Note 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									
			2021		2020		2019		2018		2017	
			Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Capital	Common share equity		222,191,384	214,614,985	212,526,568	204,572,808	193,317,039	186,226,591	173,805,139	166,969,563	151,860,690	149,392,107
	Tier 1 non-common share equity		31,670,615	26,519,181	33,205,553	27,227,007	33,059,261	27,099,093	34,304,206	28,371,343	33,690,073	31,871,917
	Tier 2 capital		48,354,476	36,592,885	58,452,827	45,000,995	61,447,606	48,554,797	64,789,659	51,801,638	68,268,776	64,210,868
	Capital		302,216,475	277,727,051	304,184,948	276,800,810	287,823,906	261,880,481	272,899,004	247,142,544	253,819,539	245,474,892
Risk weighted assets	Credit Risk	Standardized approach	1,584,509,839	1,467,811,951	1,513,501,089	1,393,921,824	1,546,548,347	1,458,022,891	1,445,220,093	1,445,220,093	1,373,772,064	1,315,254,831
		Internal ratings based approach	0	0	0	-	-	-	-	-	-	-
		Asset securitization	19,123,434	19,123,434	16,503,042	16,503,042	22,228,869	22,228,869	20,415,153	20,415,153	10,723,549	10,723,549
	Operation Risk	Basic indicator approach	0	0	0	-	-	-	-	-	-	-
		Standardized approach/ alternative standardized approach	123,247,499	116,203,485	123,362,753	116,505,060	97,006,726	92,046,240	86,475,368	86,475,368	83,373,850	80,117,028
		Advanced measurement approach	0	0	0	-	-	-	-	-	-	-
	Market Risk	Standardized approach	110,751,394	106,056,134	115,077,114	110,110,960	171,196,678	162,655,085	104,686,276	96,881,010	140,437,191	138,476,930
		Internal model approach	0	0	0	-	-	-	-	-	-	-
	Total risk weighted assets		1,837,632,166	1,709,195,004	1,768,443,998	1,637,040,886	1,836,980,620	1,734,953,085	1,741,077,867	1,648,991,624	1,608,306,654	1,544,572,338
	Capital adequacy ratio		16.45%	16.25%	17.20%	16.91%	15.67%	15.09%	15.67%	14.99%	15.78%	15.89%
Tier 1 capital as a % of risky assets		13.81%	14.11%	13.90%	14.16%	12.32%	12.30%	11.95%	11.85%	11.54%	11.74%	
Common share equity as a % of risky assets		12.09%	12.56%	12.02%	12.50%	10.52%	10.73%	9.98%	10.13%	9.44%	9.67%	
Leverage ratio (Note 5)		6.84%	6.76%	7.14%	7.00%	7.18%	7.01%	6.81%	6.59%	6.27%	6.25%	
Reasons for changes in capital adequacy in the last two years. (Analysis is not required for changes of less than 20%) None.												

- Note:
1. All financial information from 2017 to 2021 has been verified by CPA.
  2. 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.”
  3. Below are the formulas used for the calculations in this table:
    - (1) Capital = common share equity + Tier 1 non-common share equity + Tier 2 capital.
    - (2) Total risk weighted assets = credit risk weighted assets + required capital for (operational risk + market risk) × 12.5.
    - (3) Capital adequacy ratio = capital / total risk weighted assets.
    - (4) 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.
    - (5) Common share equity as a % of risk-weighted assets = common share equity / total risk-weighted assets.
    - (6) Leverage ratio = net tier 1 capital / total risk exposure.
  4. 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 2021 business report, consolidated financial statements (including standalone financial statements), and earnings appropriation proposal (for the period January 1 to December 31, 2021) 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, 2022



## **Supervisors' Review Report**

We have reviewed the Bank's 2021 business report, consolidated financial statements (including standalone financial statements), and earnings appropriation proposal (for the period January 1 to December 31, 2021) compiled by the board of directors, and found no misstatements. We hereby issue this report in accordance with Article 219 of The Company Act for the readers' reference.

For

Cathay United Bank Co., Ltd.

Supervisor: Chin-Hua Chiu

March 11, 2022

**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	2021	2020	Difference	
			Amount	Percentage (%)
Total assets	3,499,323,082	3,229,460,260	269,862,822	8.36%
Total liabilities	3,248,595,879	2,982,804,639	265,791,240	8.91%
Total shareholders' equity	250,727,203	246,655,621	4,071,582	1.65%

### II. Analysis of Financial Performance

Unit: NT\$ thousand

Item \ Year	2021	2020	Change in amount	Variation (%)
Interest income	\$49,074,607	\$50,092,601	(\$1,017,994)	-2.03%
Interest expenses	(10,535,553)	(14,869,483)	4,333,930	-29.15%
Net interest income	38,539,054	35,223,118	3,315,936	9.41%
Net income other than interest	25,803,353	26,668,227	(864,874)	-3.24%
Net income	64,342,407	61,891,345	2,451,062	3.96%
Loan loss expense	(2,986,134)	(3,382,467)	396,333	-11.72%
Operating expenses	(33,876,777)	(32,685,892)	(1,190,885)	3.64%
Net profit before tax from continuing operations	27,479,496	25,822,986	1,656,510	6.41%
Income tax expense	(3,671,182)	(3,511,682)	(159,500)	4.54%
Net profit after tax from continuing operations	23,808,314	22,311,304	1,497,010	6.71%
Net profit this term	\$23,808,314	\$22,311,304	\$1,497,010	6.71%

### III. Cash flows

1. Liquidity Analysis for the last two years:

Item \ Year	2021	2020	Increase/decrease
Cash flow ratio (%)	60.13%	27.32%	120.10%
Net cash flow adequacy rate (%)	320.08%	28.11%	1,038.67%
Cash flow coverage ratio (%)	11759.51%	-23,845.86%	-149.31%

2. Cash flow analysis of the year ahead:

Unit: NT\$ thousand

Cash balance at beginning ①	Projected net cash flow from operating activities in current period ②	Projected cash outflow in current period ③	Projected amount of cash surplus (deficit) ① + ② - ③	Remedy for cash deficit	
				Investment plan	Financing plan
227,610,170	(39,555,525)	41,148,351	146,906,295	-	-

### IV. Major capital expenditures in the most recent year

None.

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

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

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

## VI. Risk management

(I) Qualitative and quantitative risk information by categories:

1. Credit risk management system and capital requirements.

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

### Credit risk management system

2021

Item	Details
1. Credit risk strategies, goals, policies and procedures	<p>(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.</p> <p>(2) Goals: Measure and control credit risks associated with business activities, and aim to maximize risk-adjusted profit and shareholders' value under tolerable risks.</p> <p>(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.</p> <p>(4) Procedures: The Bank complies with business-related regulations and implementation rules, and implements levels of approval authority to assess and review incoming cases for rigorous control of asset quality prior to lending. Through credit review and credit reporting, the Bank monitors credit conduct of its borrowers or counterparties over the period of loan or investment, and undertakes response measures at times deemed appropriate. Debt security measures are undertaken as soon as possible in the event of the borrower's or counterparty's default/overdue.</p>
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

Item	Details
	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 profil 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, 2021

Unit: NT\$ thousand

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Accrued capital charge
Sovereigns	722,476,706	696,691
Non Central -Government Public Sector Entities	21,405,984	343,122
Banks (Multilateral Development Banks included)	294,039,764	9,526,798
Corporates (Securities firms and insurance companies included)	417,984,141	29,696,387
Retailed credit	231,355,277	13,412,261
Real estate exposure	1,273,264,235	55,275,801
Equity-securities investment	9,614,963	769,197
Investment in equity securities of mutual funds and venture capital investments	983,599	983,599
Other assets	93,765,095	5,771,501
<b>Total</b>	<b>3,064,889,764</b>	<b>116,475,357</b>

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

2021

Item	Details
1. Management strategies and procedures relating to asset securitization	<p>(1) The Bank invests into securitized assets, but does not serve as originator of any securitized asset.</p> <p>(2) The Bank has “Cathay United Bank Capital Authorization Guidelines” in place to regulate authorization of investment in, and investment limits for securitized assets.</p> <p>(3) The Bank also has “Cathay United Bank Market Risk Limit Management Guidelines” in place to monitor securitized asset investments and manage market risks.</p>
2. Management framework and organization for securitized instruments	<p>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:</p> <p>(1) Board of directors (managing directors): Approves and supervises investment policies within the Bank.</p> <p>(2) Sales units: Responsible for execution of securitized asset transactions and post-investment management.</p> <p>(3) Market Risk Management Department: Consolidates information and monitors securitized asset investments throughout the Bank, and presents reports regularly to senior managers.</p>
3. Scope and features of asset securitization risk reports and assessment system	<p>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.</p>



Item	Details
4. Risk avoidance or mitigation policies relating to asset securitization, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	The Bank currently does not serve as originator for any securitized asset, and does not hedge its securitized asset exposures.
5. Methods for calculating capital requirements	Standardized approach

**Involvement in asset securitization**

December 31, 2021

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

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

December 31, 2021

Unit: NT\$ thousand

Bank's role	Exposure category	Book category	Asset category	Traditional				Umbrella		Total			
				Amount of exposure				Accrued capital charge (2)	Amount of exposure	Accrued capital charge (4)	Amount of exposure (5)=(1)+(3)	Accrued capital charge (6)=(2)+(4)	Required capital before securitization
				Retained or acquired	Liquidity facility	Credit enhancement	Subtotal (1)		Retained or acquired (3)				
Non-originating bank	Banking book		Mortgage-backed security	47,714,453	-	-	47,714,453	1,279,473	-	-	47,714,453	1,279,473	
			Commercial mortgage-backed securities (CMBS)	2,206,995	-	-	2,206,995	70,624	-	-	2,206,995	70,624	
	Trading book		Leases and accounts receivable	642,063	-	-	642,063	179,778	-	-	642,063	179,778	
			Subtotal	50,563,510	-	-	50,563,510	1,529,875	-	-	50,563,510	1,529,875	
Originating bank	Banking book		-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-
	Trading book		-	-	-	-	-	-	-	-	-	-	-
			Subtotal	-	-	-	-	-	-	-	-	-	-
Total			-	50,563,510	-	-	50,563,510	1,529,875	-	-	50,563,510	1,529,875	-

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, 2021						Unit: NT\$ thousand
Item (Note 1)	Account	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value	
(1) MBS	Investment in debt instruments measured at amortized cost	39,891,523	-132,659	-749	39,758,115	
(2) MBS	Financial assets at fair value through other comprehensive income	10,109,037	54,293	-130	10,163,200	
(3) ABS	Investment in debt instruments measured at amortized cost	648,845	5,760	-12,542	642,063	

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

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

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

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

Unit: NT\$ thousand

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon rate	Credit rating (Note 3)	Interest and principal payment	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value	Attachment point (Note 4)	Content of the asset pool (Note 5)
FN_MA4437	FVOCI	USD	SPV(USA)	2021/9/23	2051/10/01	2.0%	AAA	Monthly interest payment and monthly prepayment according to schedule	2,779,972.75	- 22,641	26.01	2,735,496.90	n.a.	Prime Mortgage
FR_SD8155	AC	USD	SPV(USA)	2021/6/11	2051/07/01	2.0%	AAA	Same as above	2,757,056.75	-	25.70	2,680,691.97	n.a.	Prime Mortgage
FN_MA4378	AC	USD	SPV(USA)	2021/5/28	2051/06/01	2.0%	AAA	Same as above	2,757,054.01	-	25.71	2,682,149.24	n.a.	Prime Mortgage
GNR_2020_58_AJ	FVOCI	USD	SPV(USA)	2020/4/13	2062/01/16	2.6%	AAA	Same as above	1,811,755.96	- 17,338	26.94	1,288,610.89	n.a.	Prime Mortgage
FN_MA3997	AC	USD	SPV(USA)	2020/3/6	2050/04/01	3.0%	AAA	Same as above	1,637,146.56	-	3.27	324,887.74	n.a.	Prime Mortgage
G2_784923	AC	USD	SPV(USA)	2020/3/16	2050/02/20	3.0%	AAA	Same as above	1,489,662.50	-	2.18	225,862.19	n.a.	Prime Mortgage
FNR_2021_8_ZD	AC	USD	SPV(USA)	2021/2/9	2051/03/25	2.0%	AAA	Same as above	1,456,445.33	-	8.34	331,169.41	n.a.	Prime Mortgage
GNR_2020_84_WA	AC	USD	SPV(USA)	2020/5/27	2050/06/20	3.5%	AAA	Same as above	1,454,102.58	-	8.36	397,634.59	n.a.	Prime Mortgage
G2_MA6646	AC	USD	SPV(USA)	2020/5/8	2050/05/20	3.0%	AAA	Same as above	1,422,177.64	-	4.03	413,688.89	n.a.	Prime Mortgage
G2_MA6531	AC	USD	SPV(USA)	2020/3/6	2050/03/20	3.0%	AAA	Same as above	1,422,177.64	-	2.34	241,204.99	n.a.	Prime Mortgage
FR_RE6110	FVOCI	USD	SPV(USA)	2021/9/16	2051/09/01	2.0%	AAA	Same as above	1,393,963.40	- 24,796	13.03	1,364,590.70	n.a.	Prime Mortgage
FR_RE6103	AC	USD	SPV(USA)	2021/6/24	2051/07/01	2.0%	AAA	Same as above	1,368,805.96	-	12.72	1,340,035.16	n.a.	Prime Mortgage
FHR_5095_MZ	AC	USD	SPV(USA)	2021/3/5	2051/04/25	2.0%	AAA	Same as above	1,349,660.40	-	9.11	402,744.82	n.a.	Prime Mortgage
GNR_2020_112_ZL	AC	USD	SPV(USA)	2020/8/12	2050/08/20	2.0%	AAA	Same as above	1,115,055.25	-	0.02	1,226.34	n.a.	Prime Mortgage
FHR_3958_PZ	FVOCI	USD	SPV(USA)	2017/12/29	2041/11/15	4.5%	AAA	Same as above	1,114,851.13	81	1.52	75,512.09	n.a.	Prime Mortgage
FN_MA4465	FVOCI	USD	SPV(USA)	2021/10/15	2051/11/01	2.0%	AAA	Same as above	1,110,228.47	- 7,359	10.44	1,100,379.10	n.a.	Prime Mortgage
FHR_4978_HP	FVOCI	USD	SPV(USA)	2020/4/23	2050/05/25	3.5%	AAA	Same as above	1,034,952.70	- 879	6.06	273,918.92	n.a.	Prime Mortgage
FHR_5057_TZ	AC	USD	SPV(USA)	2020/11/17	2050/11/25	2.0%	AAA	Same as above	978,775.91	-	9.17	408,702.82	n.a.	Prime Mortgage
GNR_2021_49_GZ	AC	USD	SPV(USA)	2021/3/12	2051/01/20	3.0%	AAA	Same as above	955,234.38	-	6.16	305,262.79	n.a.	Prime Mortgage
FN_MA3971	AC	USD	SPV(USA)	2020/3/9	2050/03/01	3.0%	AAA	Same as above	931,203.31	-	1.93	186,930.91	n.a.	Prime Mortgage
FHR_3950_ZA	FVOCI	USD	SPV(USA)	2017/12/29	2041/11/15	4.5%	AAA	Same as above	911,517.08	4,789	0.60	29,930.26	n.a.	Prime Mortgage
FHR_5083_ZH	AC	USD	SPV(USA)	2021/2/1	2051/03/25	1.5%	AAA	Same as above	883,696.39	-	13.70	678,025.52	n.a.	Prime Mortgage
GNR_2021_57_KZ	AC	USD	SPV(USA)	2021/3/5	2051/03/20	2.0%	AAA	Same as above	879,988.06	-	6.79	337,879.46	n.a.	Prime Mortgage
FNR_2015_27_MZ	AC	USD	SPV(USA)	2017/12/29	2044/10/25	3.5%	AAA	Same as above	866,125.63	-	3.29	163,678.90	n.a.	Prime Mortgage
FN_MA4398	FVOCI	USD	SPV(USA)	2021/8/4	2051/08/01	2.0%	AAA	Same as above	846,789.72	- 19,178	7.83	809,784.93	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_2020_37_A	AC	USD	SPV(USA)	2020/2/17	2062/03/16	2.5%	AAA	Same as above	845,769.71	-	8.09	301,851.06	n.a.	Prime Mortgage
FN_MA4431	FVOCI	USD	SPV(USA)	2021/8/4	2051/08/01	2.0%	AAA	Same as above	838,937.15	- 17,200	7.75	809,277.63	n.a.	Prime Mortgage
FHR_4988_ZA	AC	USD	SPV(USA)	2020/6/5	2050/06/25	2.5%	AAA	Same as above	832,110.71	-	1.26	62,652.41	n.a.	Prime Mortgage
FNR_2021_60_ZB	AC	USD	SPV(USA)	2021/8/5	2051/09/25	2.5%	AAA	Same as above	827,220.90	-	15.20	727,416.38	n.a.	Prime Mortgage
FHR_5158_ZK	AC	USD	SPV(USA)	2021/10/6	2050/01/25	1.5%	AAA	Same as above	827,157.37	-	15.49	654,498.67	n.a.	Prime Mortgage
FHR_5075_DZ	AC	USD	SPV(USA)	2021/1/20	2051/02/25	2.0%	AAA	Same as above	811,756.33	-	2.19	42,838.04	n.a.	Prime Mortgage
FHR_5071_ZH	AC	USD	SPV(USA)	2021/1/21	2051/02/25	1.5%	AAA	Same as above	801,182.95	-	11.60	558,918.32	n.a.	Prime Mortgage
GNR_2021_146_KZ	AC	USD	SPV(USA)	2021/8/5	2051/08/20	2.0%	AAA	Same as above	787,859.40	-	16.10	800,723.76	n.a.	Prime Mortgage
G2_MA6399	AC	USD	SPV(USA)	2020/3/6	2050/01/20	3.0%	AAA	Same as above	765,305.33	-	1.19	123,090.64	n.a.	Prime Mortgage
FHR_5050_ZC	AC	USD	SPV(USA)	2020/11/9	2050/12/25	2.0%	AAA	Same as above	760,520.07	-	9.08	423,381.25	n.a.	Prime Mortgage
FHR_5158_ZL	AC	USD	SPV(USA)	2021/10/1	2051/04/25	1.5%	AAA	Same as above	742,462.10	-	15.30	706,159.42	n.a.	Prime Mortgage
FHR_4992_DZ	AC	USD	SPV(USA)	2020/6/5	2050/07/25	2.5%	AAA	Same as above	737,214.93	-	6.44	296,910.66	n.a.	Prime Mortgage
GNR_2021_44_ZU	AC	USD	SPV(USA)	2021/3/12	2051/03/20	1.5%	AAA	Same as above	734,830.02	-	10.26	518,181.92	n.a.	Prime Mortgage
FHR_5003_MZ	AC	USD	SPV(USA)	2020/6/23	2050/08/25	2.5%	AAA	Same as above	726,438.88	-	5.27	222,490.34	n.a.	Prime Mortgage
FHR_5035_JZ	AC	USD	SPV(USA)	2020/11/5	2050/10/25	2.0%	AAA	Same as above	724,310.73	-	2.22	83,614.40	n.a.	Prime Mortgage
FHR_5050_ZP	AC	USD	SPV(USA)	2020/11/4	2050/10/25	1.5%	AAA	Same as above	716,958.99	-	10.28	459,313.85	n.a.	Prime Mortgage
FHR_5114_AZ	AC	USD	SPV(USA)	2021/5/5	2051/06/25	1.5%	AAA	Same as above	671,642.27	-	3.62	132,231.50	n.a.	Prime Mortgage
GNR_2021_137_QZ	AC	USD	SPV(USA)	2021/8/16	2051/08/20	2.0%	AAA	Same as above	634,855.03	-	11.79	593,296.70	n.a.	Prime Mortgage
FHR_5149_GZ	AC	USD	SPV(USA)	2021/9/8	2051/10/25	1.5%	AAA	Same as above	623,875.71	-	9.73	420,219.36	n.a.	Prime Mortgage
FHR_5087_Z	AC	USD	SPV(USA)	2021/2/5	2051/03/25	1.5%	AAA	Same as above	601,202.72	-	4.39	166,665.51	n.a.	Prime Mortgage
FHR_5164_NZ	AC	USD	SPV(USA)	2021/10/15	2051/11/25	1.5%	AAA	Same as above	587,746.13	-	11.60	506,275.44	n.a.	Prime Mortgage
FHR_5123_NZ	AC	USD	SPV(USA)	2021/6/22	2049/10/25	1.5%	AAA	Same as above	584,924.70	-	5.77	207,232.76	n.a.	Prime Mortgage
GNR_2020_5_CA	FVOCI	USD	SPV(USA)	2020/4/14	2049/12/20	3.5%	AAA	Same as above	571,760.57	757	2.52	120,395.16	n.a.	Prime Mortgage
FNR_2011_128_Z	FVOCI	USD	SPV(USA)	2017/12/29	2041/12/25	4.5%	AAA	Same as above	552,961.85	4,391	0.76	37,912.62	n.a.	Prime Mortgage
GNR_2021_114_ZC	AC	USD	SPV(USA)	2021/6/18	2051/06/20	2.0%	AAA	Same as above	537,937.76	-	9.31	471,503.42	n.a.	Prime Mortgage
GNR_2020_46_AB	FVOCI	USD	SPV(USA)	2020/4/24	2050/02/20	3.5%	AAA	Same as above	536,723.99	78	2.37	112,703.70	n.a.	Prime Mortgage
FNR_2016_53_ZA_1	AC	USD	SPV(USA)	2017/12/29	2046/08/25	3.0%	AAA	Same as above	536,234.73	-	2.95	147,881.32	n.a.	Prime Mortgage
FHR_5147_ZL	AC	USD	SPV(USA)	2021/9/3	2050/12/25	1.5%	AAA	Same as above	527,922.99	-	9.75	443,031.78	n.a.	Prime Mortgage
FNR_2016_53_KZ	AC	USD	SPV(USA)	2017/12/29	2046/08/25	3.0%	AAA	Same as above	503,847.26	-	2.93	123,249.44	n.a.	Prime Mortgage
FHR_5016_ZP	AC	USD	SPV(USA)	2020/9/3	2050/09/25	3.0%	AAA	Same as above	495,973.40	-	1.07	12,749.22	n.a.	Prime Mortgage
FHR_5149_ZP	AC	USD	SPV(USA)	2021/9/16	2051/10/25	1.5%	AAA	Same as above	495,818.00	-	9.31	443,188.36	n.a.	Prime Mortgage
GNR_2021_221_CZ	AC	USD	SPV(USA)	2021/12/17	2051/12/20	2.5%	AAA	Same as above	492,614.65	-	-	492,614.65	n.a.	Prime Mortgage
FHR_5086_BZ	AC	USD	SPV(USA)	2021/2/8	2051/03/25	2.0%	AAA	Same as above	488,852.10	-	1.09	6,670.38	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_5124_ZN	AC	USD	SPV(USA)	2021/6/7	2051/07/25	1.5%	AAA	Same as above	482,415.85	-	4.77	207,063.36	n.a.	Prime Mortgage
GNR_2021_162_EZ	AC	USD	SPV(USA)	2021/9/15	2051/09/20	2.0%	AAA	Same as above	476,992.72	-	10.11	505,894.69	n.a.	Prime Mortgage
FHR_3752_JZ	FVOCI	USD	SPV(USA)	2017/12/29	2040/11/15	4.5%	AAA	Same as above	474,333.08	16,298	4.22	209,585.88	n.a.	Prime Mortgage
FNR_2016_48_YZ	AC	USD	SPV(USA)	2017/12/29	2046/08/25	3.0%	AAA	Same as above	464,996.64	-	2.33	107,025.96	n.a.	Prime Mortgage
FHR_5074_LZ	AC	USD	SPV(USA)	2021/2/5	2051/02/25	3.0%	AAA	Same as above	461,390.92	-	2.31	102,457.14	n.a.	Prime Mortgage
FHR_5185_ZL	AC	USD	SPV(USA)	2021/12/9	2052/01/25	1.5%	AAA	Same as above	457,576.23	-	-	457,576.23	n.a.	Prime Mortgage
FHR_5021_MZ	AC	USD	SPV(USA)	2020/9/11	2050/10/25	2.0%	AAA	Same as above	456,135.43	-	5.41	256,161.35	n.a.	Prime Mortgage
FHR_5000_ZN	AC	USD	SPV(USA)	2020/7/23	2050/06/25	3.5%	AAA	Same as above	445,707.90	-	1.69	50,949.53	n.a.	Prime Mortgage
GNR_2020_84_UA	AC	USD	SPV(USA)	2020/5/28	2050/06/20	3.5%	AAA	Same as above	436,532.84	-	1.87	89,355.14	n.a.	Prime Mortgage
FHR_5068_GZ	AC	USD	SPV(USA)	2021/1/5	2050/11/25	3.0%	AAA	Same as above	432,347.55	-	6.32	248,996.99	n.a.	Prime Mortgage
GNR_2020_46_JA	FVOCI	USD	SPV(USA)	2020/4/14	2050/04/20	3.5%	AAA	Same as above	432,171.99	86	0.97	46,047.34	n.a.	Prime Mortgage
FNR_2021_76_Z	AC	USD	SPV(USA)	2021/10/15	2051/11/25	1.5%	AAA	Same as above	423,310.18	-	9.74	428,145.57	n.a.	Prime Mortgage
FHR_5051_ZY	AC	USD	SPV(USA)	2020/11/12	2050/11/25	2.0%	AAA	Same as above	411,442.13	-	3.18	144,016.99	n.a.	Prime Mortgage
FNR_2016_71_ZN	AC	USD	SPV(USA)	2017/12/29	2046/10/25	3.0%	AAA	Same as above	410,343.55	-	3.02	126,286.87	n.a.	Prime Mortgage
GNR_2021_25_KZ	AC	USD	SPV(USA)	2021/2/9	2051/02/20	1.5%	AAA	Same as above	410,043.07	-	4.59	229,384.65	n.a.	Prime Mortgage
GNR_2021_44_Z	AC	USD	SPV(USA)	2021/3/15	2051/03/20	2.0%	AAA	Same as above	406,491.47	-	4.20	208,751.79	n.a.	Prime Mortgage
FNR_2020_31_HP	FVOCI	USD	SPV(USA)	2020/4/16	2050/05/25	3.5%	AAA	Same as above	403,891.49	- 1,269	3.15	149,455.80	n.a.	Prime Mortgage
GNR_2021_155_GZ	AC	USD	SPV(USA)	2021/9/16	2051/09/20	2.0%	AAA	Same as above	390,031.60	-	7.45	372,395.38	n.a.	Prime Mortgage
FHR_5086_ZJ	AC	USD	SPV(USA)	2021/2/19	2051/03/25	1.5%	AAA	Same as above	376,252.00	-	4.42	205,561.70	n.a.	Prime Mortgage
FHR_5059_DZ	AC	USD	SPV(USA)	2020/12/7	2051/01/25	2.0%	AAA	Same as above	370,974.25	-	2.62	104,983.41	n.a.	Prime Mortgage
FHR_5011_PZ	AC	USD	SPV(USA)	2020/8/6	2050/09/25	2.0%	AAA	Same as above	365,003.24	-	3.18	133,991.49	n.a.	Prime Mortgage
GNR_2021_138_ZL	AC	USD	SPV(USA)	2021/8/13	2051/08/20	1.5%	AAA	Same as above	363,128.50	-	8.20	415,463.04	n.a.	Prime Mortgage
FHR_5056_MZ	AC	USD	SPV(USA)	2020/11/12	2050/12/25	2.0%	AAA	Same as above	355,308.83	-	2.01	78,702.21	n.a.	Prime Mortgage
GNR_2020_189_MZ	AC	USD	SPV(USA)	2020/12/10	2050/12/20	2.0%	AAA	Same as above	352,954.88	-	3.04	151,520.57	n.a.	Prime Mortgage
FHR_5071_TZ	AC	USD	SPV(USA)	2021/1/13	2050/01/25	2.0%	AAA	Same as above	345,953.69	-	1.49	57,833.03	n.a.	Prime Mortgage
FHR_5114_ZE	AC	USD	SPV(USA)	2021/5/3	2047/09/25	1.5%	AAA	Same as above	337,880.45	-	3.83	163,039.85	n.a.	Prime Mortgage
GNR_2020_191_PZ	AC	USD	SPV(USA)	2020/12/9	2050/12/20	1.5%	AAA	Same as above	335,854.86	-	4.68	235,559.25	n.a.	Prime Mortgage
GNR_2021_125_ZG	AC	USD	SPV(USA)	2021/7/20	2051/07/20	1.5%	AAA	Same as above	330,014.51	-	6.73	338,669.36	n.a.	Prime Mortgage
GNR_2018_121_YZ	AC	USD	SPV(USA)	2018/9/20	2048/09/20	4.25%	AAA	Same as above	329,317.01	-	0.07	3,565.57	n.a.	Prime Mortgage
GNR_2021_44_ZC	AC	USD	SPV(USA)	2021/2/24	2051/03/20	1.5%	AAA	Same as above	327,812.40	-	3.07	153,675.08	n.a.	Prime Mortgage
FHR_5033_Z	AC	USD	SPV(USA)	2020/9/15	2050/10/25	2.0%	AAA	Same as above	315,761.06	-	5.17	237,922.04	n.a.	Prime Mortgage
GNR_2020_95_YZ	AC	USD	SPV(USA)	2020/7/16	2050/07/20	2.5%	AAA	Same as above	306,925.09	-	5.43	268,863.39	n.a.	Prime Mortgage
FNR_2020_85_GT	AC	USD	SPV(USA)	2020/11/20	2050/12/25	1.5%	AAA	Same as above	302,611.58	-	6.09	307,661.12	n.a.	Prime Mortgage

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

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

Note 3: Please provide the latest credit rating.

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

(IV) 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**

2021

Item	Details
<p>1. Operational risk management strategy and procedures</p>	<p>The Bank has effective operational risk management framework and systems in place to manage banking operations, improve efficiency, reduce risk exposure, and secure assets.</p> <p>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:</p> <p>(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.</p> <p>(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.</p> <p>(3) Key risk indicators: Develop indicators for the potential risks identified to facilitate evaluation of changes in exposure.</p>
<p>2. Operational risk management framework and organization</p>	<p>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.</p>



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 avoidance and mitigation tools	The Bank conducts risk self-assessment prior to launching new financial products (including new business categories, products and service models). Depending on the extent and frequency of exposure impact, the Bank uses insurance and engages external parties to mitigate or transfer potential exposures. The Bank has business continuity policies and rules in place to address risk events that are likely to cause disruption to business operations. Drills are conducted from time to time to minimize possible losses and improve employees' response. Through regular monitoring, management reports and review on the use of tools, the Bank is able to ensure the effectiveness of its risk avoidance and mitigation tools.
5. Methods for calculating capital requirements	Standardized approach

### **Operational risk capital requirement**

December 31, 2021

Unit: NT\$ thousand

Year	Gross Profit	Accrued capital charge
2019	55,918,890	
2020	53,030,397	
2021	57,030,211	
Total	165,979,498	7,496,999

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

4. Market risk management system and the required capital.

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

**Market risk management system**

2021

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-

Item	Details
	compliant quantitative market risk management model to ensure compliance with New Basel Capital Accords, and thereby connect financial supervisory practices with the rest of the world.
4. Market risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	Proprietary trading positions undertaken by the Trading Department are monitored with net positions and exposures calculated on a daily basis. For derivative trading positions, risk exposure is calculated using product sensitivity indicators after taking into consideration the effectiveness of hedging positions.
5. Methods for calculating capital requirements	Standardized approach

### **Market risk capital requirement**

December 31, 2021

Unit: NT\$ thousand

Type of Risk	Accrued capital charge
Interest rate risk	4,518,192
Equity risk	2,955,629
Foreign exchange risk	964,848
Commodity risk	9,410
Options accounted using the simple method	36,412
Total	8,484,491

5. (1) 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

2021

Item	Details
1. Liquidity risk management strategies and procedures	<p>(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.</p> <p>(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 &amp; Liability Management Committee meetings can be convened on an ad-hoc basis to discuss responses first and seek board of directors' approval afterwards.</p> <p>(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 &amp; Liability Management Committee.</p>
2. Liquidity risk management organization and framework	<p>(1) The Asset &amp; Liability Management Committee is responsible for the strategic planning and supervision of liquidity risk management within the Bank. Routine funding and trading are executed by the Treasury Department. Factors that have an adverse effect on liquidity are to be analyzed and addressed with involvement from the Finance and Accounting Department and the Treasury Department in order to mitigate liquidity risk impacts upon occurrence of an unexpected event.</p> <p>(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.</p>
3. Scope and features of the liquidity risk reporting and assessment system	<p>(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.</p> <p>(2) The Bank manages liquidity risk by preparing "Liquidity Reserve Requirement Report," "NTD Maturity Analysis</p>

Item	Details
	<p>Report,” “Liquidity Gap Analysis Report,” “Foreign Currency Liquidity Coverage Ratio Report,” and “Net Stable Funding Ratio Report” on a regular basis. These reports are used to monitor liquidity indicators and ensure that figures are within limit.</p> <p>(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.</p>
<p>4. Capital strategies, including policies on source and maturity diversification, and whether a centralized or delegated capital management approach is adopted</p>	<p>(1) Deposit concentration is examined on a regular basis. The Bank prepares “NTD Maturity Analysis Report” on a monthly basis, and a “Foreign Currency Liquidity Gap Analysis” is prepared for any foreign currency that accounts for more than 5% of total liability. This report monitors negative gap in foreign currency assets and liabilities for each interval, and provides decision makers with an indication of how to diversify capital source and maturity.</p> <p>(2) Overseas branches are required to discuss capital plans with the Head Office based on asset/liability allocation and outcomes of liquidity and interest rate sensitivity analysis. Sourcing and use of capital shall comply with rules of the local authority and take into account factors such as safety and revenue potentials. Any mismatch in the maturity of assets and liabilities also have to be properly managed.</p>
<p>5. Liquidity risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools</p>	<p>(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.</p> <p>(2) The Asset and Liability Management Committee convened meetings to devise responses whenever liquidity reserve falls below a certain level.</p>
<p>6. Explanation to execution of</p>	<p>The Bank performs stress tests on liquidity risk at least on a</p>

Item	Details
stress testing	quarterly basis to assess the Bank's debt-serving capacity should a liquidity crisis occur, and thereby measure and manage liquidity risks . Results of the stress test are reported to the board of directors every six months.
7. Summary of emergency liquidity response plan	<p>(1) Source adequate cash support.</p> <p>(2) Balance sheet adjustment: recover funds or explore alternative sources of capital or funding channel.</p> <p>(3) Issue official statements to clarify facts.</p> <p>(4) Maintain order in the business lobby.</p> <p>(5) Prevent peers from over-drawing deposits, and contact foreign banking partners to secure existing credit facilities.</p> <p>(6) Take necessary legal actions against offenders for crises that arise as a result of fraud.</p>

## (2) Maturity analysis of NTD capital:

Maturity analysis of NTD capital for the Bank

December 31, 2021

Unit: NT\$ thousand

	Total	Balance until maturity					
		0 days – 10 days	11 days – 30 days	31 days – 90 days	91 days – 180 days	181 days to 1 year	Over 1 years
Primary funds inflow upon maturity	3,168,420,293	447,042,860	378,750,327	223,478,939	300,577,646	506,051,944	1,312,518,577
Primary funds outflow upon maturity	3,792,365,240	136,412,917	210,418,455	502,760,177	570,067,990	774,624,206	1,598,081,495
Gap	(623,944,947)	310,629,943	168,331,872	(279,281,238)	(269,490,344)	(268,572,262)	(285,562,918)

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

### (3) Maturity analysis of USD capital:

Maturity analysis of USD capital for the Bank

December 31, 2021

Units: US\$ thousand

	Total	Balance until maturity				
		0 days – 30 days	31 days – 90 days	91 days – 180 days	181 days to 1 year	Over 1 years
Primary funds inflow upon maturity	72,349,452	20,242,005	10,985,627	6,497,567	5,885,072	28,739,181
Primary funds outflow upon maturity	76,699,701	21,144,206	16,044,704	12,798,460	15,808,072	10,904,259
Gap	(4,350,249)	(902,201)	(5,059,077)	(6,300,893)	(9,923,000)	17,834,922

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

#### 6. Interest rate risk in the banking book.

The adverse changes in interest rate affect the value and cash flow of the banking book position, thus resulting in the current or potential risk over the Bank's capital and earnings.

#### Interest rate risk in the banking book (IRRBB) management system

2021

Item	Details
1. IRRBB management strategies and procedures	<p>(1) The Bank manages IRRBB by stable management and conservative policy. The diversity and stability of assets and liabilities are identified as the first priority, and then safety and profitability, as well as risks diversification.</p> <p>(2) The Bank has IRRBB tolerance limits and alert indicators in place to manage the IRRBB. In the case of high risk or abnormality, it is necessary to evaluate the approach of mitigation, and report to the Asset and Liability Management Committee to review the Bank's balance &amp; liability structure and pricing principles and mitigate or control the adverse effect caused to the Bank's earnings or net worth.</p>
2. IRRBB management framework and organization	<p>(1) The Board of Directors serves as the highest decision-making body in the Bank's IRRBB management. Asset and Liability Management Committee is responsible for supervision, coordination and decision making in the Bank's entire IRRBB management. The routine report and</p>



Item	Details
	<p>risk limit control shall be executed by Finance and Accounting Department.</p> <p>(2) The Bank has adopted the “IRRBB Management Guidelines” to monitor the risk over impact to earnings and net worth posed by changes in the interest rate and to practice the IRRBB management.</p>
<p>3. Scope, characteristics and frequency of booking book interest rate risk report/measuring system</p>	<p>(1) The approaches to measure IRRBB include repricing gap analysis, earnings perspective (<math>\Delta</math>NII) analysis, and economic value prospective analysis (<math>\Delta</math>EVE).</p> <p>(2) The Bank prepares the IRRBB management report on a monthly basis, which shall be submitted to the Asset and Liability Management Committee to monitor the changes in the IRRBB, and also reported to the Board of Directors once per six months.</p> <p>(3) The calculation of <math>\Delta</math>NII and <math>\Delta</math>EVE risk indicators adopts the “IRRBB Standards” promulgated by the Basel Committee on Banking Supervision (BCBS) and interest rate volatility scenario suggested by the Bankers Association. Under the six interest rate volatility scenarios in December 2021, the maximum loss <math>\Delta</math>EVE was less than the limit (the maximum loss shall no more than 15% of Tier 1 Capital) and, therefore, was held satisfying the regulatory requirements.</p>
<p>4. IRRBB hedging/mitigation policy, and strategies and procedures to monitor constant validity of hedging/mitigation tools</p>	<p>When IRRBB is dealing with, or expected to suffer, any material changes, the risk control unit and other related units shall evaluate the impact to be posed therefor and whether risk mitigation is needed. The relevant strategies shall be reported to the Asset and Liability Management Committee for approval, and then executed by the business unit to mitigate or control the Bank’s IRRBB. The primary steps taken to control or mitigate the risk:</p> <p>(1) By adjusting the disproportionate positions in the balance sheet.</p> <p>(2) By holding reverse financial derivatives for mitigation, e.g. Interest rate swap.</p>

- (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. Provide the financial products and services in a resilient manner, in response to the epidemic.

During the epidemic prevention alert raised until Level 3 or above by the Central Epidemic Command Center (“CECC”) in any city/county throughout Taiwan, the Bank would adopt other alternative policies and establish related alternative measures to provide customers with financial products and services that were supposed to be provided to customers in person, over the counter and in real time, in response to FSC’s policy, insofar as they satisfy the internal control principles and are approved through the internal authorization procedure.

3. AML and CTF risk management

(1) The Bank has developed AML/CTF plans along with standard operating procedures based on applicable laws, risk assessment outcomes and business size. Both plans are being implemented accordingly. Meanwhile, the Bank included the institutional risk assessment into the AML/CTF internal control policy to verify the Bank’s current exposure to AML/CFT risk, manage and reduce identified risks, and strengthen prevention and improve control strength.

(2) In consideration of the emerging fraud cases caused by COVID-19 epidemic, the Bank took specific actions to fulfill its corporate social responsibility in order to prevent financial crimes and block dummy accounts. These actions include participating in public sectors’ anti-fraud campaigns, raising the public awareness toward anti-fraud, asking the first line staff to practice KYC and customer due diligence to prevent the public from fraud. Meanwhile, the Bank also conducted analysis and investigation on suspected dummy accounts, and then controlled these accounts to stop abnormal cash flows, in order to practice the corporate sustainability spirit in the routine jobs, leverage the enterprise’s influence and impression, and create a financial trading environment that make the public relieved and feel safer.

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

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

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

The Company complies with the competent authority's information security regulations and acts in response to the “Financial Information Security Action Plan.” Besides, the Company has already implemented the ISMS, received certification (ISO27001 and PCIDSS), and kept improving and maintaining the validity thereof. In order to deal with emerging risks and attacks, the Bank retains external information security advisors to perform the computer system information security evaluation, penetration test, red team assessment, and customer service program testing service, in order to verify the validity of the Bank's security protection mechanism, periodically or at any time whenever it is necessary, each year. Further, in order to improve the protection of risk over information security threats, the Bank has purchased the information security insurance to help strengthen customers’ confidence toward the Bank's corporate sustainability continuously.

1. In response to the Bank’s comprehensive digitalization, the Bank will, based on the wholesale banking data model, establish the one-stop service platform and complete the marketing management, development of name list and account planning through one single system, in order to reduce the disruptions in procedures and improve service efficiency. Meanwhile, the Bank will, based on the internal/external information analysis, engage in customer segment management to deepen the bond between the business end and customers. The Bank will continue to empower its sales representatives with its data analysis technology to provide customers with better sale experience.
2. In order to deal with competition for wealth management services in the same industry and across industries, the Bank will continue to perfect the end-to-end

digital transaction process while at the same time upgrade its online banking webpage and App with investment-related features that promote good user experience as well. Meanwhile, the Bank will utilize the abundant customer bases and data model analysis technology to gain accurate insight to customers' preference and investment needs, provide the suggestions on products and investment strategies for individual customers, monitor risks of customers' positions, adhere to the stable management philosophy, and strengthen the control over customers' investment risk to provide customers with uninterrupted online to offline (O2O) investment customization service.

3. The Bank will also utilize the Group's resources to provide financial services across subsidiaries, e.g. investment in overseas stocks and bonds via the online banking APP and fast opening of Cathay securities account, in order to help customer seize the investment opportunities.
4. Digital technologies, insurance digital application, and electronic security are being introduced to physical channels to fully digitalize the sales process. With the support of automated system checks, customers are given access to a diverse range of financial services as well as faster and more simplified insurance application processes.
5. In the post-epidemic era, the Bank adopts the "customer experience" and "Mobile First"-based core policy to continue playing a positive role in the financial innovation policy and Fintech development. It will continue to launch diversified innovative digital services and products, and also work with the partners inside and outside the Group to develop various scene services at the same time to build the best O2O experience and make the digital channel irreplaceable in customers' life.
6. Growth of digital banking and electronic payment reduces people's dependency on cash. Together, they create a cashless environment and give rise to new payment channels that not only change customers' shopping needs and behaviors, but also enable gathering of transaction information for the creation of a banking environment that conforms with people's needs. This integration between payment service and mobile device allows merchants to develop new ways to interact with customers and presents banks with new profit models.

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

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

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

- ① The "Elevated Tree Program" has long been caring for underprivileged children. The program escalated its promotion efforts last year, using animation videos, social media, and news coverage to raise fund from the public to make the goal "Care Underprivileged Children With Love and Grow A Big Tree From A Shoot" happen.

- ② In order to support the physical education development in the rural areas, the Bank has been sponsoring “Cathay United Xucun Cup International Soccer Competition” for 5 consecutive years since 2017 with the hope of helping local teams secure a place in world’s top 100.
  - ③ Combined with the professional financial competency, the Bank called on its volunteer workers to provide the children in rural areas with a series of basic financial education courses online, in order to teach them the correct view of money.
- (2) The Banks donated funds to help various sectors go through the difficult time, in order to fulfill its corporate social responsibility.
- ① When COVID-19 epidemic was raging severely in Taiwan, the Bank responded to the Group's call and donated NT\$62 million to city/county governments and hospitals to show its support for the first line epidemic prevention workers and do its part for epidemic prevention in Taiwan.
  - ② The Kaohsiung structure fire accident caused the severe casualty. Because the victims’ family and post-disaster reconstruction project needed supports, the Bank donated NT\$7.5 million to “Social Affairs Bureau of Kaohsiung City Government” to comfort people physically.

## 2. Awards:

- Asian Private Banker – Award for Distinction 2020 - Best Private Bank Taiwan Domestic
- The Asian Banker – 2020 Best Strongest Bank in Taiwan
- The Asset – Country Awards - Best Syndicated Loan in Cambodia
- The Asset – Country Awards - Best Bond Adviser in Taiwan
- The Asset – Country Awards - Best Acquisition Financing in Regional
- The Asset – 2021 Triple A Digital Award - Digital Bank of the Year
- The Asset – 2021 Triple A Digital Award - Best Retail Digital Payments Experience
- The Asset – 2021 Triple A Digital Award - Best Public Sector System
- The Asset – 2021 Triple A Digital Award - Best ATM Project
- The Asset – 2021 Triple A Digital Award - Best Risk Management Project
- The Asset – 2021 Triple A Digital Award - Best Retail Mobile Banking Experience
- Wealth Magazine – 2021 Wealth Management Award - Best Wealth Management
- Wealth Magazine – 2021 Wealth Management Award - Best Digital and Smart System

- Wealth Magazine – 2021 Wealth Management Award - Financial Services Innovation
- The Asset – Triple A Treasury, Trade, Sustainable Supply Chain and Risk Management Awards 2021 - Best Service Provider-Supply Chain
- The Asset – Triple A Treasury, Trade, Sustainable Supply Chain and Risk Management Awards 2021 - Best Supply Chain Solution
- The Banker – Top 1000 : 2021 Taiwan's top 10 banks - Overall performance No1/Tier 1 capital No4
- Asian Banking & Finance – 2021 Wholesale Banking Awards - Taiwan Domestic Cash Management Bank of the Year
- Asian Banking & Finance – 2021 Wholesale Banking Awards - Taiwan Domestic Trade Finance Bank of the Year
- Euromoney – Euromoney Awards for Excellence 2021 - Best Bank in Taiwan
- The Asian Banker – Financial Technology Innovation Awards 2021 - Best Identity Verification Technology Implementation
- The Asian Banker – Financial Technology Innovation Awards 2021 - Best Analytics Implementation
- The Stevie Awards – 2021 International Business Awards - Business or Competitive Intelligence Solution Gold Stevie Winner
- The Stevie Awards – 2021 International Business Awards - Infrastructure as a Service Bronze Stevie Winner
- Excellence Magazine – 2021 Excellence Bank Rating Survey - Best Image Award Financial Industry Category
- Retail Banker International – Asia Trailblazers Awards - Winner: Best Use of Machine Learning
- Retail Banker International – Asia Trailblazers Awards - Highly Commended Achievement: Best App for Customer Experience
- Retail Banker International – Asia Trailblazers Awards - Highly Commended Achievement: Best Application of Data Analytics
- Retail Banker International – Asia Trailblazers Awards - Highly Commended Achievement: Trailblazing Use of AI in Financial Services
- Retail Banker International – Asia Trailblazers Awards - Highly Commended Achievement: Best Staff Training and Development Programme
- The Stevie Awards – The Stevie Awards for Great Employers - Achievement in New Employee Onboarding Silver Stevie Winner
- The Stevie Awards – The Stevie Awards for Great Employers - Achievement in Leadership Development Bronze Stevie Winner

- The Stevie Awards – The Stevie Awards for Great Employers - Achievement in Leadership Development for Women Bronze Stevie Winner
- The Stevie Awards – The Stevie Awards for Great Employers - Achievement in Employee Engagement Bronze Stevie Winner
- IDC – Future Enterprise Awards - Best in Future of Operations
- Commercial Times – Taiwan Fintech Award - Digital Information Services Gold Award
- Commercial Times – Taiwan Fintech Award - Digital Transformation Model Excellence Award
- Business Today Magazine – 2021 15th Wealth Management Bank and Securities Assessment - Best Wealth Management Bank
- Business Today Magazine – 2021 15th Wealth Management Bank and Securities Assessment - Best Digital Experience
- Business Today Magazine – 2021 15th Wealth Management Bank and Securities Assessment - Best Robo Advisory Services
- Business Today Magazine – 2021 15th Wealth Management Bank and Securities Assessment - Best Sustainable Development
- Business Today Magazine – 2021 15th Wealth Management Bank and Securities Assessment - Best Innovative Marketing
- Business Today Magazine – 2021 15th Wealth Management Bank and Securities Assessment - Best Customer Satisfaction
- Wealth Magazine – 2021 Taiwan Financial Award - Best Banking Services Gold Award
- Wealth Magazine – 2021 Taiwan Financial Award - Recommended Bank in Taiwan Excellence Award
- Wealth Magazine – 2021 Taiwan Financial Award - Best Digital Bank in Taiwan Excellence Award
- The Asset – Triple A Awards for Private Capital Awards 2021 - Best Private Bank, HNWIs - Overall, Taiwan
- The Asset – Triple A Awards for Private Capital Awards 2021 - Best Wealth Manager Experience - Digital Initiatives, Taiwan
- Environmental Protection Administration, Executive Yuan – 3rd National Enterprise Environmental Protection Award - Silver
- Taiwan Institute for Sustainable Energy – 2021 Taiwan Corporate Sustainability Awards - G1 Information Security Leadership Award
- Taiwan Institute for Sustainable Energy – 2021 Taiwan Corporate Sustainability Awards - G4 Talent Development Leadership Award

- Taiwan Design Research Institute – 2021 Golden Pin Design Award - Design Award
- Commercial Times – 2021 Trust Award - Family Trust Innovation - Gold Award
- Commercial Times – 2021 Trust Award - Insurance Trust Innovation - Excellence Award

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

1. Bank merger: None.
2. Expected benefits of merger and acquisition:
  - (1) Creates synergy, increases market share and expands business presence and size.
  - (2) Enables centralized capital/resource allocation, back-end integration, shared use of premise and equipment, and employee productivity improvement that ultimately reduces operating cost and increases return on shareholders' equity.
  - (3) Enables replication of exceptional management practices through a time-tested platform that improves overall performance.
  - (4) Increases asset size and shareholders' equity; enables cross-industry integration and joint marketing that provides customers with one-stop access to diverse financial services.
3. Possible risks of merger and acquisition, and response measures:
  - (1) Merger and acquisition may fail due to poor strategy, weak target, dishonest conduct, change of circumstances, or overprice.
  - (2) Lack of proper integration in terms of organization, information system, corporate culture and human resource management will affect the result of merger and acquisition.
  - (3) The Company will undertake rigorous reviews and carefully select its targets to avoid possible risks associated with mergers and acquisitions. Detailed assessments such as environmental change, capacity limit, competitiveness, competitors, industry, domestic/foreign economy, sensitivity analysis and M&A regulations will be performed during the planning stage. For any merger completed, the Company will commit efforts into enforcing its consolidation plan to maximize synergy.



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

No new service location was established in 2021, and the Bank maintained a network of 165 branches but relocated 2 branches (Chungshan and Neike) to optimize distribution, satisfy customers' needs, and maximize overall profitability of the Bank.

(VII) Risk and response action from concentrated operations:

1. Internal operational control

Form of risk incident	Nature	Controls
Internal fraud	Losses incurred due to the attempt of at least one employee to commit fraud, embezzle corporate property, or avoid regulatory or internal requirements (excluding diversity/discrimination-related incidents).	Accountability system, increased employee benefits, lifestyle evaluation, and enhanced internal control system
Employment customs and workplace safety	Losses incurred due to violation of employment, health or safety regulations or agreements, or payment of compensation for personal injury, damage or discrimination.	Employee health checkup system, employee performance management system, employee care hotline, life insurance, and assembly of a Sexual Harassment Prevention and Complaints Review Committee.
Personnel injury or property loss	Actual loss of asset caused by natural disaster or other incidents.	Enforcement of premise security, safety and drills, and property insurance
Service disruption and system malfunction	Losses caused by service disruption and system malfunction.	Off-site system backup plans and drills, business continuity plans, and drills
Execution, delivery, and procedure management	Losses incurred due to mishandling of transaction with a counterparty or seller, or due to negligence in procedural management.	Enforcement of professional training and job specialization

2. Assessment and monitoring of business development efforts

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

Bank may choose to suspend certain business activities or reduce concentration through sale or securitization of excess assets.

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

There had been no change of management in 2021.

- (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 2021.

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

As of December 31, 2021, the Bank had the following unresolved major litigation that arose in relation to normal business activities:

Lee & Li, Attorneys-at-Law (hereinafter, "Lee & Li") alleged that the embezzlement case of Wei-Chieh Liu (a former employee of Lee & Li), which occurred in October 2003, was caused by the negligence of the Bank, and Lee & Li claimed damages from the Bank in the amount of approximately NT\$991,002,000. The case was brought to the court since July 2007, and Cathay United Bank won favorable decisions in both first instance and second instances. At present, the original second-instance judgment was reversed by the Supreme Court and remanded to the Taiwan High Court for further review. The Taiwan High Court still rendered another ruling in favor of the Bank on August 25, 2021. For this, Lee & Li, Attorneys-at-Law has filed an appeal. Now, the appeal is pending trial by the Supreme Court. 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:

In order to deal with the risk over business interruption caused by significant urgent incidents, the Bank has established the business continuity management mechanism to maintain the business continuity and resilience, recover the key business rapidly, mitigate the losses to the minimum and protect customers' interest and rights.

## VII. Special Event Management

### (I) 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 Office then has to notify directors, supervisors or the authority, and raise the issue for discussion during the upcoming board of directors meeting based on the materiality principles outlined in the Notes.
4. Each unit is required to develop an emergency contact system to ensure timely reporting across employees of different grades. A list of at least 3 always-available contact persons including the unit head and self-audit officer shall also be maintained on the “Audit Application System.” Any changes to the list of contact persons must be updated within 3 days from the effective date of change.

(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 company, and undertaking effective measures. Any occurrence of emergency event has to be notified immediately to the team secretary, who then informs the convener and, depending on the current situation, escalates to the Chairman. The convener is required to host a team meeting as soon as possible after being notified, or instruct departments to undertake appropriate responses to prevent service disruption while protecting customers’ interest and the Bank’s reputation.

(III) Emergency response for liquidity risk:

The emergency response measures to be taken against any crisis that affects the Bank’s liquidity are stated as follows:

1. Allocate sufficient cash, maintain order in the business lobby and strengthen the capital income and expenditure safety control.
2. Recover interbank lending: Interbank lending, whether matured or not yet matured in the current day, may be recovered depending on the actual circumstances.

3. Recover capital from resale agreements: Capital will be recovered from resale bonds/notes undertaken in the money market, whether matured or not yet matured, depending on the actual circumstances.
4. Interbank borrowing: The Bank may borrow from financial peers it has good relationship with, , or seek the authority's assistance in sourcing capital from other financial peers.
5. Borrow against deposits: The Bank may borrow against time deposits it has placed with other banks but not yet pledged to any third party.
6. Sourcing of large-sum deposits: The Bank will focus on attracting deposits from corporate or major customers, or issue NCDs as a means of increasing capital inflow.
7. Repurchase agreements: The Bank will source capital by undertaking bond/note repurchase in the money market with the financial peers or customers that the Banks has maintained sound business relationship with.
8. Sale of assets: The Bank currently holds a wide range of securities including government bonds, treasury bills, corporate bonds, bank debentures, commercial papers and shares, and may sell any part thereof not pledged to a third party at any time to source the capital.
9. Draw from the central bank's discount window: The Bank may place the government bonds, treasury bills, central bank time deposit or NCD held by it currently, as collateral to borrow from the central bank or apply for secured short-term loan to source the capital.
10. Other funding methods that comply with laws or are consistent with market customs.

(IV) Disease prevention:

As the adequate epidemic prevention response mechanism against the pandemic, Cathay United Bank has adopted the "Directors for Urgent Response to Major Communicable Diseases," "Levels of Major Communicable Diseases Response" and "SOP for Urgent Response to Major Epidemic," in order to protect the staff's safety and keep business continuity before and after any major epidemic.

## **VIII. Other Major Events**

None.

## **Eight. Special Items**

### **I. Information on Affiliates**

See Attachment VI and VII.

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

None.

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

None.

### **IV. Other important supplementary information**

None.

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

None.

# **Appendix I**

## **Cathay United Bank**

### **Address and contact number of Head Office and global branches**

## Address and contact number of Head Office and global branches

Unit name	Address	Tel
Head Office	No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Treasury Department	2F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Financial Marketing Department	2F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Offshore Banking Unit (OBU)	3F., No. 65, Guanqian Rd., Zhongzheng Dist., Taipei City 10047, Taiwan (R.O.C.)	(02)2316-3555
Trust Department	2F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Direct Marketing Department	2F., No. 136, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02)2173-2899
Financial Service Department	3F., No. 35, Guangfu S. Rd., Songshan Dist., Taipei City 10563, Taiwan (R.O.C.)	(02)2171-2288
Private Banking Department	24F., No. 458, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02)2176-5068
Business Department	No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6677
Taipei Branch	3F., No. 77, Bo'ai Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02)2331-9595
Guanqian Branch	No. 65, Guanqian Rd., Zhongzheng Dist., Taipei City 10047, Taiwan (R.O.C.)	(02)2312-5555
Huashan Branch	No. 128, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City 10053, Taiwan (R.O.C.)	(02)2395-2121
Linyi Branch	No. 71, Sec. 2, Ren'ai Rd., Zhongzheng Dist., Taipei City 10062, Taiwan (R.O.C.)	(02)2397-0686
Nanmen Branch	No. 5, Sec. 2, Roosevelt Rd., Zhongzheng Dist., Taipei City 10093, Taiwan (R.O.C.)	(02)2322-2777
Datong Branch	No. 50, Sec. 2, Chongqing N. Rd., Datong Dist., Taipei City 10345, Taiwan (R.O.C.)	(02)2555-2468
Jiancheng Branch	No. 36, Nanjing W. Rd., Datong Dist., Taipei City 10352, Taiwan (R.O.C.)	(02)2555-1688
Guanghua Branch	No. 136, Songjiang Rd., Zhongshan Dist., Taipei City 10417, Taiwan (R.O.C.)	(02)2551-0168
Xinsheng Branch	No. 55, Sec. 1, Minsheng E. Rd., Zhongshan Dist., Taipei City 10451, Taiwan (R.O.C.)	(02)2562-1666
Zhongshan Branch	No. 183, Sec. 2, 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



Unit name	Address	Tel
Minquan Branch	No. 144, Sec. 3, Minquan E. Rd., Songshan Dist., Taipei City 10542, Taiwan (R.O.C.)	(02)2545-2155
Neike Branch	No. 333, Ruiguang Rd., Neihu Dist., Taipei City 11492, Taiwan (R.O.C.)	(02)2659-0998
Zhonglun Branch	No. 182, Sec. 3, Bade Rd., Songshan Dist., Taipei City 10555, Taiwan (R.O.C.)	(02)2570-5080
Bade Branch	No. 656-1, Sec. 4, Bade Rd., Songshan Dist., Taipei City 10566, Taiwan (R.O.C.)	(02)3765-1188
Xisong Branch	No. 230, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10570, Taiwan (R.O.C.)	(02)2745-6199
Guangfu Branch	No. 99, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10571, Taiwan (R.O.C.)	(02)2765-4222
Sanmin Branch	No. 165-7, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City 10589, Taiwan (R.O.C.)	(02)2747-5688
Fuxing Branch	No. 248, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02)2721-0306
Chengdong Branch	No. 126, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02)2577-7300
Qingcheng Branch	No. 158, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 10596, Taiwan (R.O.C.)	(02)2545-5559
Yongping Branch	No. 199, Fuxing N. Rd., Songshan Dist., Taipei City 10596, Taiwan (R.O.C.)	(02)8712-5510
Heping Branch	No. 197, Sec. 1, Heping E. Rd., Da'an Dist., Taipei City 10644, 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	Tel
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
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

Unit name	Address	Tel
Puqi Branch	No. 196, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City 22069, Taiwan (R.O.C.)	(02)2961-8700
Xizhi Branch	No. 196, Sec. 2, Datong Rd., Xizhi Dist., New Taipei City 22184, Taiwan (R.O.C.)	(02)2641-0666
Baoqiao Branch	No. 96, Baoqiao Rd., Xindian Dist., New Taipei City 23145, Taiwan (R.O.C.)	(02)2218-9339
Beixin Branch	No. 190, Zhongzheng Rd., Xindian Dist., New Taipei City 23146, Taiwan (R.O.C.)	(02)2917-3999
Xindian Branch	No. 542-4, Zhongzheng Rd., Xindian Dist., New Taipei City 23148, Taiwan (R.O.C.)	(02)2218-4881
Yonghe Branch	No. 15, Sec. 1, Yonghe Rd., Yonghe Dist., New Taipei City 23445, Taiwan (R.O.C.)	(02)2925-8861
Yongzhen Branch	No. 225, Sec. 1, Zhongshan Rd., Yonghe Dist., New Taipei City 23446, Taiwan (R.O.C.)	(02)2927-3300
Fuhe Branch	No. 353-1, Fuhe Rd., Yonghe Dist., New Taipei City 23450, Taiwan (R.O.C.)	(02)2924-1010
Liancheng Branch	No. 236, Liancheng Rd., Zhonghe Dist., New Taipei City 23553, Taiwan (R.O.C.)	(02)8228-6976
Zhonghe Branch	No. 296, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City 23557, Taiwan (R.O.C.)	(02)2242-2178
Shuanghe Branch	No. 102, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02)2244-7890
Xuefu Branch	No. 122, Sec. 1, Xuefu Rd., Tucheng Dist., New Taipei City 23657, Taiwan (R.O.C.)	(02)2266-8669
Tucheng Branch	No. 209, Sec. 2, Zhongyang Rd., Tucheng Dist., New Taipei City 23669, Taiwan (R.O.C.)	(02)2273-9911
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

Unit name	Address	Tel
Xinshu Branch	No. 499, Xinshu Rd., Xinzhuang Dist., New Taipei City 24262, Taiwan (R.O.C.)	(02)2208-0077
Danfeng Branch	No. 879-17, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24256, Taiwan (R.O.C.)	(02)2903-2500
Luzhou Branch	No. 79, Zhongzheng Rd., Luzhou Dist., New Taipei City 24757, Taiwan (R.O.C.)	(02)8282-5588
Tamsui Branch	No. 106, Zhongshan Rd., Tamsui Dist., New Taipei City 25151, Taiwan (R.O.C.)	(02)2620-5601
East Linkou Branch	No. 337, Sec. 1, Wenhua 3rd Rd., Linkou Dist., New Taipei City 24448, Taiwan (R.O.C.)	(02)2600-9177
Yilan Branch	No. 105, Sec. 1, Shennong Rd., Yilan City, Yilan County 26047, Taiwan (R.O.C.)	(03)935-8797
Zhucheng Branch	No. 150, Minzu Rd., East Dist., Hsinchu City 30043, Taiwan (R.O.C.)	(03)531-1122
Hsinchu Branch	No. 307, Beida Rd., North Dist., Hsinchu City 30044, Taiwan (R.O.C.)	(03)524-1111
Zhuke Branch	No. 369, Sec. 1, Guangfu Rd., East Dist., Hsinchu City 30074, Taiwan (R.O.C.)	(03)666-1666
Xiangshan Branch:	No. 582, Sec. 4, Zhonghua Rd., Xiangshan Dist., Hsinchu City 30094, Taiwan (R.O.C.)	(03)538-0388
Zhubei Branch	No. 87-1, Guangming 6th Rd., Zhubei City, Hsinchu County 30268, Taiwan (R.O.C.)	(03)657-0336
Liujia Branch	No. 301, Sec. 1, Wenxing Rd., Zhubei City, Hsinchu County 30272, Taiwan (R.O.C.)	(02)2218-9339
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	Tel
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
Gongyi Branch	No. 53, Sec. 2, Gongyi Rd., Nantun Dist., Taichung City 40861, 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, Henan Rd., Xitun Dist., Taichung City 40744, Taiwan (R.O.C.)	(04)2706-7998
Xitun Branch	No. 219, Chaofu Rd., Xitun Dist., Taichung City 40757, Taiwan (R.O.C.)	(04)2371-6663
Shuinan Branch	No. 215, Sec. 2, Zhongqing Rd., Xitun Dist., Taichung City 40754, Taiwan (R.O.C.)	(04)2297-1718
Shizheng Branch	No. 31, Shizheng N. 3rd Rd., Xitun Dist., Taichung City 40756, Taiwan (R.O.C.)	(04)2251-9389
Zhonggang Branch	No. 600, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City 40759, Taiwan (R.O.C.)	(04)2313-5678
Wenxin Branch	No. 666, Sec. 2, Wuquan W. Rd., Nantun Dist., Taichung City 40869, Taiwan (R.O.C.)	(04)2381-3168
Taiping Branch	No. 142, Zhongxing E. Rd., Taiping Dist., Taichung City 41167, Taiwan (R.O.C.)	(04)2275-2979
Dali Branch	No. 259, Sec. 2, Guoguang Rd., Dali Dist., Taichung City 41266, Taiwan (R.O.C.)	(04)2406-5678
Fengyuan Branch	No. 199, Sanmin Rd., Fengyuan Dist., Taichung City 42061, Taiwan (R.O.C.)	(04)2528-8700
Tanzi Branch	No. 46, Sec. 3, Tanxing Rd., Tanzi Dist., Taichung City 42751, Taiwan (R.O.C.)	(04)2531-6666
Daya Branch	No. 125, Sec. 1, Minsheng Rd., Daya Dist., Taichung City 42866, Taiwan (R.O.C.)	(04)2569-1155
Shalu Branch	No. 476, Zhongshan Rd., Shalu Dist., Taichung City 43352, Taiwan (R.O.C.)	(04)2665-5959
Qingshui Branch	No. 170, Zhongshan Rd., Qingshui Dist., Taichung City 43654, Taiwan (R.O.C.)	(04)2623-5798
Dajia Branch	No. 222-1, Shuntian Rd., Dajia Dist., Taichung City 43741, Taiwan (R.O.C.)	(04)2686-0779
Zhangmei Branch	No. 136, Cixiu Rd., Changhua City, Changhua County 50059, Taiwan (R.O.C.)	(04)725-3424
Changhua Branch	No. 35, Huashan Rd., Changhua City, Changhua County 50063, Taiwan (R.O.C.)	(04)728-9288
Yuanlin Branch	No. 320, Sec. 2, Zhongshan Rd., Yuanlin City, Changhua County 51049, Taiwan (R.O.C.)	(04)832-4122

Unit name	Address	Tel
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
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

Unit name	Address	Tel
Manila Branch	Unit 1, 15F, Tower 6789, No.6789 Ayala Avenue, Makati City, Metro Manila, Philippines, 1226.	+63-2-7751-1161
Hong Kong Branch	10F~11F(Room 1102), Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	+852-2877-5488
Singapore Branch	8 Marina Boulevard #13-01/03 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	Unit 28-03, Level 28 Menara Public Bank 2, No. 78, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	+60-3-2070-6729
Chu Lai Branch, Vietnam	4F, NO.121 Hung Vuong Street., Tam Ky City, Quang Nam Province , Vietnam	+84-235-3813035~42
Bangkok Office, Thailand	No.388 Exchange Tower, 19 Floor Unit 1904, Sukhumvit Road, Klongtoey Subdistrict, Klongtoey District, Bangkok 10110, Thailand	+66-2258-6155
Hanoi Office	Unit No.506 on 5th floor, Hanoi Tower, 49 Hai Ba Trung street, Hoan Kiem district, Hanoi city, Vietnam	+84-24-3936-6566~67
HCMC Office	5F, 46-48 Pham Hong Thai Street, District 1, HCMC, Vietnam	+84-28-3825-8761~63
Yangon Branch	No. 3/A Corner of Bogyoke Aung San Road and 27th Street, Suite No. #21-07 to 10, Junction City Tower, Yangon, Myanmar	+95-01-9253386
Jakarta Office	Mayapada Tower 18-03 Jl. Jend. Sudirman Kav.28 Jakarta 12920	+62-21-2951-8572

## Appendix II

### **Significant resolutions made in shareholder meetings and board of directors meetings**



**1. Significant resolutions made in 2021 shareholder meeting (executed on behalf by the board of directors):**

Time/session	Major resolutions	Implementation Status
2021.04.28 11th meeting of the 16th board of directors	Report of the Bank’s “2020 Corporate Governance Report,” “2021 Corporate Governance Plan” and “Internal Control Conference Minutes.”	Presented to the board of directors on record.
	Report on the Bank’s “2020 Business Report,” “2020 Employee Remuneration,” “2020 Director/Supervisor Remuneration” and “2020 Supervisor Review Report.”	Announcements made according to resolution.
	Acknowledged the Bank’s “2020 Business Report,” “2020 Consolidated and Standalone Financial Statements” and “2020 Earnings Appropriation.”	Announcements made according to resolution.
2021.08.19 13th meeting of the 16th board of directors	Passed amendments to the Bank’s “Articles of Incorporation.”	Amendments and announcements made according to resolution.
	Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involving in competing businesses.	Announcements made according to resolution.

**2. Major board of directors resolutions in 2021:**

**(1) 2nd extraordinary meeting of the 16th board of directors on January 15, 2021**

- ⊙ Passed “personnel changes.”

**(2) 9th meeting of the 16th board of directors on February 3, 2021**

- ⊙ Passed the Bank’s “2020 Board of Directors Internal Performance Assessment Outcome,” “2020 Chief Internal Auditor Performance Evaluation,” “2020 Performance Bonus, Special Incentive, and Long-Term Incentive for Chairman, Vice Chairman and Chief Internal Auditor” and “Appointment of chief internal auditor for the Bank's concurrent roles as bank and securities firm.”
- ⊙ Amended the Bank's “Overdue Loan, Hardcore Receivable and NPL Guidelines.”
- ⊙ Passed “personnel changes.”

**(3) 10th meeting of the 16th board of directors on March 10, 2021**

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

**(4) 11th meeting of the 16th board of directors on April 28, 2021**

- ◎ Passed the Bank’s “2020 Consolidated and Standalone Financial Statements” and “2020 Earnings Appropriation.”
- ◎ Passed the statement of declaration for appointment of the Company's chief auditor (chief audit officer).
- ◎ Passed the acquisition of the finance company in Vietnam.

**(5) 12th meeting of the 16th board of directors on May 13, 2021**

- ◎ Passed the Bank's "2021 Q1 Financial Statements," "2020 regulatory reporting for supervisory review process" and "foreign currency principal-linked interest rate (bond) options."
- ◎ Amended the Bank's "Articles of Association for Information Security Committee," "Bank Debenture Issuance Guidelines," "Business Crisis Response Measures and Management Guidelines," "Corporate Banking Credit Review Guidelines," "Product Suitability Guidelines for Concurrent Involvement in Bond Service," "Offshore Banking Unit Wealth Management Policy for Offshore Customers" and "Guidelines Governing Related Parties Transactions, Singapore Branch."
- ◎ Passed change of address for the Bank's Fuxing and Hsinchu Branches.
- ◎ Passed adjustment of salary for Chairman, Vice Chairman, and Chief Auditor in 2021.

**(6) 13th meeting of the 16th board of directors on August 19, 2021**

- ◎ Amendments to the Bank's "Articles of Incorporation."
- ◎ Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involvement in competing businesses.
- ◎ Passed the Bank's "2021 first-half accounts."
- ◎ Enacted the "Senior Management's Accountability Guidelines," "Articles of Association for Accountability Committee," "High-Asset Customer Eligibility Policy" and "Credit Risk Rating Model Management Guidelines."
- ◎ Amended the "Banking Act Penalty Review Guidelines," "Board of Directors and Functional Committee Performance Evaluation Principles," "Professional Client and Professional Investor Eligibility Principles," "Information Security Policy," "IoT Equipment Safety Control Guidelines," "Corporate Banking Credit Authorization Guidelines," "Offshore Structured Product Review Panel Guidelines" and "Product Suitability Guidelines for Concurrent Involvement in Bond Service."
- ◎ Passed change of address for the Bank's Tucheng and East Taichung Branches.
- ◎ Passed "re-organization" and "personnel changes."

**(7) 3rd extraordinary meeting of the 16th board of directors on October 20, 2021**

- ◎ Passed the "participation in consumer banking service and tender submission for sale of related assets and liabilities."

**(8) 14th meeting of the 16th board of directors on November 9, 2021**

- ◎ Passed "2021 3rd quarter Financial Statements," "Re-appointment of 2022 Financial Statement Auditors and Audit Remuneration" and "2022 Audit Plan."

- ⊙ Enacted the Bank's "Omnibearing Customer Relationship Manager System Implementation and Performance Evaluation Guidelines" and "Stress Testing Management Guidelines."
- ⊙ Amended the "Business Continuity Management Guidelines," "Audit Guidelines," "Manager Performance Management and Development Policy" and "ESG and Climate Risk Management Guidelines."
- ⊙ Passed "re-organization" and "personnel changes."

**3. Significant shareholder meeting resolutions (executed on behalf by board of directors) in 2022 up till publication of annual report:**

None

**4. Major board of directors resolutions made in 2022 up till the publication date of annual report:**

**(1) 15th meeting of the 16th board of directors on January 26, 2022**

- ⊙ Passed the Bank's "2021 Board of Directors and Functional Committees Internal Performance Assessment Outcome," "2021 Chief Internal Auditor Performance Evaluation" and "2021 Performance Bonus, Special Incentive, and Long-Term Incentive for Chairman, Vice Chairman and Chief Internal Auditor."
- ⊙ Amended the Bank's "Senior Management's Accountability Guidelines" and "Private Banking Customer Relationship Manager System Implementation and Performance Evaluation Guidelines."
- ⊙ Passed the "application for addition of business places for concurrent involvement in business as securities house" and "change of address for the Bank's Guanghua Branch."
- ⊙ Passed "re-organization" and "personnel changes."

**(2) 16th meeting of the 16th board of directors on March 11, 2022**

- ⊙ Passed "2021 Business Report," "2021 Employee Remuneration," "2021 Director/Supervisor Remuneration," "2021 Year-end Accounts," "2021 Earnings Appropriation," "2021 New Capital Proposal and New Capital Draft Plan," "2021 Declaration of Internal Control System," "2021 Declaration of AML/CTF Internal Control system," "2021 Declaration of AML/CTF Special Audit," "2021 Compliance Risk Assessment Report," "2022 Financial Service Provider Self-evaluation on Fair Customer Treatment Evaluation System and 2021 Second-half Compliance Report and Fair Customer Treatment Principles," and "2022 Operating Strategies, Key Business and Financial Goals."
- ⊙ Set the Bank's "2022 Risk Tolerance," "2022 Key Risk Indicators," "Minimum Capital Adequacy Ratio, Tier 1 Capital Ratio and Common Share Equity Ratio Given 2022 Target Risk Appetite" and "Analysis Data and Personal Information De-Identification Management Guidelines."
- ⊙ Amended the "Capital Adequacy Appetite Management Guidelines," "Industry

Limit Management Guidelines,” “Asset Acquisition and Disposal Guidelines,” “Articles of Association for Information Security Committee,” “Information Security Policy,” “Cloud Service Security Control Guidelines,” “IoT Equipment Safety Control Guidelines,” “Self-discipline Guidelines for Transaction with Watchlisted Parties,” “Notes on AML/CTF for Insurance Agency Service,” “Corporate Banking Credit Authorization Guidelines” and “Professional Client and Professional Investor Eligibility Principles.”

- ◎ Passed the “Outcome of Annual Review on Banking Book Interest Rate Risk Management Guidelines and Liquidity Risk Management Guidelines,” “Market Risk Limit Applications” and “Application with TAIFEX for General Clearing Membership.”
- ◎ Passed “change of address for the Bank’s Taichung Branches.”
- ◎ Passed “personnel changes.”

## **Appendix III**

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

Change of common share equity in 2021 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Supervisor	Yiao-Chiun Lai	(22,000)	—	Assistant Vice President	Yi-Hung Yu	(4,000)	—
Senior Vice President	Yu-Chin Cheng	6,000	—	Assistant Vice President	Chien-Hui Yu	11,000	—
Vice President	Ching-Li Chang	(6,000)	—	Assistant Vice President	Chao-Chun Tseng	91	—
Vice President	Chih-Fong Wang	53	—	Assistant Vice President	Chih-Chi Peng	(10,000)	—
Assistant Vice President	Hui-Ting Li	(20,334)	—	Assistant Vice President	Chen-Te Kuo	(5,000)	—
Assistant Vice President	Chih-Chun Chung	3,000	—	Assistant Vice President	Ming-Chi Hsu	1,000	—
Assistant Vice President	Chih-Cheng Hsiao	(5,000)	—	Assistant Vice President	Hsueh-Hung Chang	(5,000)	—
Assistant Vice President	Yu-Chu Hsiao	(13,000)	—	Assistant Vice President	Ming-Hui Shih	336	—
Assistant Vice President	Chi-Hao Cheng	(5,000)	—	Assistant Vice President	Yi-Ching Lin	(4,000)	—
Assistant Vice President	Ching-Sung Liu	(5,000)	—	Assistant Vice President	Kung-Pin Li	(5,000)	—
Assistant Vice President	Lei Lei	(2,000)	—	Assistant Vice President	Cheng-Hsien Yu	(8,000)	—
Assistant Vice President	Tao-Chin Huang	(3,000)	—	Assistant Vice President	Chun-Huan Chiang	(61,000)	—

Change of Class-A preferred share equity in 2021 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Vice President	Tsung-Meng Huang	(27,460)	—	Assistant Vice President	Wen-Kai Chen	(20,000)	—
Assistant Vice President	Chi-Hao Cheng	(5,000)	—	Assistant Vice President	Hui-Ting Li	(3,000)	—
Assistant Vice President	Lei Lei	(1,000)	—	Assistant Vice President	Chun-Huan Chiang	(4,000)	—

Change of Class-B preferred share equity in 2021 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Vice President	Tsung-Meng Huang	(4,000)	—	Assistant Vice President	Lei Lei	(2,000)	—
Assistant Vice President	Min-Hsiu Yen	(3,000)	—	Assistant Vice President	Chan-Hao Yeh	(3,000)	—
Assistant Vice President	Chi-Hao Cheng	(3,000)	—	Assistant Vice President	Wen-Kai Chen	2,000	—
Assistant Vice President	Ching-Sung Liu	(140)	—	Assistant Vice President	Chun-Huan Chiang	(3,000)	—

Change of common share equity up till March 31, 2022 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Assistant Vice President	Ming-Chih Tsai	(6,000)	—
Assistant Vice President	Hsiu-Hao Wu	(1,206)	—
Assistant Vice President	Yu Juan	(10,000)	—

Change of Class-A preferred share equity up till March 31, 2022 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
—			

Change of Class-B preferred share equity up till March 31, 2022 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
—			

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



## **Appendix IV**

### **Cathay United Bank Co., Ltd. 2021 Consolidated Financial Statements and Independent Auditor's Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The Bank and its subsidiaries that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CATHAY UNITED BANK CO., LTD.

By:

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March 11, 2022

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Cathay United Bank Co., Ltd. (the “Bank”) and its subsidiaries (collectively, the “Company”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Company for the year ended December 31, 2021. 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, 2021 are as follows:

#### Impairment Assessment of Loans

The domestic loans of the Bank which amounted to \$1,674,216,558 thousand were considered material to the financial statements as a whole. As the assessment of impairment of loans involves accounting estimates and management's significant judgment, and as the amount of impairment assessed on loans under the relevant regulations issued by the authorities is substantially larger than that assessed under IFRS 9, hence, we determined the impairment of the loans assessed under the relevant regulations prescribed by the authorities as a key audit matter.

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

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

1. We understood and tested the internal controls of impairment assessment of loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories to see if it complies with the relevant regulations issued by the authorities.
3. We performed the test on selected samples to ensure the appropriateness of impairment by the length of the overdue period and the value of the collateral of each respective loan.
4. We calculated the provision of impairment loss by classifying the credit assets into their respective category to see if it complies with the relevant regulations issued by the authorities.

#### **Other Matter**

We have also audited the separate financial statements of the Bank as of and for the year ended December 31, 2021 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Cheng-Hung Kuo and Shih-Ran Cheng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 11, 2022

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

	2021		2020	
	Amount	%	Amount	%
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	\$ 65,389,093	2	\$ 71,007,491	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 7, 44 and 45)	234,546,475	7	129,503,924	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	285,354,534	8	324,043,978	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 45 and 49)	313,368,538	9	336,097,816	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 45 and 49)	571,901,742	16	501,728,143	16
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	42,029,115	1	27,142,475	1
RECEIVABLES, NET (Notes 4, 13, 15 and 44)	103,894,679	3	99,813,146	3
CURRENT INCOME TAX ASSETS	2,740	-	38,817	-
ASSETS HELD FOR SALE, NET (Notes 4 and 18)	283,087	-	-	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 44)	1,807,076,659	52	1,661,295,961	52
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 17)	1,832,266	-	1,863,169	-
OTHER FINANCIAL ASSETS, NET (Note 6)	4,346,973	-	364	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	24,504,088	1	25,330,466	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 19 and 44)	3,660,366	-	4,257,544	-
INVESTMENT PROPERTIES, NET (Notes 4 and 20)	657,440	-	646,445	-
INTANGIBLE ASSETS, NET (Notes 4 and 21)	8,250,600	-	8,139,303	-
DEFERRED TAX ASSETS (Notes 4 and 42)	4,612,273	-	4,407,980	-
OTHER ASSETS, NET (Notes 22 and 44)	<u>27,612,414</u>	<u>1</u>	<u>34,143,238</u>	<u>1</u>
<b>TOTAL</b>	<b><u>\$ 3,499,323,082</u></b>	<b><u>100</u></b>	<b><u>\$ 3,229,460,260</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	\$ 74,605,174	2	\$ 66,131,059	2
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	1,076,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	75,884,932	2	115,614,629	4
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 24)	37,161,652	1	10,092,058	-
PAYABLES (Notes 25 and 44)	27,055,843	1	24,609,128	1
CURRENT TAX LIABILITIES (Notes 4 and 42)	71,994	-	286,330	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	2,935,693,967	84	2,648,995,024	82
FINANCIAL DEBENTURES PAYABLE (Note 27)	46,800,000	2	53,800,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	31,502,729	1	39,748,324	1
PROVISIONS (Notes 4, 15 and 29)	3,810,166	-	3,845,796	-
LEASE LIABILITIES (Notes 4, 19 and 44)	3,679,114	-	4,293,299	-
DEFERRED TAX LIABILITIES (Notes 4 and 42)	2,872,121	-	3,464,973	-
OTHER LIABILITIES (Notes 4, 31 and 44)	<u>8,382,187</u>	<u>-</u>	<u>10,848,019</u>	<u>-</u>
Total liabilities	<u>3,248,595,879</u>	<u>93</u>	<u>2,982,804,639</u>	<u>92</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 32)</b>				
Capital stock				
Common stock	<u>106,985,830</u>	<u>3</u>	<u>106,985,830</u>	<u>4</u>
Capital surplus	<u>38,687,276</u>	<u>1</u>	<u>38,687,276</u>	<u>1</u>
Retained earnings				
Legal reserve	71,182,447	2	64,526,043	2
Special reserve	2,083,756	-	2,084,653	-
Unappropriated earnings	<u>25,236,235</u>	<u>1</u>	<u>22,122,582</u>	<u>1</u>
Total retained earnings	<u>98,502,438</u>	<u>3</u>	<u>88,733,278</u>	<u>3</u>
Other equity	<u>2,175,568</u>	<u>-</u>	<u>7,890,488</u>	<u>-</u>
Total equity attributable to owners of the Bank	246,351,112	7	242,296,872	8
NON-CONTROLLING INTERESTS (Note 32)	<u>4,376,091</u>	<u>-</u>	<u>4,358,749</u>	<u>-</u>
Total equity	<u>250,727,203</u>	<u>7</u>	<u>246,655,621</u>	<u>8</u>
<b>TOTAL</b>	<b><u>\$ 3,499,323,082</u></b>	<b><u>100</u></b>	<b><u>\$ 3,229,460,260</u></b>	<b><u>100</u></b>

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020		Changes (%)
	Amount	%	Amount	%	
NET INTEREST REVENUE (Notes 4, 33 and 44)					
Interest income	\$ 49,074,607	76	\$ 50,092,601	81	(2)
Interest expense	<u>(10,535,553)</u>	<u>(16)</u>	<u>(14,869,483)</u>	<u>(24)</u>	(29)
Total net interest revenue	<u>38,539,054</u>	<u>60</u>	<u>35,223,118</u>	<u>57</u>	9
NET REVENUE OTHER THAN INTEREST					
Net service fee revenue (Notes 4, 34 and 44)	18,345,926	28	16,330,797	27	12
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 35 and 44)	2,438,755	4	4,095,029	7	(40)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4, 9 and 36)	3,706,722	6	4,539,337	7	(18)
Loss arising from derecognition of financial assets measured at amortised cost (Notes 4, 10 and 14)	(648,158)	(1)	(380,136)	(1)	71
Foreign exchange gain (Notes 4 and 50)	1,231,018	2	1,237,639	2	(1)
Impairment reversal (loss) on assets (Notes 4, 5 and 37)	105,970	-	(123,711)	-	186
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 17)	121,224	-	113,775	-	7
Net other revenue other than interest income (Notes 4 and 44)	<u>501,896</u>	<u>1</u>	<u>855,497</u>	<u>1</u>	(41)
Total net revenue other than interest	<u>25,803,353</u>	<u>40</u>	<u>26,668,227</u>	<u>43</u>	(3)
NET REVENUE	<u>64,342,407</u>	<u>100</u>	<u>61,891,345</u>	<u>100</u>	4
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 13, 14, 15 and 38)	<u>(2,986,134)</u>	<u>(4)</u>	<u>(3,382,467)</u>	<u>(5)</u>	(12)

(Continued)



CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2021		2020		Changes (%)
	Amount	%	Amount	%	
<b>TOTAL OPERATING EXPENSES</b>					
Employee benefits expenses (Notes 4, 39 and 44)	\$ (17,602,180)	(27)	\$ (16,845,281)	(27)	4
Depreciation and amortization expense (Notes 4, 18, 19, 21 and 40)	(3,514,761)	(6)	(3,426,827)	(6)	3
Other general and administrative expense (Notes 4, 41 and 44)	<u>(12,759,836)</u>	<u>(20)</u>	<u>(12,413,784)</u>	<u>(20)</u>	3
Total operating expenses	<u>(33,876,777)</u>	<u>(53)</u>	<u>(32,685,892)</u>	<u>(53)</u>	4
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAX</b>	27,479,496	43	25,822,986	42	6
<b>INCOME TAX EXPENSE (Notes 4 and 42)</b>	<u>(3,671,182)</u>	<u>(6)</u>	<u>(3,511,682)</u>	<u>(6)</u>	5
<b>INCOME FROM CONTINUING OPERATIONS, NET OF TAX</b>	<u>23,808,314</u>	<u>37</u>	<u>22,311,304</u>	<u>36</u>	7
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX (Notes 4 and 32)</b>					
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax					
Remeasurement of defined benefit plans	(88,612)	-	(238,096)	(1)	(63)
Property revaluation surplus	46,076	-	-	-	-
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	1,712,190	3	450,900	1	280
Change in fair value of financial liability attributable to change in credit risk of liability	736,634	1	464,755	1	58
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	8,070	-	(11,821)	-	168

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2021		2020		Changes
	Amount	%	Amount	%	(%)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 42)	\$ 192,125	-	\$ (39,961)	-	581
Components of other comprehensive income that will be reclassified to profit or loss, net of tax					
Exchange differences on translating the financial statements of foreign operations	(1,010,242)	(2)	(656,858)	(1)	54
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	(81,572)	-	50,756	-	(261)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(5,586,572)	(9)	2,860,930	5	(295)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 42)	<u>338,279</u>	<u>1</u>	<u>15,104</u>	<u>-</u>	2140
Other comprehensive income (loss), net of tax	<u>(3,733,624)</u>	<u>(6)</u>	<u>2,895,709</u>	<u>5</u>	(229)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>\$ 20,074,690</u>	<u>31</u>	<u>\$ 25,207,013</u>	<u>41</u>	(20)
PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$ 23,344,196	36	\$ 21,853,667	35	7
Non-controlling interests	<u>464,118</u>	<u>1</u>	<u>457,637</u>	<u>1</u>	1
	<u>\$ 23,808,314</u>	<u>37</u>	<u>\$ 22,311,304</u>	<u>36</u>	7
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 19,586,240	30	\$ 24,811,268	40	(21)
Non-controlling interests	<u>488,450</u>	<u>1</u>	<u>395,745</u>	<u>1</u>	23
	<u>\$ 20,074,690</u>	<u>31</u>	<u>\$ 25,207,013</u>	<u>41</u>	(20)

(Continued)

**CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

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	<u>2021</u>		<u>2020</u>		<u>Changes</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>(%)</u>
EARNINGS PER SHARE (Note 43)					
Basic	<u>\$ 2.18</u>		<u>\$ 2.04</u>		

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

(Concluded)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank											Non-controlling Interests	Total Equity
	Retained Earnings					Other Equity							
	Capital Stock Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Changes in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Losses on Remeasurements of Defined Benefit Plans	Property Revaluation Surplus	Total		
BALANCE AT JANUARY 1, 2020	\$ 101,658,353	\$ 38,687,276	\$ 57,935,811	\$ 2,183,978	\$ 21,675,159	\$ (1,670,723)	\$ 10,124,219	\$ (1,850,508)	\$ (1,715,929)	\$ 457,968	\$ 5,345,027	\$ 4,409,576	\$ 231,895,180
Appropriation of 2019 earnings	-	-	6,590,232	-	(6,590,232)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(10,000,000)	-	-	-	-	-	-	-	(10,000,000)
Cash dividends	-	-	-	-	(5,327,477)	-	-	-	-	-	-	-	-
Stock dividends	5,327,477	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2020	-	-	-	-	21,853,667	-	-	-	-	-	-	457,637	22,311,304
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(364,244)	3,144,183	371,803	(194,141)	-	2,957,601	(61,892)	2,895,709
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	21,853,667	(364,244)	3,144,183	371,803	(194,141)	-	2,957,601	395,745	25,207,013
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(446,572)	(446,572)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	268,915	-	(268,915)	-	-	-	(268,915)	-	-
Others	-	-	-	(99,325)	242,550	-	-	-	-	(143,225)	(143,225)	-	-
BALANCE AT DECEMBER 31, 2020	106,985,830	38,687,276	64,526,043	2,084,653	22,122,582	(2,034,967)	12,999,487	(1,478,705)	(1,910,070)	314,743	7,890,488	4,358,749	246,655,621
Appropriation of 2020 earnings	-	-	6,656,404	-	(6,656,404)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(15,532,000)	-	-	-	-	-	-	-	(15,532,000)
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2021	-	-	-	-	23,344,196	-	-	-	-	-	-	464,118	23,808,314
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(731,471)	(3,580,365)	589,308	(70,618)	35,190	(3,757,956)	24,332	(3,733,624)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	23,344,196	(731,471)	(3,580,365)	589,308	(70,618)	35,190	(3,757,956)	488,450	20,074,690
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(471,108)	(471,108)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	1,892,039	-	(1,892,039)	-	-	-	(1,892,039)	-	-
Other	-	-	-	(897)	65,822	-	-	-	-	(64,925)	(64,925)	-	-
BALANCE AT DECEMBER 31, 2021	\$ 106,985,830	\$ 38,687,276	\$ 71,182,447	\$ 2,083,756	\$ 25,236,235	\$ (2,766,438)	\$ 7,527,083	\$ (889,397)	\$ (1,980,688)	\$ 285,008	\$ 2,175,568	\$ 4,376,091	\$ 250,727,203

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

**CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 27,479,496	\$ 25,822,986
Adjustments:		
Depreciation expense	2,988,517	2,910,789
Amortization expense	526,244	516,038
Expected credit loss/bad debt expense	2,986,134	3,382,467
Net gains on financial assets and liabilities at fair value through profit or loss	(2,438,755)	(4,095,029)
Interest expense	10,535,553	14,869,483
Net losses arising from derecognition of financial assets measured at amortised cost	648,158	380,136
Interest income	(49,074,607)	(50,092,601)
Dividend income	(1,579,529)	(992,098)
Share of profit of associates and joint ventures accounted for using equity method	(121,224)	(113,775)
Losses on disposal of property and equipment	5,688	7,659
Gains on disposal of investment properties	(23,700)	(6,100)
Gains on disposal of investments	(2,127,193)	(3,547,239)
Impairment loss (reversal of impairment loss) on financial assets	(105,970)	123,711
Loss on fair value adjustment of investment property	14,305	28,059
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(11,737,020)	(10,914,208)
Financial assets at fair value through profit or loss	20,116,265	54,321,733
Financial assets at fair value through other comprehensive income	21,070,228	(5,211,404)
Investments in debt instruments at amortised cost	(70,803,926)	(57,194,238)
Receivables	(4,227,982)	1,409,791
Discounts and loans	(148,784,345)	(111,255,509)
Other financial assets	(4,346,605)	551
Other assets	3,971,583	(6,523,019)
Deposits from the Central Bank and banks	8,474,115	(17,977,069)
Financial liabilities at fair value through profit or loss	(18,552,116)	(55,257,399)
Notes and bonds issued under repurchase agreement	27,069,594	(38,088,394)
Payables	3,131,708	(232,280)
Deposits and remittances	286,698,943	313,663,916
Other financial liabilities	(8,245,595)	(25,855,898)
Provisions	(131,259)	(167,584)
Other liabilities	439,353	(553,707)
Cash generated from operations	93,856,058	29,359,768
Interest received	51,107,468	51,375,654
Dividends received	1,591,474	1,009,877
Interest paid	(12,244,540)	(17,294,264)
Income tax paid	(4,399,835)	(4,940,596)
Net cash generated from operating activities	129,910,625	59,510,439

(Continued)

**CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	\$ (1,054,796)	\$ (1,099,926)
Proceeds from disposal of property and equipment	1,384	11,634
Acquisition of intangible assets	(330,851)	(188,034)
Proceeds from disposal of investment properties	117,100	189,100
Other assets	2,293,266	771,283
Dividends received	<u>78,625</u>	<u>66,380</u>
Net cash (used in) generated from investing activities	<u>1,104,728</u>	<u>(249,563)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in due to the Central Bank and banks	-	1,076,000
Repayments of financial debentures payable	(7,000,000)	(100,000)
Decrease in financial liabilities designated as at fair value through profit or loss	-	(11,289,165)
Repayments of the principal portion of lease liabilities	(1,525,218)	(1,607,946)
Other liabilities	(2,889,289)	2,139,275
Cash dividends paid	<u>(16,003,108)</u>	<u>(10,446,572)</u>
Net cash used in financing activities	<u>(27,417,615)</u>	<u>(20,228,408)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(1,009,809)</u>	<u>(553,712)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	102,587,929	38,478,756
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>151,993,849</u>	<u>113,515,093</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 254,581,778</u>	<u>\$ 151,993,849</u>

(Continued)

**CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

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	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
RECONCILIATIONS OF CASH AND CASH EQUIVALENTS REPORTED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THOSE REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2021 AND 2020		
Cash and cash equivalents reported in the consolidated balance sheet	\$ 65,389,093	\$ 71,007,491
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	147,163,570	53,843,883
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>42,029,115</u>	<u>27,142,475</u>
Cash and cash equivalents at the end of the year	<u>\$ 254,581,778</u>	<u>\$ 151,993,849</u>

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

(Concluded)

## **CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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#### **1. INFORMATION ON THE BUSINESS**

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

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

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

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

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

#### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements of the Bank and its subsidiaries (“the Company”) were approved by the Bank’s board of directors on March 11, 2022.



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

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

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

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

The Company elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

- b. The IFRSs endorsed by the FSC for application starting from 2022

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Announced by IASB</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Company assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

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

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

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

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

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

## **Basis of Consolidation**

### Principles for preparing the consolidated financial statements

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

The accounting policies of the consolidated entities are same.

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

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

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

### Entities included in the consolidated financial statements

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

## **Foreign Currencies**

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from

settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

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

### **Current and Non-current Assets and Liabilities**

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

### **Cash and Cash Equivalents**

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

### **Financial Instruments**

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

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

## 1) Measurement categories

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

### a) Financial asset at FVTPL

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

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

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

### b) Financial assets at amortised cost

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

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable and lease receivables. For all other financial instruments, the Company recognizes



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

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

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

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

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

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

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

### 3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

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

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

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

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

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

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

b) Financial guarantee contracts

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

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

## 2) Derecognition of financial liabilities

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

### d. Derivatives

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

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

### e. Modification of financial instruments

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

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

## **Investments in Associates**

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

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

the Bank.

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

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

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

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

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

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

### **Nonperforming Loans**

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the authorities, loans and other credits

(including the accrued interest) that remain unpaid on their maturity are transferred immediately to nonperforming loans if the transfer is approved by the board of directors.

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

### **Repurchase and Resale Transactions**

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

### **Property and Equipment**

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

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

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

## **Investment Properties**

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

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

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

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

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

## **Goodwill**

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

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

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

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

## **Foreclosed Collateral**

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

## **Intangible Assets (Excluding Goodwill)**

### a. Intangible assets acquired separately

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

### b. Derecognition

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

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

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

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

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



## **Assets Held for Sale**

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

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

## **Leasing**

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

### **a. The Company as lessor**

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

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

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

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

### **b. The Company as lessee**

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less

accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

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

## **Provisions**

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

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

## **Employee Benefits**

### **a. Short-term employee benefits**

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

### **b. Retirement benefits**

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined

benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

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

c. Termination benefits

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

d. Employee preferential interest rate deposits

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

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

## **Income Tax**

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

a. Current tax

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

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

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

Since 2002, in accordance with Article 49 of the Financial Holding Company Act, the Bank’s financial holding company, as the taxpayer, and the Bank elected to jointly declare and report income tax of profit-seeking enterprise and tax surcharge on surplus retained earnings of profit-seeking enterprise in accordance with the relevant provisions of the Income Tax Act. Additional tax payable or tax receivable due to the joint declaration of income tax is recognized under the payables or receivables for allocation of integrated income tax system account.

b. Deferred tax

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

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

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

benefits of the temporary differences and these differences are expected to reverse in the foreseeable future.

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

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

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

#### c. Current and deferred taxes

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

### **Recognition of Interest Revenue and Expense**

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

### **Recognition of Service Fee Revenue and Expense**

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

### **Customer Loyalty Program**

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

### **Assessment of Impairment of Loans**

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 23,454,370	\$ 18,131,208
Checks for clearance	6,116,728	2,628,849
Due from banks	<u>35,838,074</u>	<u>50,269,827</u>
	65,409,172	71,029,884
Less: Allowance for impairment loss	<u>(20,079)</u>	<u>(22,393)</u>
	<u>\$ 65,389,093</u>	<u>\$ 71,007,491</u>

As of December 31, 2021 and 2020, due from banks that mature exceed one year from the date of acquisition are recorded as other financial assets, amounting to \$4,346,973 thousand and \$0 thousand, respectively.

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Deposit reserves - general account	\$ 73,493,011	\$ 62,606,118
Deposit reserves - foreign currency account	13,965,956	13,110,851
Deposits in the Central Bank - general account	43,547,855	18,694,542
Call loans and overdrafts	<u>103,615,715</u>	<u>35,149,341</u>
	234,622,537	129,560,852
Less: Allowance for impairment loss	<u>(76,062)</u>	<u>(56,928)</u>
	<u>\$ 234,546,475</u>	<u>\$ 129,503,924</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, 2021 and 2020, the balances of foreign-currency deposit reserves were \$7,259,716 thousand and \$4,687,385 thousand, respectively.

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

#### Indovina Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the State Bank of Vietnam were \$1,435,366 thousand and \$1,513,374 thousand as of December 31, 2021 and 2020, 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 \$814,485 thousand and \$835,669 thousand as of December 31, 2021 and 2020, 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 \$4,456,389 thousand and \$6,074,423 thousand as of December 31, 2021 and 2020, respectively.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Financial assets mandatorily classified as at <u>fair value through profit or loss</u>		
Treasury bills	\$ 7,567,899	\$ 7,256,547
Commercial paper	151,041,669	143,166,030
Government bonds	17,741,331	35,857,067
Corporate bonds	18,795,119	6,534,561
Financial debentures	38,719,321	9,881,522
Negotiable certificates of deposits	9,776,810	45,302,719
Stock investments	3,114,840	2,504,480
Fund beneficiary certificates	<u>85,133</u>	<u>323,148</u>
	<u>246,842,122</u>	<u>250,826,074</u>
Derivative financial instruments		
Foreign exchange forward contracts	13,529,981	30,834,966
Interest rate swaps	20,596,333	37,942,861
Options	2,963,723	2,868,014
Others	<u>1,422,375</u>	<u>1,572,063</u>
	<u>38,512,412</u>	<u>73,217,904</u>
	<u>\$ 285,354,534</u>	<u>\$ 324,043,978</u>

(Continued)



	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bonds	\$ 40,587,123	\$ 44,204,582
<u>Financial liabilities held for trading</u>		
Derivative financial instruments		
Foreign exchange forward contracts	14,160,913	35,328,699
Interest rate swaps	15,631,389	29,298,629
Options	4,008,026	5,255,052
Others	1,497,481	1,527,667
	<u>35,297,809</u>	<u>71,410,047</u>
	<u>\$ 75,884,932</u>	<u>\$ 115,614,629</u>

(Concluded)

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

The contract amounts (nominal amounts) of derivative transactions for accommodating customers' needs and for managing the Company's exposure positions as of December 31, 2021 and 2020 were as follows:

(Unit: Thousands of U.S. Dollars)

	<b>Contract Amounts</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>The Bank</u>		
Foreign exchange forward contracts	\$ 98,048,307	\$ 89,966,338
Interest rate swaps	43,544,052	51,493,757
Options	5,598,747	6,653,564
Futures	952,858	1,128,050
Cross-currency swaps	3,259,720	2,281,884
Commodity exchange contracts	4,285	11,054

(Unit: Thousands of U.S. Dollars)

	<b>Contract Amounts</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Indovina Bank</u>		
Foreign exchange forward contracts	\$ 54,756	\$ -
Cross-currency swaps	258,000	-

(Unit: Thousands of U.S. Dollars)

	<b>Contract Amounts</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>CUBCN Bank</u>		
Foreign exchange forward contracts	\$ 49,268	\$ 62,963
Interest rate swaps	3,842,715	830,664
Options	3,119	2,876
Cross-currency swaps	-	36,289
Commodity exchange contracts	3,328,761	1,750,405

As of December 31, 2021, certain financial assets at FVTPL were sold under repurchase agreements with notional amounts of \$2,215,200 thousand. The proceeds amounting to \$2,148,959 thousand, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$2,149,060 thousand before the end of January 2022.

As of December 31, 2020, none of the financial assets at FVTPL was sold under repurchase agreements.

#### **Financial Liabilities Designated as at Fair Value through Profit or Loss**

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

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

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

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

The Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the years ended December 31, 2021 and 2020, such interest rate swaps were valued with a net loss of \$2,445,367 thousand and a net gain of \$1,921,169 thousand, respectively.

**9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Investments in equity instruments		
Domestic listed shares	\$ 13,805,472	\$ 11,088,165
Overseas stock investments	10,840,795	7,591,277
Domestic unlisted shares	<u>5,437,458</u>	<u>4,030,179</u>
	<u>30,083,725</u>	<u>22,709,621</u>
Investments in debt instruments		
Corporate bonds	98,631,312	100,005,665
Financial debentures	80,292,790	82,202,742
Asset-based securities	10,163,330	14,299,523
Negotiable certificates of deposit	25,599,336	39,411,018
Government bonds	<u>68,598,045</u>	<u>77,469,247</u>
	<u>283,284,813</u>	<u>313,388,195</u>
	<u>\$ 313,368,538</u>	<u>\$ 336,097,816</u>

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

In consideration of its investment strategy, the Company sold its investments in equity instruments at FVTOCI with the fair value of \$38,121,242 thousand and \$34,188,772 thousand during the years ended December 31, 2021 and 2020, respectively, and the related unrealized gain of \$1,892,039 thousand and \$268,915 thousand were transferred from other equity to retained earnings, accordingly.

Dividends of \$1,579,529 thousand and \$992,098 thousand were recognized as income for the years ended December 31, 2021 and 2020, respectively. Those related to investments held as of December 31, 2021 and 2020 were \$747,518 thousand and \$803,011 thousand, respectively, and the remaining amounts were related to investments derecognized for the years ended December 31, 2021 and 2020.

As of December 31, 2021 and 2020, certain financial assets at FVTOCI were sold under repurchase agreements with notional amounts of \$28,230,898 thousand and \$9,074,539 thousand, respectively. The proceeds amounting to \$27,600,460 thousand and \$9,175,931 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$27,614,471 thousand and \$9,189,593 thousand before the end of June 2022 and 2021, respectively.

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

## 10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term bills	\$ 461,857,140	\$ 436,402,937
Government bonds	37,671,344	9,634,615
Corporate bonds	13,479,441	12,345,724
Financial debentures	18,508,912	11,093,242
Asset-based bonds	<u>40,413,469</u>	<u>32,298,469</u>
	571,930,306	501,774,987
Less: Allowance for impairment loss	<u>(28,564)</u>	<u>(46,844)</u>
	<u>\$ 571,901,742</u>	<u>\$ 501,728,143</u>

For the years ended December 31, 2021 and 2020, the Bank disposed of certain bonds in advance due to the expected increase in credit risk, and recognized the loss arising from derecognition of financial assets measured at amortised cost amounting to \$208 thousand and \$14,121 thousand, respectively.

As of December 31, 2021 and 2020, certain financial assets measured at amortised cost were sold under repurchase agreements with notional amounts of \$7,791,895 thousand and \$1,095,769 thousand, respectively. The proceeds amounting to \$7,412,233 thousand and \$916,127 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$7,417,746 thousand and \$915,796 thousand before the end of February 2022 and January 2021, respectively.

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

## 11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

### December 31, 2021

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

(Continued)

December 31, 2020

	<b>Financial Assets at FVTOCI</b>	<b>Investments in Debt Instruments at Amortised Cost</b>	<b>Total</b>
Gross carrying amount	\$ 305,805,098	\$ 501,774,987	\$ 807,580,085
Less: Allowance for impairment loss	(196,102)	(46,844)	(242,946)
Adjustment to fair value	<u>7,779,199</u>	<u>-</u>	<u>7,779,199</u>
	<u>\$ 313,388,195</u>	<u>\$ 501,728,143</u>	<u>\$ 815,116,338</u>

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

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

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

<b>Credit Rating</b>	<b>Definition</b>	<b>Basis for Recognizing ECLs</b>	<b>Gross Carrying Amount at December 31, 2021</b>
Low credit risk	Low credit risk at the reporting date	12-month ECLs	\$ 852,305,969
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	657,319
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	-

<b>Credit Rating</b>	<b>Definition</b>	<b>Basis for Recognizing ECLs</b>	<b>Gross Carrying Amount at December 31, 2020</b>
Low credit risk	Low credit risk at the reporting date	12-month ECLs	\$ 807,580,085
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	-
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	-

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, 2021

	<b>Credit Rating</b>		
	<b>Low Credit Risk (12-month ECLs)</b>	<b>Doubtful (Lifetime ECLs - Not Credit-impaired)</b>	<b>In Default (Lifetime ECLs - Credit-impaired)</b>
Balance at the beginning of the period	\$ 242,946	\$ -	\$ -
Changes of credit rating			
Low credit risk transferred to doubtful	(1,583)	12,576	-
Doubtful transferred to low credit risk	-	-	-
Doubtful transferred to in default	-	-	-
New debt instruments purchased	83,824	-	-
Derecognition	(127,930)	-	-
Effect of exchange rates changes and others	<u>(75,185)</u>	<u>-</u>	<u>-</u>
Balance at the end of the period	<u>\$ 122,072</u>	<u>\$ 12,576</u>	<u>\$ -</u>

For the year ended December 31, 2020

	<b>Credit Rating</b>		
	<b>Low Credit Risk (12-month ECLs)</b>	<b>Doubtful (Lifetime ECLs - Not Credit-impaired)</b>	<b>In Default (Lifetime ECLs - Credit-impaired)</b>
Balance at the beginning of the period	\$ 126,283	\$ -	\$ -
New debt instruments purchased	138,202	-	-
Derecognition	(64,017)	-	-
Effect of exchange rates changes and others	<u>42,478</u>	<u>-</u>	<u>-</u>
Balance at the end of the period	<u>\$ 242,946</u>	<u>\$ -</u>	<u>\$ -</u>

## 12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Foreign bonds	\$ -	\$ 2,146,307
Corporate bonds	33,129,004	9,875,382
Government bonds	2,098,165	8,042,157
Financial debentures	<u>6,822,077</u>	<u>7,082,719</u>
	42,049,246	27,146,565
Less: Allowance for impairment loss	<u>(20,131)</u>	<u>(4,090)</u>
	<u>\$ 42,029,115</u>	<u>\$ 27,142,475</u>

As of December 31, 2021 and 2020, none of the securities purchased under resell agreements were sold under repurchase agreements.

## 13. RECEIVABLES, NET

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Notes and accounts receivables	\$ 88,600,959	\$ 87,142,453
Interest receivable	6,063,620	6,240,093
Acceptance	1,372,808	1,074,796
Factoring receivable	4,081,459	4,924,287
Others	<u>6,211,367</u>	<u>2,894,237</u>
	106,330,213	102,275,866
Less: Allowance for impairment loss	<u>(2,435,534)</u>	<u>(2,462,720)</u>
	<u>\$ 103,894,679</u>	<u>\$ 99,813,146</u>

Refer to Note 50 for impairment loss analysis of receivables.

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

For the year ended December 31, 2021

	<b>12-month ECLs</b>	<b>Lifetime ECLs (Collectively Assessed)</b>	<b>Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at the beginning of the period	\$ 98,245,219	\$ 1,889,559	\$ 2,141,088	\$ 102,275,866
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(782,336)	784,387	(2,051)	-
Transferred to credit-impaired financial assets	(45,989)	(18,591)	64,580	-
Transferred to 12-month ECLs	432,678	(428,699)	(3,979)	-
Derecognition of financial assets in the period	(58,490,739)	(1,432,851)	(123,501)	(60,047,091)
New financial assets purchased or originated	62,370,665	1,900,013	463,194	64,733,872
Written-off as bad debt expense	-	-	(430,910)	(430,910)
Effects of exchange rate changes and others	<u>(197,282)</u>	<u>(919)</u>	<u>(3,323)</u>	<u>(201,524)</u>
Balance at the end of the period	<u>\$ 101,532,216</u>	<u>\$ 2,692,899</u>	<u>\$ 2,105,098</u>	<u>\$ 106,330,213</u>

(Continued)



For the year ended December 31, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 99,439,051	\$ 1,560,450	\$ 2,265,790	\$ 103,265,291
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(684,673)	688,286	(3,613)	-
Transferred to credit-impaired financial assets	(79,655)	(52,326)	131,981	-
Transferred to 12-month ECLs	568,539	(561,659)	(6,880)	-
Derecognition of financial assets in the period	(58,344,185)	(999,160)	(281,202)	(59,624,547)
New financial assets purchased or originated	57,401,711	1,264,776	560,935	59,227,422
Written-off as bad debt expense	-	-	(507,788)	(507,788)
Effects of exchange rate changes and others	<u>(55,569)</u>	<u>(10,808)</u>	<u>(18,135)</u>	<u>(84,512)</u>
Balance at the end of the period	<u>\$ 98,245,219</u>	<u>\$ 1,889,559</u>	<u>\$ 2,141,088</u>	<u>\$ 102,275,866</u>

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

For the year ended December 31, 2021

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 465,842	\$ 202,476	\$ 1,731,461	\$ 2,399,779	\$ 62,941	\$ 2,462,720
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(4,817)	132,720	(1,521)	126,382	-	126,382
Transferred to credit-impaired financial assets	(484)	(2,646)	47,604	44,474	-	44,474
Transferred to 12-month ECLs	4,443	(69,188)	(2,868)	(67,613)	-	(67,613)
Derecognition of financial assets in the period	(213,406)	(96,131)	(54,135)	(363,672)	-	(363,672)
New financial assets purchased or originated	135,256	109,758	340,681	585,695	-	585,695
Differences of impairment loss under the regulations	-	-	-	-	6,728	6,728
Written-off as bad debt expense	-	-	(430,910)	(430,910)	-	(430,910)
Effects of exchange rate changes and others	31,414	11,715	28,601	71,730	-	71,730
Balance at the end of the period	<u>\$ 418,248</u>	<u>\$ 288,704</u>	<u>\$ 1,658,913</u>	<u>\$ 2,365,865</u>	<u>\$ 69,669</u>	<u>\$ 2,435,534</u>

(Continued)

For the year ended December 31, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 509,882	\$ 154,306	\$ 1,660,104	\$ 2,324,292	\$ 52,976	\$ 2,377,268
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(3,266)	82,897	(2,541)	77,090	-	77,090
Transferred to credit-impaired financial assets	(424)	(1,960)	137,286	134,902	-	134,902
Transferred to 12-month ECLs	2,410	(60,040)	(4,923)	(62,553)	-	(62,553)
Derecognition of financial assets in the period	(172,285)	(75,138)	(50,415)	(297,838)	-	(297,838)
New financial assets purchased or originated	108,021	79,293	366,959	554,273	-	554,273
Differences of impairment loss under the regulations	-	-	-	-	9,790	9,790
Written-off as bad debt expense	-	-	(507,788)	(507,788)	-	(507,788)
Effects of exchange rate changes and others	21,504	23,118	132,779	177,401	175	177,576
Balance at the end of the period	<u>\$ 465,842</u>	<u>\$ 202,476</u>	<u>\$ 1,731,461</u>	<u>\$ 2,399,779</u>	<u>\$ 62,941</u>	<u>\$ 2,462,720</u>

#### 14. DISCOUNTS AND LOANS, NET

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discounts and overdrafts	\$ 1,278,734	\$ 1,557,418
Short-term loans	437,829,639	391,477,232
Medium-term loans	464,070,380	442,472,861
Long-term loans	930,293,975	850,038,811
Export negotiations	1,354,799	1,492,261
Overdue loans	<u>2,227,284</u>	<u>2,505,456</u>
	1,837,054,811	1,689,544,039
Less: Allowance for impairment loss	<u>(29,978,152)</u>	<u>(28,248,078)</u>
	<u>\$ 1,807,076,659</u>	<u>\$ 1,661,295,961</u>

As of December 31, 2021, the amount of the domestic loans of the Bank, and allowance for impairment loss were \$1,674,216,558 thousand and \$27,224,559 thousand, respectively.

For the years ended December 31, 2021 and 2020, the Bank disposed credit assets in order to increase debt recovery, and recognized the loss arising from the derecognition of credit assets measured at amortised cost amounting to \$647,950 thousand and \$366,015 thousand, respectively.

As of December 31, 2021 and 2020, the loan and credit balances of nonaccrual loans were \$2,227,284 thousand and \$2,505,456 thousand, respectively. The Company did not write off certain credits without completing the required legal procedures.

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

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

For the year ended December 31, 2021

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 1,621,545,452	\$ 55,888,623	\$ 12,109,964	\$ 1,689,544,039
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(37,122,576)	37,198,978	(76,402)	-
Transferred to credit-impaired financial assets	(2,684,122)	(1,120,786)	3,804,908	-
Transferred to 12-month ECLs	21,811,958	(21,502,563)	(309,395)	-
Derecognition of financial assets in the period	(510,340,621)	(23,385,429)	(1,593,780)	(535,319,830)
New financial assets purchased or originated	679,096,323	12,744,452	1,333,074	693,173,849
Written-off as bad debt expense	-	-	(2,884,086)	(2,884,086)
Effects of exchange rate changes and others	(8,341,470)	1,142,522	(260,213)	(7,459,161)
Balance at the end of the period	<u>\$ 1,763,964,944</u>	<u>\$ 60,965,797</u>	<u>\$ 12,124,070</u>	<u>\$ 1,837,054,811</u>

For the year ended December 31, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 1,500,192,488	\$ 68,503,519	\$ 11,866,187	\$ 1,580,562,194
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(30,278,660)	30,498,003	(219,343)	-
Transferred to credit-impaired financial assets	(3,043,465)	(1,958,004)	5,001,469	-
Transferred to 12-month ECLs	28,137,390	(27,706,649)	(430,741)	-
Derecognition of financial assets in the period	(485,579,643)	(19,843,044)	(2,180,622)	(507,603,309)
New financial assets purchased or originated	613,987,045	7,257,947	1,449,076	622,694,068
Written-off as bad debt expense	-	-	(2,801,802)	(2,801,802)
Effects of exchange rate changes and others	(1,869,703)	(863,149)	(574,260)	(3,307,112)
Balance at the end of the period	<u>\$ 1,621,545,452</u>	<u>\$ 55,888,623</u>	<u>\$ 12,109,964</u>	<u>\$ 1,689,544,039</u>

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

For the year ended December 31, 2021

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 4,643,771	\$ 2,095,225	\$ 5,124,881	\$ 11,863,877	\$ 16,384,201	\$ 28,248,078
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(303,379)	1,219,614	(14,930)	901,305	-	901,305
Transferred to credit- impaired financial assets	(20,338)	(141,417)	3,182,666	3,020,911	-	3,020,911
Transferred to 12- month ECLs	54,029	(696,817)	(42,844)	(685,632)	-	(685,632)
Derecognition of financial assets in the period	(1,864,133)	(654,988)	(482,623)	(3,001,744)	-	(3,001,744)
New financial assets purchased or originated	1,877,525	491,724	808,523	3,177,772	-	3,177,772
Differences of impairment loss under the regulations	-	-	-	-	3,154,610	3,154,610
Written-off as bad debt expense	-	-	(2,884,086)	(2,884,086)	-	(2,884,086)
Effects of exchange rate changes and others	(944,595)	(322,353)	(686,114)	(1,953,062)	-	(1,953,062)
Balance at the end of the period	<u>\$ 3,442,880</u>	<u>\$ 1,990,988</u>	<u>\$ 5,005,473</u>	<u>\$ 10,439,341</u>	<u>\$ 19,538,811</u>	<u>\$ 29,978,152</u>

(Continued)

For the year ended December 31, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 2,753,556	\$ 1,746,741	\$ 5,386,493	\$ 9,886,790	\$ 17,524,498	\$ 27,411,288
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(91,442)	1,452,217	(67,261)	1,293,514	-	1,293,514
Transferred to credit- impaired financial assets	(12,336)	(42,058)	2,825,163	2,770,769	-	2,770,769
Transferred to 12- month ECLs	222,579	(876,008)	(81,627)	(735,056)	-	(735,056)
Derecognition of financial assets in the period	(1,222,368)	(459,634)	(396,735)	(2,078,737)	-	(2,078,737)
New financial assets purchased or originated	2,448,786	317,571	732,452	3,498,809	-	3,498,809
Differences of impairment loss under the regulations	-	-	-	-	(1,137,811)	(1,137,811)
Written-off as bad debt expense	-	-	(2,801,802)	(2,801,802)	-	(2,801,802)
Effects of exchange rate changes and others	544,996	(43,604)	(471,802)	29,590	(2,486)	27,104
Balance at the end of the period	<u>\$ 4,643,771</u>	<u>\$ 2,095,225</u>	<u>\$ 5,124,881</u>	<u>\$ 11,863,877</u>	<u>\$ 16,384,201</u>	<u>\$ 28,248,078</u>

## 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, 2021

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 294,502	\$ 55,062	\$ 5,663	\$ 355,227	\$ 130,717	\$ 485,944
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(35,983)	56,735	(2)	20,750	-	20,750
Transferred to credit-impaired financial assets	(30)	(53)	5,684	5,601	-	5,601
Transferred to 12-month ECLs	704	(23,822)	(461)	(23,579)	-	(23,579)
Derecognition of financial assets in the period	(90,680)	(35,821)	(2,298)	(128,799)	-	(128,799)
New financial assets purchased or originated	99,041	26,752	979	126,772	-	126,772
Differences of impairment loss under the regulations	-	-	-	-	53,842	53,842
Effects of exchange rate changes and others	(94,230)	(6,848)	(5,033)	(106,111)	-	(106,111)
Balance at the end of the period	<u>\$ 173,324</u>	<u>\$ 72,005</u>	<u>\$ 4,532</u>	<u>\$ 249,861</u>	<u>\$ 184,559</u>	<u>\$ 434,420</u>

(Continued)



For the year ended December 31, 2020

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 192,861	\$ 95,644	\$ 5,501	\$ 294,006	\$ 131,058	\$ 425,064
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(741)	23,349	(11)	22,597	-	22,597
Transferred to credit- impaired financial assets	(36)	(66)	7,288	7,186	-	7,186
Transferred to 12- month ECLs	6,792	(50,691)	(787)	(44,686)	-	(44,686)
Derecognition of financial assets in the period	(93,414)	(37,864)	(1,821)	(133,099)	-	(133,099)
New financial assets purchased or originated	138,181	17,561	2,163	157,905	-	157,905
Differences of impairment loss under the regulations	-	-	-	-	(341)	(341)
Effects of exchange rate changes and others	<u>50,859</u>	<u>7,129</u>	<u>(6,670)</u>	<u>51,318</u>	<u>-</u>	<u>51,318</u>
Balance at the end of the period	<u>\$ 294,502</u>	<u>\$ 55,062</u>	<u>\$ 5,663</u>	<u>\$ 355,227</u>	<u>\$ 130,717</u>	<u>\$ 485,944</u>

## 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		
			2021	2020	
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) Limited (CUBCN Bank) (Note 3)	Bank business	100	100	Incorporated in China on September 3, 2018

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

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

Note 3: As a major subsidiary, its financial statements have been audited. Please refer to Table 5 for the relevant investment information.

## 17. INVESTMENTS MEASURED BY EQUITY METHOD, NET

	December 31	
	2021	2020
<u>Associates that are not individually material</u>		
Taiwan Real-estate Management Corp.	\$ 95,892	\$ 97,567
Taiwan Finance Corp.	<u>1,736,374</u>	<u>1,765,602</u>
	<u>\$ 1,832,266</u>	<u>\$ 1,863,169</u>

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

	For the Year Ended December 31	
	2021	2020
The Bank's share of		
Current net profit	\$ 121,224	\$ 113,775
Current other comprehensive income (loss)	<u>(73,502)</u>	<u>38,935</u>
Current comprehensive income	<u>\$ 47,722</u>	<u>\$ 152,710</u>

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

## 18. PROPERTY AND EQUIPMENT, NET

### For the year ended December 31, 2021

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
<b>Cost</b>								
Balance at the beginning of the period	\$ 15,667,286	\$ 10,211,629	\$ 5,199,696	\$ 112,996	\$ 7,878,125	\$ 280,099	\$ 324,506	\$ 39,674,337
Additions	-	-	310,033	6,638	230,742	14,225	493,158	1,054,796
Disposals	-	(537)	(469,073)	(8,311)	(163,121)	-	-	(641,042)
Reclassification	(210,047)	(315,924)	200,439	6,370	(35,189)	87,842	(516,952)	(783,461)
Others (Note)	(1,687)	-	-	-	-	-	-	(1,687)
Exchange differences	(15,482)	(8,974)	(17,693)	(3,267)	(10,929)	(4,192)	(912)	(61,449)
Balance at the end of the period	<u>15,440,070</u>	<u>9,886,194</u>	<u>5,223,402</u>	<u>114,426</u>	<u>7,899,628</u>	<u>377,974</u>	<u>299,800</u>	<u>39,241,494</u>
<b>Accumulated depreciation and impairment</b>								
Balance at the beginning of the period	-	4,724,122	3,414,551	78,301	5,969,057	157,840	-	14,343,871
Depreciation	-	212,218	680,848	9,437	501,629	31,551	-	1,435,683
Disposals	-	(116)	(465,686)	(8,311)	(159,857)	-	-	(633,970)
Reclassification	-	(170,260)	-	-	(208,077)	-	-	(378,337)
Exchange differences	-	(3,536)	(13,018)	(2,227)	(8,553)	(2,507)	-	(29,841)
Balance at the end of the period	-	<u>4,762,428</u>	<u>3,616,695</u>	<u>77,200</u>	<u>6,094,199</u>	<u>186,884</u>	-	<u>14,737,406</u>
<b>Net</b>								
Balance at the end of the period	<u>\$ 15,440,070</u>	<u>\$ 5,123,766</u>	<u>\$ 1,606,707</u>	<u>\$ 37,226</u>	<u>\$ 1,805,429</u>	<u>\$ 191,090</u>	<u>\$ 299,800</u>	<u>\$ 24,504,088</u>

### For the year ended December 31, 2020

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
<b>Cost</b>								
Balance at the beginning of the period	\$ 15,699,923	\$ 10,229,180	\$ 4,989,377	\$ 116,199	\$ 7,875,242	\$ 261,194	\$ 414,969	\$ 39,586,084
Additions	-	-	415,852	4,836	203,068	373	475,797	1,099,926
Disposals	-	-	(321,359)	(4,453)	(484,798)	-	-	(810,610)
Reclassification	-	-	141,049	2,631	295,636	20,968	(565,090)	(104,806)
Others (Note)	(2,400)	-	-	-	-	-	-	(2,400)
Exchange differences	(30,237)	(17,551)	(25,223)	(6,217)	(11,023)	(2,436)	(1,170)	(93,857)
Balance at the end of the period	<u>15,667,286</u>	<u>10,211,629</u>	<u>5,199,696</u>	<u>112,996</u>	<u>7,878,125</u>	<u>280,099</u>	<u>324,506</u>	<u>39,674,337</u>
<b>Accumulated depreciation and impairment</b>								
Balance at the beginning of the period	-	4,517,098	3,128,964	76,940	5,955,250	133,412	-	13,811,664
Depreciation	-	213,437	624,803	10,053	488,966	25,836	-	1,363,095
Disposals	-	-	(319,680)	(4,453)	(467,184)	-	-	(791,317)
Exchange differences	-	(6,413)	(19,536)	(4,239)	(7,975)	(1,408)	-	(39,571)
Balance at the end of the period	-	<u>4,724,122</u>	<u>3,414,551</u>	<u>78,301</u>	<u>5,969,057</u>	<u>157,840</u>	-	<u>14,343,871</u>
<b>Net</b>								
Balance at the end of the period	<u>\$ 15,667,286</u>	<u>\$ 5,487,507</u>	<u>\$ 1,785,145</u>	<u>\$ 34,695</u>	<u>\$ 1,909,068</u>	<u>\$ 122,259</u>	<u>\$ 324,506</u>	<u>\$ 25,330,466</u>

Note: The urban renewal demolition and resettlement compensation fees.

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

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

As of December 31, 2021 and 2020, no property and equipment was pledged.

The Bank expects to dispose of two vacant premises within 6 months. The two premises were originally used for the Bank's office and business warehouse. The Bank is currently actively negotiating with potential buyers. No impairment loss was recognized on the classification of the premises as assets held for sale for the year ended December 31, 2021.

## 19. LEASE AGREEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Carrying amount of right-of-use assets		
Land and buildings	\$ 3,610,474	\$ 4,217,497
Equipment	1,971	5,135
Transportation equipment	<u>47,921</u>	<u>34,912</u>
	<u>\$ 3,660,366</u>	<u>\$ 4,257,544</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions of right-of-use assets	<u>\$ 961,546</u>	<u>\$ 1,635,953</u>
Depreciation expense of right-of-use assets		
Land and buildings	\$ 1,522,036	\$ 1,518,601
Equipment	1,150	1,657
Transportation equipment	<u>29,648</u>	<u>27,436</u>
	<u>\$ 1,552,834</u>	<u>\$ 1,547,694</u>

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Carrying amount of lease liabilities	<u>\$ 3,679,114</u>	<u>\$ 4,293,299</u>

The discount rate intervals of lease liabilities are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land and buildings	0.04%-4.68%	0.33%-4.68%
Equipment	0.36%-4.15%	0.70%-4.15%
Transportation equipment	0.22%-4.13%	0.67%-4.43%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term rental expenses	<u>\$ 527,304</u>	<u>\$ 547,294</u>
Low value assets rental expenses	<u>\$ 290,625</u>	<u>\$ 407,522</u>
Variable lease payment expense not included in measurable lease liabilities	<u>\$ 102</u>	<u>\$ 373</u>
Gross cash outflow for leases	<u>\$ 2,382,996</u>	<u>\$ 2,563,135</u>

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

**20. INVESTMENT PROPERTIES, NET**

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
January 1, 2021	\$ 574,186	\$ 72,259	\$ 646,445
Transfers from property and equipment	49,647	69,053	118,700
Disposal	(65,307)	(28,093)	(93,400)
Gain (loss) on fair value adjustment	<u>(15,685)</u>	<u>1,380</u>	<u>(14,305)</u>
December 31, 2021	<u>\$ 542,841</u>	<u>\$ 114,599</u>	<u>\$ 657,440</u>
January 1, 2020	\$ 721,204	\$ 136,300	\$ 857,504
Disposal	(124,662)	(58,338)	(183,000)
Loss on fair value adjustment	<u>(22,356)</u>	<u>(5,703)</u>	<u>(28,059)</u>
December 31, 2020	<u>\$ 574,186</u>	<u>\$ 72,259</u>	<u>\$ 646,445</u>

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

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

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

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

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

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

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

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

The main inputs used are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Direct capitalization rates	1.20%-4.04%	1.93%-3.79%
Overall capital interest rate	0.67%-1.93%	0.67%-1.93%

Operating expenses directly related to investment properties

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Generating rental income	\$ -	\$ -
Not generating rental income	<u>4,668</u>	<u>3,747</u>
	<u>\$ 4,668</u>	<u>\$ 3,747</u>

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



## 21. INTANGIBLE ASSETS, NET

For the year ended December 31, 2021

	Computer Software	Goodwill	Total
<u>Cost</u>			
Balance at the beginning of the period	\$ 2,963,152	\$ 6,974,424	\$ 9,937,576
Additions	330,851	-	330,851
Disposal	(553,716)	-	(553,716)
Reclassification	318,451	-	318,451
Exchange differences	(8,420)	(8,646)	(17,066)
Balance at the end of the period	<u>3,050,318</u>	<u>6,965,778</u>	<u>10,016,096</u>
<u>Accumulated amortization and impairment</u>			
Balance at the beginning of the period	1,798,273	-	1,798,273
Amortization	526,244	-	526,244
Disposal	(553,716)	-	(553,716)
Exchange differences	(5,305)	-	(5,305)
Balance at the end of the period	<u>1,765,496</u>	<u>-</u>	<u>1,765,496</u>
<u>Net</u>			
Balance at the end of the period	<u>\$ 1,284,822</u>	<u>\$ 6,965,778</u>	<u>\$ 8,250,600</u>

For the year ended December 31, 2020

	Computer Software	Goodwill	Total
<u>Cost</u>			
Balance at the beginning of the period	\$ 2,816,530	\$ 6,991,316	\$ 9,807,846
Additions	188,034	-	188,034
Disposal	(367,143)	-	(367,143)
Reclassification	333,866	-	333,866
Exchange differences	(8,135)	(16,892)	(25,027)
Balance at the end of the period	<u>2,963,152</u>	<u>6,974,424</u>	<u>9,937,576</u>
<u>Accumulated amortization and impairment</u>			
Balance at the beginning of the period	1,654,657	-	1,654,657
Amortization	516,038	-	516,038
Disposal	(367,143)	-	(367,143)
Exchange differences	(5,279)	-	(5,279)
Balance at the end of the period	<u>1,798,273</u>	<u>-</u>	<u>1,798,273</u>
<u>Net</u>			
Balance at the end of the period	<u>\$ 1,164,879</u>	<u>\$ 6,974,424</u>	<u>\$ 8,139,303</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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Prepayments	\$ 958,645	\$ 781,952
Temporary payments and suspense accounts	270,575	6,743,215
Interbank clearing funds	10,450,180	8,430,953
Refundable deposits, net	15,443,116	17,584,406
Operating deposits, net	367,949	519,925
Others	<u>121,949</u>	<u>82,787</u>
	<u>\$ 27,612,414</u>	<u>\$ 34,143,238</u>

## 23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Call loans from banks	\$ 34,974,420	\$ 26,749,817
Due to Chunghwa Post Co., Ltd.	17,709,405	17,709,405
Banks overdrafts	2,741,680	805,234
Deposits from the Central Bank and banks	<u>19,179,669</u>	<u>20,866,603</u>
	<u>\$ 74,605,174</u>	<u>\$ 66,131,059</u>

## 24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Asset-based securities	\$ 8,054,582	\$ 346,892
Corporate bonds	244,085	1,879,800
Government bonds	12,977,154	3,095,548
Financial debentures	<u>15,885,831</u>	<u>4,769,818</u>
	<u>\$ 37,161,652</u>	<u>\$ 10,092,058</u>

## 25. PAYABLES

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Accounts payable	\$ 6,598,067	\$ 3,123,202
Accrued expenses	8,384,211	8,274,384
Payable on bonds trade settle	693,070	2,853,035
Interest payable	3,354,011	3,715,605
Receipts under custody	651,141	493,791
Banker's acceptances	1,396,596	1,077,140
Others	<u>5,978,747</u>	<u>5,071,971</u>
	<u>\$ 27,055,843</u>	<u>\$ 24,609,128</u>

## 26. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Checking deposits	\$ 18,050,527	\$ 16,127,434
Demand deposits	854,216,452	723,242,979
Demand savings deposits	1,267,338,737	1,102,957,219
Time deposits	433,988,804	437,102,128
Time savings deposits	354,855,029	359,917,919
Negotiable certificates of deposits	4,665,005	7,516,122
Outward remittances and remittances payable	<u>2,579,413</u>	<u>2,131,223</u>
	<u>\$ 2,935,693,967</u>	<u>\$ 2,648,995,024</u>

## 27. FINANCIAL DEBENTURES PAYABLE

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
1st issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	\$ -	\$ 1,500,000
2nd issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	-	2,500,000
1st issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000
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 1.70%; maturity: April 2023	9,900,000	9,900,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.70%; maturity: May 2021	-	3,000,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000
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 1.50%; maturity: April 2024	<u>2,400,000</u>	<u>2,400,000</u>
	<u>\$ 46,800,000</u>	<u>\$ 53,800,000</u>

## 28. OTHER FINANCIAL LIABILITIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Principal of structured products	<u>\$ 31,502,729</u>	<u>\$ 39,748,324</u>

## 29. PROVISIONS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Reserve for employee benefits		
Defined benefit plan	\$ 2,598,776	\$ 2,700,919
Retired employees' preferential interest rate deposits	673,225	586,625
Reserve for losses on guarantees	209,703	188,932
Reserve for finance commitments	220,069	291,609
Other operating reserve	103,745	72,308
Other reserve - letter of credit	<u>4,648</u>	<u>5,403</u>
	<u>\$ 3,810,166</u>	<u>\$ 3,845,796</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, 2021 and 2020, the Company recognized expenses of \$427,274 thousand and \$413,783 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 5,505,898	\$ 5,757,635
Fair value of plan assets	<u>(2,907,122)</u>	<u>(3,056,716)</u>
Net defined benefit liabilities	<u>\$ 2,598,776</u>	<u>\$ 2,700,919</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2020	\$ 5,655,806	\$ (3,036,253)	\$ 2,619,553
Service cost			
Current service cost	159,633	-	159,633
Net interest expense (income)	40,033	(22,135)	17,898
Recognized in profit or loss	<u>199,666</u>	<u>(22,135)</u>	<u>177,531</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(87,098)	(87,098)
Actuarial (gain) loss			
Changes in financial assumptions	218,379	-	218,379
Experience adjustments	<u>73,183</u>	<u>-</u>	<u>73,183</u>
Recognized in other comprehensive income	<u>291,562</u>	<u>(87,098)</u>	<u>204,464</u>
Contributions from the employer	-	(300,624)	(300,624)
Benefits paid	(389,394)	389,394	-
Effects of exchange rate change	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Balance at December 31, 2020	<u>5,757,635</u>	<u>(3,056,716)</u>	<u>2,700,919</u>
Service cost			
Current service cost	161,725	-	161,725
Net interest expense (income)	19,877	(10,590)	9,287
Recognized in profit or loss	<u>181,602</u>	<u>(10,590)</u>	<u>171,012</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(45,867)	(45,867)
Actuarial (gain) loss			
Changes in financial assumptions	(151,490)	-	(151,490)
Changes in demographic assumptions	149,095	-	149,095
Experience adjustments	<u>(23,607)</u>	<u>-</u>	<u>(23,607)</u>
Recognized in other comprehensive income	<u>(26,002)</u>	<u>(45,867)</u>	<u>(71,869)</u>
Contributions from the employer	-	(200,822)	(200,822)
Benefits paid	(406,873)	406,873	-
Effects of exchange rate change	<u>(464)</u>	<u>-</u>	<u>(464)</u>
Balance at December 31, 2021	<u>\$ 5,505,898</u>	<u>\$ (2,907,122)</u>	<u>\$ 2,598,776</u>

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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.67%	0.35%
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	<u>\$ (115,507)</u>	<u>\$ (143,798)</u>
0.25% decrease	<u>\$ 121,007</u>	<u>\$ 149,550</u>
Expected rate(s) of salary increase		
0.5% increase	<u>\$ 231,014</u>	<u>\$ 287,597</u>
0.5% decrease	<u>\$ (220,013)</u>	<u>\$ (270,341)</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.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	<u>\$ 201,416</u>	<u>\$ 300,079</u>
Average duration of the defined benefit obligation	8.8 years	10.2 years

c. Employee preferential interest rate deposit plan

The Bank's obligations on preferential interest rate deposits for current employees and those retired employees and current employees after retirement are in compliance with the Bank's internal rules. Under the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess of the interests incurred from post-employment preferential interest rate deposits over those imputed by the market rate should be applicable to the requirements for defined benefit plans in IAS 19 Employee Benefits since the employee's retirement and accrued by actuarial method.

The amounts included in the consolidated balance sheet arising from the Bank's obligation on the post-employment preferential interest rate deposits plan were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 673,225	\$ 586,625
Fair value of plan assets	<u>          -</u>	<u>          -</u>
Net defined benefit liabilities	<u>\$ 673,225</u>	<u>\$ 586,625</u>



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

	<b>Present Value of the Defined Benefit Obligation</b>
Balance at January 1, 2020	<u>\$ 620,011</u>
Net interest expense (income)	<u>22,921</u>
Recognized in profit or loss	<u>22,921</u>
Remeasurement	
Experience adjustments	111,362
Changes in financial assumptions	<u>(77,728)</u>
Recognized in other comprehensive income	<u>33,634</u>
Benefits paid	<u>(89,941)</u>
Balance at December 31, 2020	<u>586,625</u>
Net interest expense (income)	<u>21,671</u>
Recognized in profit or loss	<u>21,671</u>
Remeasurement	
Experience adjustments	118,750
Changes in demographic assumptions	<u>41,731</u>
Recognized in other comprehensive income	<u>160,481</u>
Benefits paid	<u>(95,552)</u>
Balance at December 31, 2021	<u>\$ 673,225</u>

Under Order No. 10110000850 issued by the FSC, effective March 15, 2012, the actuarial assumptions for the employee benefits expense of the post-employment preferential interest rate deposit were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	4.00%	4.00%
Return on deposits	2.00%	2.00%
Withdrawal rate of post-employment preferential rate deposits	1.00%	1.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of obligations on the post-employment preferential interest rate deposits would have increased (decreased) as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.5% increase	<u>\$ (33,661)</u>	<u>\$ (28,158)</u>
0.5% decrease	<u>\$ 37,027</u>	<u>\$ 30,505</u>
Mortality rate(s)		
Adjusted to 105%	<u>\$ (6,059)</u>	<u>\$ (5,866)</u>
Adjusted to 95%	<u>\$ 6,059</u>	<u>\$ 6,453</u>
Excess interest rate of employee preferential interest rate deposits		
0.5% increase	<u>\$ 178,405</u>	<u>\$ 149,157</u>
0.5% decrease	<u>\$ (178,405)</u>	<u>\$ (149,157)</u>

The sensitivity analysis presented above shows the effect on the present value of obligations on the post-employment preferential interest rate deposits of a change in single assumption while all other assumptions remain unchanged. The sensitivity analysis presented above might not be representative of the actual change in the present value of obligations on the post-employment because it was unlikely that the change in assumptions would occur independently of each other because some of the assumptions might be correlated.

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	<u>\$ 97,278</u>	<u>\$ 89,723</u>
Average duration of the defined benefit obligation	10.2 years	10.3 years

### 31. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Advance receipts	\$ 258,023	\$ 326,255
Temporary receipts and suspense accounts	2,197,331	1,762,353
Guarantee deposits received	4,468,668	7,357,957
Contract liabilities	1,457,888	1,401,104
Others	<u>277</u>	<u>350</u>
	<u>\$ 8,382,187</u>	<u>\$ 10,848,019</u>

### 32. EQUITY

#### a. Capital stock

##### Common stock

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number of authorized shares (in thousands)	<u>10,698,583</u>	<u>10,698,583</u>
Amount of authorized shares	<u>\$ 106,985,830</u>	<u>\$ 106,985,830</u>
Number of shares issued and fully paid (in thousands)	<u>10,698,583</u>	<u>10,698,583</u>
Amount of shares issued	<u>\$ 106,985,830</u>	<u>\$ 106,985,830</u>

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

#### b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Capital surplus from the merger	\$ 10,949,303	\$ 10,949,303
Additional paid-in capital	27,648,873	27,648,873
Others	<u>89,100</u>	<u>89,100</u>
	<u>\$ 38,687,276</u>	<u>\$ 38,687,276</u>

#### c. Legal reserve

Retained earnings are appropriated to legal reserve until the amount of legal reserve equals the Bank's paid-in-capital. The legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of its paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, based on the Banking Act, if the legal reserve is less

than the Bank’s paid-in capital, the amount that may be distributed in cash should not exceed 15% of the Bank’s paid-in-capital. In the event that the accumulated legal reserve equals or exceeds the Bank’s paid-in capital or the Bank is sound in both its finance and business operations and had already set aside a legal reserve in compliance with the Banking Act, the restrictions stipulated above shall not apply.

d. Special reserve

According to Rule No. 1030006415 issued by the FSC, on the first-time adoption of the fair value model for investment properties, the Bank should appropriate as special reserve an amount equivalent to the amount of the net increase in fair value transferred to retained earnings. In the subsequent fair value measurement of investment properties, the incremental fair value of investment properties is recognized in profit or loss and the same amount is appropriated from retained earnings to the special reserve. For any subsequent reversal of accumulated incremental fair value of investment properties upon disposal of investment properties, the reversed amount can be distributed accordingly.

According to Rule No. 1090150022, Rule No. 1010012865 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs,” the Bank should appropriate to or reverse from its special reserve certain specified amounts. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses, and thereafter distributed.

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

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

The changes in the special reserve of the Bank for the years ended December 31, 2021 and 2020 were as follows:

	<b>Investment Properties</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2020	\$ 1,525,971	\$ 558,682	\$ 2,084,653
Decrease	<u>(897)</u>	<u>-</u>	<u>(897)</u>
Balance at December 31, 2021	<u>\$ 1,525,074</u>	<u>\$ 558,682</u>	<u>\$ 2,083,756</u>
Balance at January 1, 2020	\$ 1,625,296	\$ 558,682	\$ 2,183,978
Decrease	<u>(99,325)</u>	<u>-</u>	<u>(99,325)</u>
Balance at December 31, 2020	<u>\$ 1,525,971</u>	<u>\$ 558,682</u>	<u>\$ 2,084,653</u>

e. Retained earnings and dividends policy

According to the Bank’s Articles of Incorporation, if the Bank made a profit in a fiscal year, the profit shall be first utilized for paying taxes and offsetting deficits of prior years, if any. If the

legal reserve is less than the paid-in capital, profit shall be appropriated to legal reserve and special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing a plan for the distribution of dividends and bonuses to shareholder, which should be resolved by the shareholder.

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

The appropriations of earnings for 2020 and 2019 which were approved by the Bank's board of directors on behalf of the shareholder in accordance with the Company Act on April 28, 2021 and April 29, 2020, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	2020	2019	2020	2019
Legal reserve	\$ 6,656,404	\$ 6,590,232		
Cash dividends	15,532,000	10,000,000	\$ 1.45	\$ 0.98
Stock dividends	-	5,327,477	-	0.52

The appropriation of earnings for 2021 had been proposed by the Bank's board of directors on March 11, 2022; the amounts were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 7,566,262	
Cash dividends	16,047,874	\$ 1.50
Stock dividends	1,612,826	0.15

The appropriation of earnings for 2021 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

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at the beginning of the period	\$ (2,034,967)	\$ (1,670,723)
Exchange differences generated from translating the net assets of foreign operations	(914,337)	(455,306)
Tax effects	<u>182,866</u>	<u>91,062</u>
Other comprehensive income	<u>(731,471)</u>	<u>(364,244)</u>
Balance at the end of the period	\$ (2,766,438)	\$ (2,034,967)

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at the beginning of the period	\$ <u>12,999,487</u>	\$ <u>10,124,219</u>
Recognized for the period		
Unrealized gains (losses)		
Debt instruments	(3,493,083)	6,185,445
Equity instruments	1,712,190	450,900
Net remeasurement of loss allowance	(86,533)	83,064
Share from subsidiaries and associates accounted for using equity method	(73,773)	42,599
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Reclassification adjustments		
Disposal of investment in debt instruments	\$ (2,127,193)	\$ (3,547,239)
Tax effect	<u>488,027</u>	<u>(70,586)</u>
Other comprehensive income	<u>(3,580,365)</u>	<u>3,144,183</u>
Accumulated unrealized losses on equity instruments transferred to retained earnings due to disposal	<u>(1,892,039)</u>	<u>(268,915)</u>
Balance at the end of the period	<u>\$ 7,527,083</u>	<u>\$ 12,999,487</u>

3) Remeasurement of the defined benefit plans

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at the beginning of the period	\$ <u>(1,910,070)</u>	\$ <u>(1,715,929)</u>
Recognized for the period	(88,612)	(238,096)
Share from associates accounted for using equity method	271	(3,664)
Tax effect	<u>17,723</u>	<u>47,619</u>
Other comprehensive income	<u>(70,618)</u>	<u>(194,141)</u>
Balance at the end of the period	<u>\$ (1,980,688)</u>	<u>\$ (1,910,070)</u>

4) Property revaluation surplus

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at the beginning of the period	\$ 314,743	\$ 457,968
Gains on property revaluation	46,076	-
Tax effect	<u>(10,886)</u>	<u>-</u>
Other comprehensive income	<u>35,190</u>	<u>-</u>
Transferred to retained earnings	<u>(64,925)</u>	<u>(143,225)</u>
Balance at the end of the period	<u>\$ 285,008</u>	<u>\$ 314,743</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at the beginning of the period	\$ (1,478,705)	\$ (1,850,508)
Change in fair value attributed to changes in credit risk	736,634	464,755
Tax effect	<u>(147,326)</u>	<u>(92,952)</u>
Other comprehensive income	<u>589,308</u>	<u>371,803</u>
Balance at the end of the period	<u>\$ (889,397)</u>	<u>\$ (1,478,705)</u>

g. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at the beginning of the period	\$ 4,358,749	\$ 4,409,576
Net income attributable to non-controlling interests	464,118	457,637
Exchange differences on translating the financial statements of foreign operations	(95,905)	(201,552)
Change in non-controlling interests	(471,108)	(446,572)
Gains from investments in debt instruments measured at fair value through other comprehensive income	<u>120,237</u>	<u>139,660</u>
Balance at the end of the period	<u>\$ 4,376,091</u>	<u>\$ 4,358,749</u>



### 33. NET INTEREST REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest income		
Discounts and loans	\$ 36,086,866	\$ 36,026,986
Investment securities	8,701,439	9,389,845
Revolving credit	2,351,765	2,365,579
Due from banks and call loans to banks	1,791,944	2,044,790
Others	<u>142,593</u>	<u>265,401</u>
	<u>49,074,607</u>	<u>50,092,601</u>
Interest expense		
Deposits	8,596,257	11,401,362
Financial debentures	868,715	944,863
Structured products	435,693	1,039,517
Due to the Central Bank and other banks	414,562	1,120,124
Notes and bonds issued under repurchase agreements	167,787	281,139
Interest on lease liabilities	39,747	53,141
Others	<u>12,792</u>	<u>29,337</u>
	<u>10,535,553</u>	<u>14,869,483</u>
	<u>\$ 38,539,054</u>	<u>\$ 35,223,118</u>

### 34. NET SERVICE FEE REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Service fee income		
Credit card business	\$ 7,959,472	\$ 6,645,426
Trust business	5,076,652	4,344,895
Loan business	995,506	866,831
Cross-selling marketing	6,768,138	5,586,266
Others	<u>2,846,325</u>	<u>2,958,340</u>
	<u>23,646,093</u>	<u>20,401,758</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Service fee expenses		
Credit card business	\$ 3,944,042	\$ 2,647,435
Others	<u>1,356,125</u>	<u>1,423,526</u>
	<u>5,300,167</u>	<u>4,070,961</u>
	<u>\$ 18,345,926</u>	<u>\$ 16,330,797</u>

(Concluded)

The Bank also engaged in the business of online payment services. For the years ended December 31, 2021 and 2020, service fee revenue was \$752 thousand and \$413 thousand, respectively, and the revenue and other income resulting from the funds collected were both zero.

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Stock	\$ 491,554	\$ 193,338
Short-term bills	726,558	931,704
Fund beneficiary certificates	(8,770)	(61,323)
Investments in debt instruments	1,803,061	(2,126,268)
Derivative financial instruments	<u>(573,648)</u>	<u>5,157,578</u>
	<u>\$ 2,438,755</u>	<u>\$ 4,095,029</u>
Realized gain (loss)		
Gain on disposal	\$ 3,857,499	\$ 2,283,092
Interest income	1,872,284	1,838,013
Dividend income	6,350	2,806
Interest expense	(1,307,647)	(1,381,740)
Unrealized gain (loss)		
Valuation gain (loss)	<u>(1,989,731)</u>	<u>1,352,858</u>
	<u>\$ 2,438,755</u>	<u>\$ 4,095,029</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Net gain on disposal - debt instruments	\$ 2,127,193	\$ 3,547,239
Dividend income	<u>1,579,529</u>	<u>992,098</u>
	<u>\$ 3,706,722</u>	<u>\$ 4,539,337</u>

**37. IMPAIRMENT REVERSAL (LOSS) ON ASSETS**

	<u>For the Year Ended December 31</u>	
	2021	2020
Debt instruments at FVTOCI	\$ 88,139	\$ (102,767)
Debt instruments at amortised cost	<u>17,831</u>	<u>(20,944)</u>
	<u>\$ 105,970</u>	<u>\$ (123,711)</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Discounts and loans	\$ 3,003,647	\$ 3,110,454
Receivables	(32,870)	168,607
Guarantee liability provisions	(24,800)	26,714
Financial commitment provisions	(20,077)	40,196
Others	<u>60,234</u>	<u>36,496</u>
	<u>\$ 2,986,134</u>	<u>\$ 3,382,467</u>

### 39. EMPLOYEE BENEFITS EXPENSES

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Salaries	\$ 15,483,913	\$ 14,873,238
Insurance	1,186,814	1,045,610
Post-employment benefits	631,875	626,205
Remuneration of directors	9,257	9,050
Others	<u>290,321</u>	<u>291,178</u>
	<u>\$ 17,602,180</u>	<u>\$ 16,845,281</u>

For the years ended December 31, 2021 and 2020, the average number of the Company's employees was 12,129 and 12,101, including 20 and 19 non-executive directors, respectively.

As of December 31, 2021 and 2020, the number of employees of the Company was 12,096 and 12,145, respectively.

Under the Articles of Incorporation of the Bank, the Bank accrued compensation of employees and remuneration of directors at the rates of 0.05% and no higher than 0.1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors (after offsetting accumulated deficits).

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

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

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019, respectively.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

#### 40. DEPRECIATION AND AMORTIZATION EXPENSE

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Depreciation expense		
Property and equipment	\$ 1,435,683	\$ 1,363,095
Right-of-use assets	1,552,834	1,547,694
Amortization expense		
Intangible assets	<u>526,244</u>	<u>516,038</u>
	<u>\$ 3,514,761</u>	<u>\$ 3,426,827</u>

#### 41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Rental expenses	\$ 818,031	\$ 955,189
Tax expenses	2,314,832	2,202,003
Product promotion expenses	3,296,896	3,250,064
Insurance expenses	849,085	773,554
Others	<u>5,480,992</u>	<u>5,232,974</u>
	<u>\$ 12,759,836</u>	<u>\$ 12,413,784</u>

## 42. INCOME TAX

### a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the period	\$ 4,036,165	\$ 3,323,141
Adjustment for prior year	8,856	101,309
Deferred tax		
In respect of the period	(673,021)	(256,450)
Income tax of overseas subsidiaries	<u>299,182</u>	<u>343,682</u>
Income tax expense recognized in profit or loss	<u>\$ 3,671,182</u>	<u>\$ 3,511,682</u>

Reconciliations of accounting profit and income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax from continuing operations	<u>\$ 27,479,496</u>	<u>\$ 25,822,986</u>
Income tax expense calculated at the statutory rate	\$ 5,495,899	\$ 5,164,597
Nondeductible expenses in determining taxable income	8,205	6,580
Tax-exempt income	(1,968,755)	(1,766,317)
Unrecognized deductible temporary differences	(247,203)	(194,676)
Income tax of overseas branches	74,998	16,771
Adjustments for prior years' tax	8,856	101,309
Income tax of overseas subsidiaries	<u>299,182</u>	<u>183,418</u>
Income tax expense recognized in profit or loss	<u>\$ 3,671,182</u>	<u>\$ 3,511,682</u>

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

b. Income tax recognized directly in equity

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
Derecognition of equity instruments at FVTOCI	\$ (233,519)	\$ (2,816)
Deferred tax		
Derecognition of equity instruments at FVTOCI	<u>233,519</u>	<u>2,816</u>
Total income tax recognized directly in equity	<u>\$ -</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
Recognized in OCI		
Remeasurement of defined benefit plans	\$ (17,723)	\$ (47,619)
Property revaluation surplus	10,886	-
Changes in fair value of financial liability attributable to change in credit risk	147,326	92,952
Exchange differences on translating the financial statements of foreign operations	(182,866)	(91,062)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>(488,027)</u>	<u>70,586</u>
Total income tax expense (benefit) recognized in other comprehensive income	<u>\$ (530,404)</u>	<u>\$ 24,857</u>

d. Deferred tax assets and liabilities

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Ending Balance
Temporary differences					
Allowance for doubtful account	\$ 1,852,207	\$ 266,148	\$ -	\$ -	\$ 2,118,355
Financial assets at FVTPL	(77,585)	471,132	(147,326)	-	246,221
Investment property	(76,616)	(1,511)	(10,886)	-	(89,013)
Equity instruments at FVTOCI	(698,337)	-	332,615	(233,519)	(599,241)
Debt instruments at FVTOCI	(255,665)	-	155,412	-	(100,253)
Impairment of property and equipment	150,676	(2,460)	-	-	148,216
Investments measured by equity method	(376,972)	24,901	-	-	(352,071)
Fair value adjustments arising from business combinations	(807,444)	(46,712)	-	-	(854,156)
Reserve for land value increment tax	(186,809)	(29,340)	-	-	(216,149)
Defined benefit plan	540,184	(6,055)	(14,373)	-	519,756
Retired employees' preferential interest rate deposits	117,325	(14,776)	32,096	-	134,645
Income tax resulting from translating the financial statements of foreign operation	508,743	-	182,866	-	691,609
Deferred income of customer loyalty programs	280,220	11,357	-	-	291,577
Other	40,956	337	-	-	41,293
Deferred tax expense/(income)		<u>\$ 673,021</u>	<u>\$ 530,404</u>	<u>\$ (233,519)</u>	
Net deferred tax assets/(liabilities)	<u>\$ 1,010,883</u>				<u>\$ 1,980,789</u>
Net deferred tax assets/(liabilities) of overseas branches	<u>\$ 30,716</u>				<u>\$ 77,465</u>
Net deferred tax assets/(liabilities) of foreign subsidiaries	<u>\$ (98,592)</u>				<u>\$ (318,102)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 4,407,980</u>				<u>\$ 4,612,273</u>
Deferred tax liabilities	<u>\$ (3,464,973)</u>				<u>\$ (2,872,121)</u>

(Concluded)



For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Ending Balance
Temporary differences					
Allowance for doubtful account	\$ 1,395,562	\$ 456,645	\$ -	\$ -	\$ 1,852,207
Financial assets at FVTPL	124,758	(109,391)	(92,952)	-	(77,585)
Investment property	(76,855)	239	-	-	(76,616)
Equity instruments at FVTOCI	(700,893)	-	5,372	(2,816)	(698,337)
Debt instruments at FVTOCI	(179,707)	-	(75,958)	-	(255,665)
Impairment of property and equipment	153,048	(2,372)	-	-	150,676
Investments measured by equity method	(357,069)	(19,903)	-	-	(376,972)
Fair value adjustments arising from business combinations	(760,732)	(46,712)	-	-	(807,444)
Reserve for land value increment tax	(204,319)	17,510	-	-	(186,809)
Defined benefit plan	523,911	(24,619)	40,892	-	540,184
Retired employees' preferential interest rate deposits	124,002	(13,404)	6,727	-	117,325
Income tax resulting from translating the financial statements of foreign operation	417,681	-	91,062	-	508,743
Deferred income of customer loyalty programs	282,242	(2,022)	-	-	280,220
Other	40,477	479	-	-	40,956
Deferred tax expense/(income)		<u>\$ 256,450</u>	<u>\$ (24,857)</u>	<u>\$ (2,816)</u>	
Net deferred tax assets/(liabilities)	<u>\$ 782,106</u>				<u>\$ 1,010,883</u>
Net deferred tax assets/(liabilities) of overseas branches	<u>\$ 30,961</u>				<u>\$ 30,716</u>
Net deferred tax assets/(liabilities) of foreign subsidiaries	<u>\$ (198,856)</u>				<u>\$ (98,592)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 3,864,923</u>				<u>\$ 4,407,980</u>
Deferred tax liabilities	<u>\$ (3,250,712)</u>				<u>\$ (3,464,973)</u>

e. Income tax assessments

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

- f. As of December 31, 2021 and 2020, the deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheet were \$748,685 thousand and \$1,269,135 thousand, respectively.

#### 43. EARNINGS PER SHARE

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

	<b>Unit: Dollar Per Share</b>	
	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share	<u>\$ 2.18</u>	<u>\$ 2.04</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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Net income for calculating basic earnings per share	<u>\$ 23,344,196</u>	<u>\$ 21,853,667</u>

##### Number of shares

	<b>Unit: In Thousands</b>	
	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used for calculating basic earnings per share	<u>10,698,583</u>	<u>10,698,583</u>

#### 44. RELATED-PARTY TRANSACTIONS

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

a. Related parties and relationships

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

(Continued)

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

(Concluded)

b. Significant transactions between the Company and related parties

1) Loans and deposits

Loans

December 31, 2021

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

December 31, 2020

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	31	\$ 157,056	\$ 10,897	V	\$ -	None	None	\$ ( 14 )	\$ 178
Self-used housing mortgage loans	278	2,414,396	2,127,714	V	-	Real estate, certificates of deposits and demand deposits	None	4,930	27,052
Others	Cathay Real Estate Development Co., Ltd.	250,000	-	V	-	Real estate	None	(2,500)	-
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	-	330
Others	Cathay Securities Co., Ltd.	707,913	-	V	-	Stocks and certificates of deposits	None	-	-
Others	Sino Greenergy Group	90,559	83,012	V	-	Property	None	75)	( 830
Others	Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	-	V	-	Real estate	None	(00)	(1 -
Others	TaiYang Solar Power Co., Ltd.	70,549	65,244	V	-	Property	None	279	984

**Interest Revenue**  
**For the Year Ended December 31**

<b>Related Parties</b>	<b>2021</b>	<b>2020</b>
Associate		
Taiwan Real-estate Management Corp.	\$ 528	\$ 533
Other related parties		
Sino Greenergy Group	1,647	1,878
TaiYang Solar Power Co., Ltd.	1,258	1,409
Yua-Yung Marketing (Taiwan) Co., Ltd.	111	103
Cathay Real Estate Development Co., Ltd.	-	60
Cathay Securities Co., Ltd.	-	64
Others	29,823	27,661
	<u>32,839</u>	<u>31,175</u>
	<u>\$ 33,367</u>	<u>\$ 31,708</u>

(Continued)

Deposits and interest expense

Related Parties	December 31			
	2021		2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Parent company				
Cathay Financial Holding Co., Ltd.	\$ 47,839	\$ 78	\$ 209,849	\$ 144
Associate				
Other	13,196	9	14,536	10
Other related parties				
Cathay Life Insurance Co., Ltd.	42,128,322	6,003	23,235,022	14,426
Cathay Century Insurance Co., Ltd.	2,432,503	415	2,010,221	4,195
Cathay Securities Co., Ltd.	14,241,811	1,846	3,913,465	2,948
Cathay Futures Co., Ltd.	360,353	643	1,138,851	4,857
Cathay Venture Inc.	55,273	20	103,380	4
Cathay Real-Estate Management Co., Ltd.	100,559	580	98,631	696
Cathay Securities Investment Trust Co., Ltd.	159,611	69	167,389	85
Cathay Securities Investment Consulting Co., Ltd.	563,928	173	502,217	388
Cathay Real Estate Development Co., Ltd.	290,378	28	370,758	18
Cathay Medical Care Corp.	218,988	48	210,060	42
Cathay Hospitality Management Co., Ltd.	163,365	10	189,776	11
Cathay Life Insurance (Vietnam) Co., Ltd.	1,830,226	131,557	835,754	26,147
Cathay Insurance (Vietnam) Co., Ltd.	243,871	14,584	243,219	5,353
Symphox Information Co., Ltd.	156,393	132	407,037	427
Cathay United Bank Foundation	541,531	4,189	530,444	4,560
Cathay Charity Foundation	281,451	1,918	274,178	2,026

(Continued)

Related Parties	December 31			
	2021		2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Cathay Cultural Foundation	\$ 210,741	\$ 1,598	\$ 209,366	\$ 1,711
Cathay United Bank Employees' Welfare Committee	760,605	30,847	760,170	31,356
Cathay Life Insurance Employees' Welfare Committee	2,381,744	16,982	2,198,909	17,881
Cathay Real Estate Development Employees' Welfare Committee	438,380	3,506	413,825	3,560
Lin Yuan Property Management Co., Ltd.	267,301	1,178	270,481	1,387
CM Energy Co., Ltd.	116,468	24	50,160	2
Pai Hsing Investment Co., Ltd.	142,416	129	177,062	743
Bannan Realty Co., Ltd.	190,289	30	338,238	16
Yua-Yung Marketing (Taiwan) Co., Ltd.	121,802	211	140,277	291
CMG International One Co., Ltd.	120,208	1	6,666	1
CMG International Two Co., Ltd.	167,291	2	9,802	1
Lin Yuan (Shanghai) Real Estate Co., Ltd.	1,395,380	38,262	1,221,708	33,087
Dejin Co., Ltd.	28,972	12	636,153	31
Ally Logistic Property Co., Ltd.	95,032	10	147,229	9
Jinhua Realty Co., Ltd.	34,274	23	167,867	6
Cathay Industrial Research and Design Center Co., Ltd.	713,251	228	-	-
Cathay Securities investment trust and other funds	695,215	35	35,341	-
Others	<u>8,352,076</u>	<u>47,039</u>	<u>8,492,416</u>	<u>53,293</u>
	<u>80,000,008</u>	<u>302,332</u>	<u>49,506,072</u>	<u>209,558</u>
	<u>\$ 80,061,043</u>	<u>\$ 302,419</u>	<u>\$ 49,730,457</u>	<u>\$ 209,712</u>

(Concluded)

Related Parties	December 31			
	2021		2020	
	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
<u>Due from commercial banks</u>				
Other related party Vietinbank	\$ 53,977	\$ 372	\$ 519,903	\$ 5,256
<u>Due to commercial banks</u>				
Other related party Vietinbank	17,825	(1)	20,040	(10,117)

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

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

Related Parties	December 31			
	2021		2020	
	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
Other related party Vietinbank	\$ 365,738	\$ 24,885	\$ 384,663	\$ 31,156

3) Guarantees

December 31, 2021

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

(Continued)

December 31, 2020

<b>Related Parties</b>	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Balance of Guarantee Liability Provisions</b>	<b>Rate Interval</b>	<b>Collateral</b>
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	\$ 68,190	\$ 54,673	\$ 28	0.65%-0.8%	Demand deposits

4) Derivatives

December 31, 2021

<b>Related Parties</b>	<b>Derivative Contracts</b>	<b>Contract Period</b>	<b>Nominal Principal</b>	<b>Evaluation (Loss) Gain</b>	<b>Balance Sheet Amount</b>	
					<b>Account</b>	<b>Balance</b>
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.09.29-2022.09.28	\$ 79,885,650	\$ (231,691)	Valuation adjustment for FVTPL financial assets	\$ 2,154
					Valuation adjustment for FVTPL financial liabilities	(593,855)
	SWAP - cross currency exchange between customers (USD)	2021.04.29-2023.05.04	2,769,000	1,481	Valuation adjustment for FVTPL financial assets	8,500
					Valuation adjustment for FVTPL financial liabilities	(10,551)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.10.08-2022.07.28	2,636,088	(3,252)	Valuation adjustment for FVTPL financial assets	72
					Valuation adjustment for FVTPL financial liabilities	(19,146)
	SWAP - exchange between customers (EUR)	2021.02.22-2022.02.24	23,495	(2,170)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(2,002)

(Continued)



December 31, 2020

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.02.21-2021.12.09	\$ 99,720,984	\$ (707,642)	Valuation adjustment for FVTPL financial assets	\$ 97,688
					Valuation adjustment for FVTPL financial liabilities	(2,315,173)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.01.09-2021.11.17	2,713,962	55	Valuation adjustment for FVTPL financial assets	1,025
					Valuation adjustment for FVTPL financial liabilities	(57,209)
	SWAP - exchange between customers (EUR)	2020.02.20-2021.02.24	26,280	1,559	Valuation adjustment for FVTPL financial assets	1,660
					Valuation adjustment for FVTPL financial liabilities	-

5) Disposal of property and equipment

Related Parties	Proceeds from Disposal of Property and Equipment	
	For the Year Ended December 31	
	2021	2020
Parent company		
Cathay Financial Holding Co., Ltd.	\$ -	\$ 5,588
Other related party		
Symphox Information Co., Ltd.	-	4,313

6) Lease agreement - the Company as lessee

Related Parties	Acquisition of Right-of-use Assets	
	For the Year Ended December 31	
	2021	2020
Other related party		
Cathay Life Insurance Co., Ltd.	\$ 1,973	\$ 565,589
Cathay Real Estate Development Co., Ltd.	-	14,271

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.

<b>Related Parties</b>	<b>Lease Liabilities</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 1,114,777	\$ 1,825,007
Cathay Real Estate Development Co., Ltd.	3,997	15,949

<b>Related Parties</b>	<b>Interest Expense</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 7,781	\$ 11,420
Cathay Real Estate Development Co., Ltd.	29	59

<b>Related Parties</b>	<b>Rental Expenses</b>		
	<b>For the Year Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>Payment Term</b>
Other related party			
Cathay Life Insurance Co., Ltd.	\$ 1,643	\$ 16,483	Monthly

<b>Related Parties</b>	<b>Refundable Deposits</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 187,202	\$ 186,446
Cathay Real Estate Development Co., Ltd.	4,446	4,446

7) Lease agreement - the Company as lessor

<b>Related Parties</b>	<b>Rental Income</b>		
	<b>For the Year Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>Payment Term</b>
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 42,937	\$ 48,714	Monthly
Cathay Century Insurance Co., Ltd.	6,849	7,598	Monthly
Cathay Securities Co., Ltd.	10,081	9,873	Monthly
<b>Related Parties</b>	<b>Guarantee Deposits Received</b>		
	<b>December 31</b>		
	<b>2021</b>	<b>2020</b>	
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 10,087	\$ 12,019	
Cathay Century Insurance Co., Ltd.	3,056	1,775	
Cathay Securities Co., Ltd.	2,829	2,843	

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.

8) Others

Item/Related Parties	For the Year Ended December 31	
	2021	2020
<u>Service fee income</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 7,460,774	\$ 6,527,644
Cathay Century Insurance Co., Ltd.	215,418	143,411
Cathay Securities Co., Ltd.	320,255	167,851
Cathay Securities Investment Trust Co., Ltd.	48,084	37,390
Cathay Securities Investment Consulting Co., Ltd.	38,995	18,610
Cathay Real Estate Development Co., Ltd.	7,706	6,911
<u>Miscellaneous income</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	6,793	23,492
Other related party		
Cathay Life Insurance Co., Ltd.	6,834	26,944
<u>Service fee expenses</u>		
Other related party		
Cathay Securities Co., Ltd.	9,215	9,269
<u>Other operating expenses</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	189,892	185,220
Cathay Securities Co., Ltd.	7,551	9,005
Cathay Securities Investment Trust Co., Ltd.	7,200	7,200
Cathay Real Estate Development Co., Ltd.	5,079	4,495
Symphox Information Co., Ltd.	463,970	521,593
Lin Yuan Property Management Co., Ltd.	46,405	16,226
Cathay Healthcare Management Co., Ltd.	8,217	19,732
Seaward Card Co., Ltd.	213,439	219,953
<u>Insurance expense paid</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	112,901	123,336
Cathay Century Insurance Co., Ltd.	162,782	168,070
<u>Insurance claims received</u>		
Other related party		
Cathay Century Insurance Co., Ltd.	145	41

(Continued)

Item/Related Parties	December 31	
	2021	2020
<u>Receivables</u>		
Other related party Cathay Securities Investment Trust Co., Ltd.	\$ 3,856	\$ 3,142
<u>Related party receivables for commission of collecting insurances</u>		
Other related party Cathay Life Insurance Co., Ltd.	185,415	350,640
<u>Refundable deposit</u>		
Other related party Cathay Futures Co., Ltd.	559,180	267,303
<u>Accrued expenses</u>		
Other related party Seaward Card Co., Ltd.	30,880	35,533
<u>Accounts payable</u>		
Other related parties Cathay Century Insurance Co., Ltd.	43,890	49,492
Symphox Information Co., Ltd.	19,566	84,494
Parent company Cathay Financial Holding Co., Ltd.	6,000	6,000
<u>Related party payables for allocation of integrated income tax systems account</u>		
Parent company Cathay Financial Holding Co., Ltd.	507,935	765,804

The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of \$8,241 thousand and \$9,088 thousand during the years ended December 31, 2021 and 2020, 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, 2021 and 2020, the unconverted bonus points amounted to \$41,965 thousand and \$20,749 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, 2021 and 2020 was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employment benefits	\$ 429,509	\$ 363,197
Post-employment benefits	5,311	5,428
Other long-term employment benefits	<u>15</u>	<u>92</u>
	<u>\$ 434,835</u>	<u>\$ 368,717</u>

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

#### 45. PLEDGED ASSETS

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Due from the Central Bank (deposit reserves-general accounts)	\$ 6,000,000	\$ 6,000,000
Financial assets at FVTOCI	-	12,006,501
Investments in debt instruments at amortised cost	57,689,894	45,525,409

#### 46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. The Bank

1) Entrusted items and guarantees:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Trust and security held for safekeeping	\$ 912,272,287	\$ 781,995,797
Collection and payment on behalf of customers	30,506,950	33,483,521
Book-entry for government bonds and depository for short-term marketable securities under management	388,239,044	450,195,466
Entrusted financial management business	11,589,694	11,968,703
Guarantees on duties and contracts	18,242,569	17,071,951
Unused commercial letters of credit	6,566,178	5,731,441
Irrevocable loan commitments	171,600,838	190,736,959
Unused credit card line commitments	686,086,086	661,764,474

2) As of December 31, 2021, the Bank's significant lawsuits and proceedings arising due to normal business relationships are as follows:

Lee & Li, Attorneys-at-Law and SanDisk Corporation of USA alleged that the embezzlement case of Liu Wei-Chieh (an employee of Lee & Li), which occurred in October 2003 was caused by the negligence of the Bank in its operation, and the plaintiffs claimed damages from the Bank in the amount of approximately \$991,002 thousand. The case has been pending in the court since July 2007, and the Bank won favorable decisions in both the first and second instances. Although the Supreme Court reversed the original second-instance judgements, the Bank again won a favorable decision in the second instance on August 25, 2021. Lee & Li is appealing to the Supreme Court currently. Both the Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of the Bank.

b. Indovina Bank

Entrusted item and guarantees

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Financial guarantee contracts	\$ 1,292,761	\$ 1,323,647
Unused commercial letters of credit	994,336	972,917

c. CUBC Bank

Entrusted item and guarantees

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Financial guarantee contracts	\$ 20,528	\$ 17,406
Credit card line commitments	269,953	277,491
Irrevocable loan commitments	338,751	234,582

d. CUBCN Bank

Entrusted item and guarantees

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Financial guarantee contracts	\$ 255,149	\$ 236,475
Unused commercial letters of credit	621,893	210,453
Irrevocable loan commitments	1,016,657	928,613



**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**

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Trust assets</u>		
Bank deposits	\$ 24,933,809	\$ 18,260,664
Bonds	54,663,852	62,152,698
Stocks	41,949,887	40,685,731
Mutual funds	264,120,724	227,118,323
Insurances	2,699,289	2,731,911
Receivables	3,065	4,249
Real estate		
Land	57,911,172	50,733,048
Buildings (net)	36,341	45,150
Construction in progress	4,049,449	1,659,896
Custody securities	<u>118,971,757</u>	<u>122,497,599</u>
Total trust assets	<u>\$ 569,339,345</u>	<u>\$ 525,889,269</u>
<u>Trust liabilities</u>		
Payables	\$ 68	\$ 607
Tax payable	14	7
Custody securities payable	118,971,757	122,497,599
Other liabilities	406	406
Trust capital	450,304,505	403,657,422
Provisions and accumulated losses		
Net income	771,207	378,243
Accumulated losses	<u>(708,612)</u>	<u>(645,015)</u>
Total trust liabilities	<u>\$ 569,339,345</u>	<u>\$ 525,889,269</u>

## Income Statement of Trust Accounts

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Trust revenue		
Interest income	\$ 23,198	\$ 26,876
Rent revenue	1,723	1,642
Cash dividends income	758,123	360,211
Realized capital income - bonds	-	840
Realized capital income - stocks	17,200	2,518
Realized capital income - mutual funds	20,103	31,552
Unrealized capital income - stocks	34,810	10,563
Unrealized capital income - mutual funds	2,425	2,048
Others	14	9
	<b>857,596</b>	<b>436,259</b>
Trust expense		
Management fee	21,944	19,556
Supervisor fee	1,196	1,398
Taxes	978	1,157
Service fee	3,354	2,129
Realized capital loss - bonds	-	97
Realized capital loss - stocks	4,745	615
Realized capital loss - mutual funds	4,359	19,814
Unrealized capital loss - stocks	45	421
Unrealized capital loss - mutual funds	1,459	923
Others	48,309	11,906
	<b>86,389</b>	<b>58,016</b>
Income equalization		
Net income before tax	771,207	378,243
Income tax expense	-	-
Net income	<b>\$ 771,207</b>	<b>\$ 378,243</b>

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

### Trust Property and Equipment Accounts

Investment Portfolio	December 31	
	2021	2020
Bank deposits	\$ 24,933,809	\$ 18,260,664
Bonds	54,663,852	62,152,698
Stocks	41,949,887	40,685,731
Mutual funds	264,120,724	227,118,323
Insurances	2,699,289	2,731,911
Receivables	3,065	4,249
Real estate		
Land	57,911,172	50,733,048
Buildings (net)	36,341	45,150
Construction in progress	4,049,449	1,659,896
Custody securities	118,971,757	122,497,599
	\$ 569,339,345	\$ 525,889,269

- b. The Bank conducts trust business by Trust Enterprise Act Article 3. The related trust business information as of December 31, 2021 and 2020 were as follows:

#### Trust Business

Item	December 31	
	2021	2020
Special trust of money that invest in foreign securities	\$ 246,977,974	\$ 233,254,617
Special trust of money that invest in domestic securities	70,093,753	55,068,279
Trust of money - custody securities	118,971,757	122,497,599
Trust of real estate	63,268,542	53,089,663
Trust of real estate price	10,297,749	8,105,405
Trust of insurance claims	180,017	185,196
Personal and corporate trust	52,456,001	47,849,358
Trust of business employee's savings	1,997,545	1,973,880
Trust of securities	5,096,007	3,865,272
	\$ 569,339,345	\$ 525,889,269

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

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

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

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

#### **49. FINANCIAL INSTRUMENTS**

##### **a. Information on fair value hierarchy**

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

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

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

###### **1) Level 1**

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

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

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

###### **2) Level 2**

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

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

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

### 3) Level 3

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

The products in this level are part of emerging stocks, unlisted shares, complex derivative financial instruments or products with prices that are provided by brokers, such as complex foreign exchange options.

c. Measured at fair value on a recurring basis

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

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

(Continued)

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	\$ 2,504,480	\$ 2,484,177	\$ -	\$ 20,303
Bonds	52,273,150	2,703,505	49,569,645	-
Others	196,048,444	323,148	195,725,296	-
Financial assets at fair value through other comprehensive income				
Stocks	22,709,621	18,646,762	-	4,062,859
Bonds	273,977,177	106,990,738	166,986,439	-
Others	39,411,018	-	39,411,018	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	44,204,582	-	44,204,582	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	73,217,904	59,418	67,796,654	5,361,832
Liabilities				
Financial liabilities at fair value through profit or loss	71,410,047	36,350	66,011,865	5,361,832

## 2) Financial instruments measured at fair value

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

### a) Marking to market

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

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

b) Marking to model

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

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

3) Fair value adjustments

Credit risk valuation adjustments

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

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

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

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

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

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

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

There were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.



5) Reconciliation of Level 3 fair value measurements

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

For the year ended December 31, 2021

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3		
Financial assets at fair value through profit or loss									
Stocks	\$ 20,303	\$ 4,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,943
Derivative financial instruments	5,361,832	(843,824)	-	294,961	-	447,349	-	-	4,365,620
Financial assets at fair value through other comprehensive income									
Stocks	4,062,859	-	1,472,368	3,622,781	-	2,201	-	(20)	9,155,787

For the year ended December 31, 2020

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3		
Financial assets at fair value through profit or loss									
Stocks	\$ 16,263	\$ 4,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,303
Derivative financial instruments	10,681,179	(4,457,141)	-	113,221	-	975,427	-	-	5,361,832
Financial assets at fair value through other comprehensive income									
Stocks	4,086,290	-	(24,402)	33,841	-	32,828	-	(42)	4,062,859
Bonds	453,848	-	-	-	-	-	453,848	-	-

Total gains or losses shown in the tables above that contain unrealized gains and losses related to assets held as of December 31, 2021 and 2020 amounted to losses of \$839,184 thousand and \$4,453,101 thousand, respectively.

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

For the year ended December 31, 2021

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss Derivative financial liabilities	\$ 5,361,832	\$ (843,824)	\$ -	\$ 294,961	\$ -	\$ 447,349	\$ -	\$ 4,365,620

For the year ended December 31, 2020

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss Derivative financial liabilities	\$ 10,681,179	\$ (4,457,141)	\$ -	\$ 113,221	\$ -	\$ 975,427	\$ -	\$ 5,361,832

Total gains or losses shown on the tables above that contain unrealized gains and losses related to liabilities committed as of December 31, 2021 and 2020 amounted to gains of \$843,824 thousand and \$4,457,141 thousand, respectively.

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

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

December 31, 2021

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	Stock	\$ 24,943	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	8,110,174	Market approach	Discount for lack of marketability	15%-30%	The higher the discount for lack of marketability, the lower the fair value of the stock
		61,305	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		984,308	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

(Continued)

December 31, 2020

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	Stock	\$ 20,303	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	3,077,929	Market approach	Discount for lack of marketability	15%-30%	The higher the discount for lack of marketability, the lower the fair value of the stock
		49,437	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		935,493	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

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

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

d. Financial instruments that were not measured at fair value

1) Information on fair value

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

	December 31			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 571,901,742	\$ 569,208,926	\$ 501,728,143	\$ 503,184,932

(Continued)

2) Information on fair value hierarchy

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

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 503,184,932	\$ 12,908,846	\$ 489,532,813	\$ 743,273

3) Valuation techniques

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

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

## 50. FINANCIAL RISK MANAGEMENT

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

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

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

- b. To manage and decide the strategy about the Bank's credit risk, market risk and operational risk;
- c. To report the significant risk management issues, such as credit ratings, market assessment and risk indicators;
- d. To analyze the issues that the Bank's business unit brought up for discussion;
- e. Other issues.

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

a. Credit risk

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

The Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures; and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of the Company is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to the Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

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

CUBC Bank

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

When CUBC Bank provides loans, the approval unit is decided based on credit amount. The loan committee is the top lending authority within CUBC Bank, and is composed of CUBC Bank's

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

#### Judgment of significant increase in credit risk after initial recognition

##### The Bank

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

#### 1) Quantitative indicators

##### a) Changes in credit rating

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

##### b) Information on the overdue status of a contract

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

#### 2) Qualitative indicators

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

##### a) Bounced checks are reported.

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

##### c) Auditors' opinion - adverse opinion.

##### d) Auditors' opinion - disclaimer of opinion.

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

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

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

## CUBCN Bank

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

### 1) Quantitative indicators

#### a) Changes in credit rating

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

#### b) Information on the overdue status of a contract

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

### 2) Qualitative indicators

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

#### a) Any financial instruments are classified as special mention.

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

## Indovina Bank

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

### 1) Quantitative indicators

#### a) Changes in credit rating

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

#### b) Low credit risk criteria

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

c) Information on the overdue status of a contract

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

d) Internal credit assessment indicators

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

2) Qualitative indicators

a) Bounced checks are reported.

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

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

CUBC Bank

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

1) Information on the overdue status of a contract

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

2) Loan classification from National Bank of Cambodia

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



### 3) Internal credit assessment indicators

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

## Default and credit impairment of financial asset

### The Bank

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

#### 1) Quantitative indicator

##### a) Changes in credit rating

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

##### b) Information on the overdue status of a contract

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

#### 2) Qualitative indicator

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

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

##### b) Lawsuit action has been taken;

##### c) Debt settlement, debt negotiation;

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

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

### CUBCN Bank

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

#### 1) Quantitative indicator

##### a) Changes in credit rating

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

##### b) Information on the overdue status of a contract

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

#### 2) Qualitative indicator

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

##### a) Any financial instruments are classified as substandard, doubtful or loss.

##### b) The lowest credit risk is classified as substandard, doubtful or loss.

##### c) Other internal rating is determined to have fallen into default level.

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

### Indovina Bank

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

#### 1) Quantitative indicator

##### a) Changes in credit rating

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

##### b) Information on the overdue status of a contract

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

- 2) Qualitative indicator
  - a) Bailout, reorganization, individual agreement due to debtor’s financial difficulties;
  - b) Lawsuit action has been taken;
  - c) Debt settlement, debt negotiation;
  - d) The debtor has filed for bankruptcy or may apply for bankruptcy or reorganization
  - e) Principal or interest could not be paid as scheduled during the settlement period
  - f) Other internal or external information on judging the deterioration in credit quality.

**CUBC Bank**

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

- 1) Information on the overdue status of a contract

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

- 2) Loan classification from National Bank of Cambodia

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

- 3) Internal credit assessment indicators

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

**Measurement of expected credit loss**

**The Bank**

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

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

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

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

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

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

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

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

#### CUBCN Bank

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

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

- 1) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:
  - a) For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.

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

#### Indovina Bank

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

Category	Description
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, external credit rating and payment ranks

#### 1) Loan portfolio

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

## 2) Bond portfolio

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

### CUBC Bank

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

<b>Category</b>	<b>Description</b>
Loan	Grouped by product characteristics, industry and counterparty type
Credit Card	Grouped by product characteristics

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

### Write-off policy

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

The indicators for reasonably expected to be unrecoverable include:

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

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

## Consideration of forward-looking information

### The Bank

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

The significant economic factors identified by the Bank in 2021 are as follows:

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

### CUBCN Bank

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

The relevant economic factors identified by CUBCN Bank in 2021 include but are not limited to gross domestic product (GDP) published by the China Statistics Bureau, China Customs and other government authorities, consumer price index (CPI), import price index, and government expenditure data, etc.

### Indovina Bank

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

The macroeconomic factors selected by Indovina Bank for the forward-looking adjustments in 2021 are as follows:

<b>Segment</b>	<b>Selected Factors</b>
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

#### CUBC Bank

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

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments at December 31, 2021 are as follows:

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

The valuation techniques or significant assumptions used by the Company for assessing the expected credit losses have no significant change as of December 31, 2021.

#### Credit risk management policy

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

##### 1) Category of credit asset

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



## 2) Grade of credit quality

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

In order to measure the credit risk of the clients, the Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients' relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and make necessary revision to the parameters to optimize the results.

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

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

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

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

## 3) Hedge of credit risk and easing policy

### a) Collateral

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

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

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

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

c) Net settlement agreement

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

4) Maximum exposures to credit risk

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

a) The Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Irrevocable loan commitments	\$ 171,600,838	\$ 190,736,959
Credit card commitments	770,929,935	744,977,230
Unused commercial letters of credit	6,566,178	5,731,441
Guarantees on duties and contracts	18,242,569	17,071,951

b) Indovina Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Financial guarantee contracts	\$ 1,292,761	\$ 1,323,647
Unused commercial letters of credit	994,336	972,917

c) CUBC Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Financial guarantee contracts	\$ 20,528	\$ 17,406
Credit card commitments	269,953	277,491
Irrevocable loan commitments	338,751	234,582

d) CUBCN Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Financial guarantee contracts	\$ 255,149	\$ 236,475
Unused commercial letters of credit	621,893	210,453
Irrevocable loan commitments	1,016,657	928,613

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

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

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

December 31, 2021

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

(Continued)

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

### December 31, 2020

	Discounts and Loans				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 1,621,545,452	\$ 55,888,623	\$ 12,109,964	\$ -	\$ 1,689,544,039
Less: Allowance for impairment	(4,643,771)	(2,095,225)	(5,124,881)	-	(11,863,877)
Less: Differences of impairment loss under regulations	-	-	-	(16,384,201)	(16,384,201)
Total	<u>\$ 1,616,901,681</u>	<u>\$ 53,793,398</u>	<u>\$ 6,985,083</u>	<u>\$ (16,384,201)</u>	<u>\$ 1,661,295,961</u>

	Receivables				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 98,245,219	\$ 1,889,559	\$ 2,141,088	\$ -	\$ 102,275,866
Less: Allowance for impairment	(465,842)	(202,476)	(1,731,461)	-	(2,399,779)
Less: Differences of impairment loss under regulations	-	-	-	(62,941)	(62,941)
Total	<u>\$ 97,779,377</u>	<u>\$ 1,687,083</u>	<u>\$ 409,627</u>	<u>\$ (62,941)</u>	<u>\$ 99,813,146</u>

#### 5) Credit concentration risk of the Company

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

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

Industry Type	December 31			
	2021		2020	
	Amount	%	Amount	%
Manufacturing	\$ 157,020,976	8.45	\$ 136,414,473	7.98
Financial institutions and insurance	85,199,467	4.58	77,235,347	4.52
Leasing and real estate	177,239,865	9.53	151,233,185	8.85
Individuals	1,169,015,836	62.89	1,029,137,040	60.20
Others	<u>270,414,254</u>	<u>14.55</u>	<u>315,605,920</u>	<u>18.45</u>
Total	<u>\$ 1,858,890,398</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>

Geographic Region	December 31			
	2021		2020	
	Amount	%	Amount	%
Domestic	\$ 1,603,854,334	86.28	\$ 1,432,739,575	83.80
Asia	197,945,764	10.65	208,251,320	12.18
America	41,734,650	2.25	47,564,475	2.78
Others	<u>15,355,650</u>	<u>0.82</u>	<u>21,070,595</u>	<u>1.24</u>
Total	<u>\$ 1,858,890,398</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>

b. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

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

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

a) Financial assets held to manage liquidity risk

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

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

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

	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 19,739,865	\$ 19,426,898	\$ 23,321,812	\$ 201,876	\$ 62,690,451
Due to the Central Bank and banks	1,076,000	-	-	-	1,076,000
Non-derivative financial liabilities at fair value through profit or loss	-	-	550,293	35,720,100	36,270,393
Securities sold under repurchase agreements	24,984,153	6,338,247	-	-	31,322,400
Payables	12,719,115	9,366,422	151,144	460,730	22,697,411
Deposits and remittances	413,504,732	1,148,909,532	1,122,164,408	163,228,761	2,847,807,433
Financial debentures payable	-	4,685,464	5,637,213	37,000,000	47,322,677
Lease liabilities	102,243	465,602	569,180	2,029,181	3,166,206
Other capital outflow at maturity	7,080,447	13,149,630	6,565,722	1,904,957	28,700,756

	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 21,632,134	\$ 18,939,610	\$ 22,759,390	\$ 174,251	\$ 63,505,385
Due to the Central Bank and banks	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at fair value through profit or loss	-	-	566,549	36,775,320	37,341,869
Securities sold under repurchase agreements	8,782,928	1,322,545	-	-	10,105,473
Payables	16,497,492	2,928,046	113,437	426,011	19,964,986
Deposits and remittances	366,399,102	1,030,683,105	1,016,354,012	148,106,423	2,561,542,642
Financial debentures payable	-	7,518,502	37,213	46,800,000	54,355,715
Lease liabilities	116,107	555,111	680,363	2,409,535	3,761,116
Other capital outflow at maturity	12,868,822	15,291,646	6,218,538	1,037,130	35,416,136

Additional information about the maturity analysis of lease liabilities:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Less than 1 year	\$ 1,137,025	\$ 1,351,581
1-5 years	1,714,563	2,156,451
5-10 years	314,618	250,974
Over 10 years	<u>-</u>	<u>2,110</u>
	<u>\$ 3,166,206</u>	<u>\$ 3,761,116</u>

c) Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by the Bank include:

- i. Foreign exchange derivative instruments: Foreign exchange options, non-delivery forwards;
- ii. Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the consolidated balance 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, 2021				Total
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	\$ 24,880	\$ 37,114	\$ 4,574	\$ 242	\$ 66,810
Interest rate derivative instruments	<u>33,714</u>	<u>860,300</u>	<u>585,840</u>	<u>13,799,055</u>	<u>15,278,909</u>
Total	<u>\$ 58,594</u>	<u>\$ 897,414</u>	<u>\$ 590,414</u>	<u>\$ 13,799,297</u>	<u>\$ 15,345,719</u>
	December 31, 2020				Total
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	\$ 144,336	\$ 51,523	\$ 17,164	\$ 5	\$ 213,028
Interest rate derivative instruments	<u>25,200</u>	<u>879,624</u>	<u>362,723</u>	<u>23,592,651</u>	<u>24,860,198</u>
Total	<u>\$ 169,536</u>	<u>\$ 931,147</u>	<u>\$ 379,887</u>	<u>\$ 23,592,656</u>	<u>\$ 25,073,226</u>

Gross settled derivative financial instruments engaged by the Bank include:

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

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



	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	\$ (1,251,076)	\$ (1,099,995)	\$ (583,172)	\$ (4,579,484)	\$ (7,513,727)
Cash inflow	4,813	7,496	2,222	-	14,531
Interest rate derivative instruments					
Cash outflow	(37,888)	(34,819)	(335,739)	(414,111)	(822,557)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,288,964)	(1,134,814)	(918,911)	(4,993,595)	(8,336,284)
Cash inflow subtotal	4,813	7,496	2,222	-	14,531
Net cash flow	<u>\$ (1,284,151)</u>	<u>\$ (1,127,318)</u>	<u>\$ (916,689)</u>	<u>\$ (4,993,595)</u>	<u>\$ (8,321,753)</u>
	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	\$ (6,206,951)	\$ (9,612,506)	\$ (3,966,155)	\$ (543,230)	\$ (20,328,842)
Cash inflow	9,935	2,984	1,329	-	14,248
Interest rate derivative instruments					
Cash outflow	-	(114,986)	(47,427)	(473,217)	(635,630)
Cash inflow	38	-	-	-	38
Cash outflow subtotal	(6,206,951)	(9,727,492)	(4,013,582)	(1,016,447)	(20,964,472)
Cash inflow subtotal	9,973	2,984	1,329	-	14,286
Net cash flow	<u>\$ (6,196,978)</u>	<u>\$ (9,724,508)</u>	<u>\$ (4,012,253)</u>	<u>\$ (1,016,447)</u>	<u>\$ (20,950,186)</u>

d) Maturity analysis of off-balance sheet items

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

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

	December 31, 2021			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 143,514,844	\$ 24,884,198	\$ 3,201,796	\$ 171,600,838
Credit card commitments	48,902,335	205,372,171	516,655,429	770,929,935
Financial guarantee contracts	16,348,326	7,756,651	703,770	24,808,747
	December 31, 2020			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 159,685,630	\$ 25,896,936	\$ 5,154,393	\$ 190,736,959
Credit card commitments	52,483,033	233,082,112	459,412,085	744,977,230
Financial guarantee contracts	15,178,359	7,594,933	30,100	22,803,392

c. Market risk

1) Source and definition of market risk

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

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

2) Market risk management strategy and process

Market risk management process

a) Identification and measurement

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

b) Monitoring and reporting

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

### 3) Risk management policy of the trading book

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

#### a) Strategy

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

#### b) Policy and procedure

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

#### c) Valuation policy

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

#### d) Method of measurement

- i. The assumptions and calculation method are described in the VaR section.
- ii. The Bank executes the stress testing monthly based on the following scenarios: The fluctuation of interest rate at 100bp, equity securities price at 15% and foreign exchange rate at 3%, and reports to the risk management committee regularly.

### 4) Interest risk management of trading book

#### a) Definition of interest risk

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

b) Interest risk management procedure of trading book

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

c) Method of measurement

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

5) Interest risk management of banking book

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

a) Strategy

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

b) Management procedure

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

c) Method of measurement

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

6) Foreign exchange risk management

a) Definition of foreign exchange risk

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

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

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

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

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

**Unit: In Thousands of Foreign Currency**

	<b>December 31, 2021</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollar</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 15,191,501	27.6900	\$ 420,652,663
CNY	13,001,010	4.3470	56,515,390
AUD	1,598,374	20.1043	32,134,190
Non-monetary items			
USD	609,134	27.6900	16,866,920
HKD	1,596,026	3.5508	5,667,169
THB	3,473,375	0.8303	2,883,943
<u>Financial liabilities</u>			
Monetary items			
USD	19,160,978	27.6900	530,567,481
CNY	8,882,289	4.3470	38,611,310
AUD	1,299,452	20.1043	26,124,573
Non-monetary items			
USD	504,601	27.6900	13,972,402
HKD	1,686,854	3.5508	5,989,681
CNY	2,499	4.3470	10,863
	<b>December 31, 2020</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollar</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,499,496	28.5080	\$ 356,335,632

CNY	11,952,373	4.3802	52,353,784
AUD	1,247,185	21.9811	27,414,498
Non-monetary items			
USD	895,878	28.5080	25,539,690
HKD	3,744,032	3.6775	13,768,678
THB	3,473,375	0.9515	3,304,916

Financial liabilities

Monetary items			
USD	16,865,082	28.5080	480,789,758
CNY	9,088,330	4.3802	39,808,703
AUD	1,428,519	21.9811	31,400,419
Non-monetary items			
USD	908,910	28.5080	25,911,206
HKD	3,527,023	3.6775	12,970,627
CNY	2,731	4.3802	11,962

As the Company has a large variety of foreign currencies, it is not practicable to disclose foreign currency exchange gain or loss based on each foreign currency's exposure to major impact. The foreign currency exchange gains were \$1,231,018 thousand and \$1,237,639 thousand for the years ended December 31, 2021 and 2020, respectively.

7) Risk management of equity securities price

a) Definition of risk of equity securities price

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

b) Purpose of risk management of equity securities price

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

c) Procedure of risk management of equity securities price

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

d) Measurement method

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

The Bank's risk of equity securities prices from its non-trading portfolio is controlled through stress testing of business scale under appropriate scenarios and the Bank reports the results to the risk management committee.

The Bank adopts many methods to manage its market risk. Value-at-risk (VaR) is one of the methods. VaR is a statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical

confidence. The Bank applies historical simulation with a statistical confidence of 99% to extrapolate the VaR of one-year fluctuations. The following form indicates the VaR which is the estimation of potential amount of loss within one day. The statistical confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Based on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

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

<b>December 31, 2020</b>				
<b>Factors of Market Risk</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Ending</b>
Interest rate	\$ 98,733	\$ 194,699	\$ 44,753	\$ 44,753
Foreign exchange	223,146	371,160	121,699	162,748
Equity securities price	364,210	791,984	103,986	431,373

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

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

8) Stress testing

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

<b>Stress Testing</b>			
<b>Market/Product</b>	<b>Scenarios</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Stock market	Major stock exchanges +15%	\$ 2,764,778	\$ 2,111,674
	Major stock exchanges -15%	(2,764,778)	(2,038,832)
Interest rate/bond market	Major interest rate + 100bp	(478,517)	(1,433,146)
	Major interest rate -100bp	887,005	53,539
Foreign exchange market	Major currencies +3%	240,221	306,945
	Major currencies -3%	(231,115)	(306,945)
Composite	Major stock exchanges -15%	(3,003,074)	(3,165,033)
	Major interest rate +100bp		
	Major currencies +3%		

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

9) Sensitivity analysis

a) Interest rate risk

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

b) Foreign exchange risk

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



c) Equity securities price risk

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

Risk Factors	Changes (+/-)	December 31, 2021	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 117,788	\$ -
	HKD+1%	(3,058)	-
	JPY+1%	3,755	-
	AUD+1%	(512)	-
	CNY+1%	(17,215)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	412	-
	Yield curves (HKD) parallel shift+1bp	(40)	-
	Yield curves (JPY) parallel shift+1bp	(208)	-
	Yield curves (AUD) parallel shift+1bp	(188)	-
	Yield curves (CNY) parallel shift+1bp	(1,843)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	35,274	149,044

Risk Factors	Changes (+/-)	December 31, 2020	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 87,303	\$ -
	HKD+1%	9,862	-
	JPY+1%	15,101	-
	AUD+1%	12,843	-
	CNY+1%	(7,927)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(8,730)	-
	Yield curves (HKD) parallel shift+1bp	147	-
	Yield curves (JPY) parallel shift+1bp	2	-
	Yield curves (AUD) parallel shift+1bp	(131)	-
	Yield curves (CNY) parallel shift+1bp	(1,303)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	22,531	118,190

10) Effect of interest rate benchmark reform

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

The Bank established a USD LIBOR transition project plan to handle risk management policies changes, internal processes adjustments, IT systems updates and valuation models adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. As of December 31, 2021, changes required to IT systems and internal processes have been identified and have been partially implemented.

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

### The Bank

The following table contains details of non-derivative financial instruments held by the Bank as of December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<b>Carrying Amount</b>
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Financial assets at FVTOCI	\$ 3,857,784
Investments in debt instruments at amortised cost	3,939,024
Discounts and loans	<u>68,973,215</u>
	<u>76,770,023</u>
Financial assets linked to EUR LIBOR	
Discounts and loans	<u>693,578</u>
Financial assets linked to JPY LIBOR	
Discounts and loans	<u>3,547,170</u>
Financial assets linked to HKD HIBOR	
Discounts and loans	<u>22,609,319</u>
Financial assets linked to SGD SIBOR	
Discounts and loans	<u>20,464</u>
Financial assets linked to SGD SOR	
Discounts and loans	<u>8,604,907</u>
Financial assets linked to VND VNIBOR	
Discounts and loans	<u>248,178</u>
	<u>\$ 112,493,639</u>
<u>Non-derivative financial liabilities which are subject to the reform</u>	
Financial liabilities linked to USD LIBOR	
Notes and bonds issued under repurchase agreement	<u>\$ 138,450</u>

The following table contains details of derivative financial instruments held by the Bank as of December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<b>Nominal Amount</b>	<b>Carrying Amount</b>	
		<b>Financial Assets</b>	<b>Financial Liabilities</b>
<u>Derivative financial instruments linked to USD LIBOR</u>			
Interest rate swaps	\$ 18,205,146	\$ 380,315	\$ 111,092
Cross-currency swaps	553,800	194	-
Options	<u>2,272,745</u>	<u>-</u>	<u>200</u>
	<u>\$ 21,031,691</u>	<u>\$ 380,509</u>	<u>\$ 111,292</u>

#### CUBCN Bank

The following table contains details of derivative financial instruments held by CUBCN Bank at December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<b>Carrying Amount</b>
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Discounts and loans	<u>\$ 8,896</u>

#### d. Transfers of financial assets

#### Financial assets transferred that have not been fully removed

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

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

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

December 31, 2020					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through other comprehensive income Repurchase agreements	\$ 9,706,456	\$ 9,175,931	\$ 9,706,456	\$ 9,175,931	\$ 530,525
Investments in debt instruments measured at amortised cost Repurchase agreements	865,651	916,127	961,477	916,127	45,350

e. Offsetting financial assets and liabilities

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

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

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

December 31, 2021

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	\$ 38,512,412	\$ -	\$ 38,512,412	\$ 35,297,809	\$ 3,214,603	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 35,297,809	\$ -	\$ 35,297,809	\$ 35,297,809	\$ -	\$ -
Repurchase agreements	37,161,652	-	37,161,652	36,593,423	568,229	-

December 31, 2020

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 73,217,904	\$ -	\$ 73,217,904	\$ 71,410,047	\$ 1,807,857	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 71,410,047	\$ -	\$ 71,410,047	\$ 71,410,047	\$ -	\$ -
Repurchase agreements	10,092,058	-	10,092,058	9,278,702	813,356	-

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, 2021		
			Standalone	Consolidated	
Eligible capital	Common equity		\$ 214,614,985	\$ 222,191,384	
	Other Tier 1 capital		26,519,181	31,670,615	
	Tier 2 capital		36,592,885	48,354,476	
	Eligible capital		277,727,051	302,216,475	
Risk-weighted assets	Credit risk	Standardized approach	1,467,811,951	1,584,509,839	
		Internal ratings-based approach	-	-	
		Securitization	19,123,434	19,123,434	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	116,203,485	123,247,499	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	106,056,134	110,751,394	
		Internal model approach	-	-	
	Risk-weighted assets			1,709,195,004	1,837,632,166
	Capital adequacy ratio (%)			16.25%	16.45%
Ratio of common equity to risk-weighted assets (%)			12.56%	12.09%	
Ratio of Tier 1 capital to risk-weighted assets (%)			14.11%	13.81%	
Leverage ratio (%)			6.76%	6.84%	

Items		Year	December 31, 2020		
			Standalone	Consolidated	
Eligible capital	Common equity		\$ 204,572,808	\$ 212,526,568	
	Other Tier 1 capital		27,227,007	33,205,553	
	Tier 2 capital		45,000,995	58,452,827	
	Eligible capital		276,800,810	304,184,948	
Risk-weighted assets	Credit risk	Standardized approach	1,393,921,824	1,513,501,089	
		Internal ratings-based approach	-	-	
		Securitization	16,503,042	16,503,042	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	116,505,060	123,362,753	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	110,110,960	115,077,114	
		Internal model approach	-	-	
	Risk-weighted assets			1,637,040,886	1,768,443,998
	Capital adequacy ratio (%)			16.91%	17.20%
Ratio of common equity to risk-weighted assets (%)			12.50%	12.02%	
Ratio of Tier 1 capital to risk-weighted assets (%)			14.16%	13.90%	
Leverage ratio (%)			7.00%	7.14%	

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

- 4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

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

## 52. UNCONSOLIDATED STRUCTURED ENTITIES

The Company does not provide financial support or other support to the unconsolidated structured entities for the years ended December 31, 2021 and 2020. 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 amounts of assets recognized by the Company as of December 31, 2021 and 2020 relating to its interests in unconsolidated structured entities are disclosed as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Financial assets at FVTOCI	\$ 10,163,330	\$ 14,299,523
Investments in debt instruments measured at amortised cost	<u>40,400,178</u>	<u>32,294,807</u>
	<u>\$ 50,563,508</u>	<u>\$ 46,594,330</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

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

<b>December 31, 2021</b>			
<b>Rank</b>	<b>Industry Category of Company or Group</b>	<b>Credit Extension Balance</b>	<b>% to Net Asset Value</b>
1	Group A - other financial service activities not elsewhere classified	\$ 27,991,470	11.36
2	Group B - packaging and testing of semi-conductors	12,966,546	5.26
3	Group C - other financial intermediation not elsewhere classified	8,818,556	3.58
4	Group D - wired telecommunications activities	6,299,901	2.56
5	Group E - real estate activities for sale and rental with own or leased property	6,260,000	2.54
6	Group F - real estate development activities	6,094,000	2.47
7	Group G - manufacture of computers	5,616,480	2.28
8	Group H - other financial intermediation not elsewhere classified	4,763,286	1.93
9	Group I - manufacture of computers	4,634,914	1.88
10	Group J - air transportation	4,611,204	1.87

(Continued)



<b>December 31, 2020</b>			
<b>Rank</b>	<b>Industry Category of Company or Group</b>	<b>Credit Extension Balance</b>	<b>% to Net Asset Value</b>
1	Group A - other financial service activities not elsewhere classified	\$ 25,080,432	10.35
2	Group B - packaging and testing of semi-conductors	7,803,739	3.22
3	Group C - ocean transportation	7,420,326	3.06
4	Group D - other financial intermediation not elsewhere classified	6,905,632	2.85
5	Group E - wired telecommunications activities	6,871,093	2.84
6	Group F - real estate activities for sale and rental with own or leased property	6,200,000	2.56
7	Group G - real estate development activities	5,708,000	2.36
8	Group H - manufacture of computers	5,288,900	2.18
9	Group I - other financial intermediation not elsewhere classified	4,793,419	1.98
10	Group J - other financial intermediation not elsewhere classified	4,247,054	1.75

b. Market risk

**Interest Rate Sensitivity (New Taiwan Dollar)**

**(Unit: In Thousands of New Taiwan Dollars, %)  
December 31, 2021**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,106,348,492	\$ 43,534,222	\$ 165,165,142	\$ 156,555,266	\$ 2,471,603,122
Interest rate-sensitive liabilities	176,546,916	1,774,005,716	246,309,742	75,921,503	2,272,783,877
Interest rate-sensitive gap	1,929,801,576	(1,730,471,494)	(81,144,600)	80,633,763	198,819,245
Net worth					246,351,112
Ratio of interest rate-sensitive assets to liabilities					108.75%
Ratio of interest rate sensitivity gap to net worth					80.71%

**December 31, 2020**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,934,222,537	\$ 51,442,037	\$ 137,064,969	\$ 156,791,393	\$ 2,279,520,936
Interest rate-sensitive liabilities	190,095,447	1,531,047,126	239,236,301	86,479,337	2,046,858,211
Interest rate-sensitive gap	1,744,127,090	(1,479,605,089)	(102,171,332)	70,312,056	232,662,725
Net worth					242,296,872
Ratio of interest rate-sensitive assets to liabilities					111.37%
Ratio of interest rate sensitivity gap to net worth					96.02%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

## Interest Rate Sensitivity (U.S. Dollars)

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

**December 31, 2021**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,469,121	\$ 1,604,475	\$ 973,595	\$ 7,657,361	\$ 18,704,552
Interest rate-sensitive liabilities	12,155,884	4,205,611	4,229,253	4,736,029	25,326,777
Interest rate-sensitive gap	(3,686,763)	(2,601,136)	(3,255,658)	2,921,332	(6,622,225)
Net worth					8,896,754
Ratio of interest rate-sensitive assets to liabilities					73.85%
Ratio of interest rate sensitivity gap to net worth					(74.43%)

**December 31, 2020**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,399,860	\$ 479,765	\$ 1,112,911	\$ 6,214,503	\$ 16,207,039
Interest rate-sensitive liabilities	10,799,718	3,480,300	4,038,117	4,695,480	23,013,615
Interest rate-sensitive gap	(2,399,858)	(3,000,535)	(2,925,206)	1,519,023	(6,806,576)
Net worth					8,499,259
Ratio of interest rate-sensitive assets to liabilities					70.42%
Ratio of interest rate sensitivity gap to net worth					(80.08%)

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, 2021	For the Year Ended December 31, 2020
Return on total assets	Before income tax	0.82	0.83
	After income tax	0.71	0.72
Return on equity	Before income tax	11.05	10.79
	After income tax	9.57	9.32
Net income ratio		37.00	36.05

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, 2021 and 2020.

2) Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)**

(Unit: In Thousands of New Taiwan Dollar)  
December 31, 2021

	Total	Remaining Period to Maturity					Over 1 Year
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	
Main capital inflow on maturity	\$ 3,168,420,293	\$ 447,042,860	\$ 378,750,327	\$ 223,478,939	\$ 300,577,646	\$ 506,051,944	\$ 1,312,518,577
Main capital outflow on maturity	3,792,365,240	136,412,917	210,418,455	502,760,177	570,067,990	774,624,206	1,598,081,495
Gap	(623,944,947)	310,629,943	168,331,872	(279,281,238)	(269,490,344)	(268,572,262)	(285,562,918)

December 31, 2020

	Total	Remaining Period to Maturity					Over 1 Year
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	
Main capital inflow on maturity	\$ 2,991,459,888	\$ 421,163,180	\$ 373,637,362	\$ 326,027,600	\$ 279,941,783	\$ 411,108,777	\$ 1,179,581,186
Main capital outflow on maturity	3,564,991,200	157,675,947	286,412,129	530,879,508	534,669,495	681,943,098	1,373,411,023
Gap	(573,531,312)	263,487,233	87,225,233	(204,851,908)	(254,727,712)	(270,834,321)	(193,829,837)

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

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

**(Unit: In Thousands of U.S. Dollars)**

**December 31, 2021**

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 72,349,452	\$ 20,242,005	\$ 10,985,627	\$ 6,497,567	\$ 5,885,072	\$ 28,739,181
Main capital outflow on maturity	76,699,701	21,144,206	16,044,704	12,798,460	15,808,072	10,904,259
Gap	(4,350,249)	(902,201)	(5,059,077)	(6,300,893)	(9,923,000)	17,834,922

**December 31, 2020**

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 65,536,230	\$ 21,926,788	\$ 15,635,019	\$ 8,800,757	\$ 9,094,993	\$ 10,078,673
Main capital outflow on maturity	70,572,687	20,713,751	18,347,814	10,820,543	11,798,356	8,892,223
Gap	(5,036,457)	1,213,037	(2,712,795)	(2,019,786)	(2,703,363)	1,186,450

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

**54. OPERATING SEGMENTS**

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

- a. Corporate banking unit: Syndicated loan, large scale, group and general credit business;
- b. Individual banking unit: Deposits and consumer loans, foreign exchange service, endorsement guarantees business, note discounting, safe deposits boxes, credit card - related products, and trust business;
- c. International banking unit: Offshore banking units, overseas branches and representative office; and
- d. Other units: These parts contain the Bank's assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operating segments.

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

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

	<b>For the Year Ended December 31, 2021</b>				
	<b>Corporate Banking</b>	<b>Individual Banking</b>	<b>International Banking</b>	<b>Others</b>	<b>Total</b>
Net interest (externally)	<u>\$ 7,344,478</u>	<u>\$ 18,796,940</u>	<u>\$ 5,717,111</u>	<u>\$ 6,680,525</u>	<u>\$ 38,539,054</u>
Segment revenue (expense)	<u>\$ (1,239,747)</u>	<u>\$ 5,335,026</u>	<u>\$ (79,774)</u>	<u>\$ (4,015,505)</u>	<u>\$ -</u>
Segment net income	<u>\$ 5,760,025</u>	<u>\$ 19,630,802</u>	<u>\$ 1,547,152</u>	<u>\$ 541,517</u>	<u>\$ 27,479,496</u>
Income tax expense					<u>(3,671,182)</u>
Income after income tax					<u>\$ 23,808,314</u>
	<b>For the Year Ended December 31, 2020</b>				
	<b>Corporate Banking</b>	<b>Individual Banking</b>	<b>International Banking</b>	<b>Others</b>	<b>Total</b>
Net interest (externally)	<u>\$ 7,616,684</u>	<u>\$ 14,646,043</u>	<u>\$ 6,544,958</u>	<u>\$ 6,415,433</u>	<u>\$ 35,223,118</u>
Segment revenue (expense)	<u>\$ (2,259,915)</u>	<u>\$ 8,793,675</u>	<u>\$ (289,763)</u>	<u>\$ (6,243,997)</u>	<u>\$ -</u>
Segment net income	<u>\$ 4,049,858</u>	<u>\$ 17,647,220</u>	<u>\$ 3,270,140</u>	<u>\$ 855,768</u>	<u>\$ 25,822,986</u>
Income tax expense					<u>(3,511,682)</u>
Income after income tax					<u>\$ 22,311,304</u>

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

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

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

## 55. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Fair Value Adjustments	Others	
Due to the Central Banks and banks	\$ 1,076,000	\$ -	\$ -	\$ -	\$ -	\$ 1,076,000
Financial debentures payable	53,800,000	(7,000,000)	-	-	-	46,800,000
Financial liabilities designated as at fair value through profit or loss - financial debentures	44,204,582	-	-	(2,562,239)	(1,055,220)	40,587,123
Guarantee deposits received	7,357,957	(2,889,289)	-	-	-	4,468,668
Lease liabilities	4,293,299	(1,525,218)	961,546	-	(50,513)	3,679,114

For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Fair Value Adjustments	Others	
Due to the Central Banks and banks	\$ -	\$ 1,076,000	\$ -	\$ -	\$ -	\$ 1,076,000
Financial debentures payable	53,900,000	(100,000)	-	-	-	53,800,000
Financial liabilities designated as at fair value through profit or loss - financial debentures	57,604,294	(11,289,165)	-	(48,542)	(2,062,005)	44,204,582
Guarantee deposits received	5,218,682	2,139,275	-	-	-	7,357,957
Lease liabilities	4,246,381	(1,607,946)	1,635,953	-	18,911	4,293,299

## 56. OTHER

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

## 57. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: The Bank - not applicable; investee - none
- 2) Endorsement/guarantee provided: The Bank - not applicable; investee - none
- 3) Marketable securities held: The Bank - not applicable; investee - none
- 4) Marketable securities (applicable to investees) or investees' securities (applicable to banking industries) acquired or disposed of at costs or prices of at least \$300 million or 10% of the paid-in capital: Table 1 (attached)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None

- 6) Disposal of individual real estate at costs of at least \$300 million or 10% of the paid-in capital:  
None
  - 7) Allowance of service fees to related parties amounting to at least \$5 million: None
  - 8) Receivables from related parties amounting to at least \$300 million or 10% of the paid-in capital: None
  - 9) Sale of nonperforming loans: Table 2 (attached)
  - 10) Asset securitization under the “Regulations for Financial Asset Securitization”: None
  - 11) Other significant transactions which may affect the decisions of users of financial reports:  
Table 3 (attached)
  - 12) Related information and proportionate share in investees: 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, refer to Table 6 (attached).
- e. Information on major shareholders
- A bank whose stock is listed on the TWSE or listed on the TPEX shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the Bank’s equity: Not applicable.



**TABLE 1****CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 10% OF THE PAID-IN CAPITAL**

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Company Name	Marketable Securities Type and Name (Note 1)	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Number of Shares	Amount
CUBCN Bank	Stocks Chongqing Ant Consumer Finance Co., Ltd.	Financial assets at fair value through other comprehensive income	-	-	-	\$ -	-	\$ 3,462,393 (CNY800,000 thousand) (Note 2)	-	\$ -	\$ -	\$ -	-	\$ 3,462,393 (CNY800,000 thousand) (Note 2)

Note 1: The term "securities" in this table refers to stocks, bonds, beneficiary certificates and the securities derived from those items. Chongqing Ant Consumer Finance Co., Ltd. is a limited company with no shares issued.

Note 2: Original acquisition cost.

**TABLE 2****CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES****SALE OF NONPERFORMING LOANS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Unit: In Thousands of New Taiwan Dollars)**

## 1. Summary statement:

Trade Date	Counterparty	Loans Composition	Carrying Amount (Note)	Selling Price	Gain (or Loss) on Disposal	Terms	Relationship
<u>The Bank</u>							
August 31, 2021	FitzWalter Capital Partners (Master HoldCo) Limited	Corporate loans	\$ 340,424	\$ 527,452	\$ 187,028	None	None
November 18, 2021	FETHARD LLC	Corporate loans	124,514	232,218	107,704	None	None
November 22, 2021	FETHARD LLC	Corporate loans	163,425	303,313	139,888	None	None
December 23, 2021	Moneygall LLC	Corporate loans	181,216	295,822	114,606	None	None
<u>Indovina Bank</u>							
December 8, 2021	Viet Nam Debt and Asset Trading Corporation	Corporate loans	5,405	51,391	45,986	None	None

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

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

TABLE 3

## CATHAY UNITED BANK CO., LTD.

## ASSET QUALITY - NONPERFORMING LOANS

AS OF DECEMBER 31, 2021 AND 2020

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

Period		December 31, 2021					December 31, 2020					
		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 268,035	\$ 308,097,214	0.09%	\$ 1,578,217	588.81%	\$ 840,401	\$ 265,981,571	0.32%	\$ 3,283,451	390.70%	
	Unsecured	195,016	305,333,308	0.06%	8,292,953	4252.44%	203,533	312,112,388	0.07%	7,296,192	3584.78%	
Consumer banking	Housing mortgage (Note 4)	223,762	473,052,647	0.05%	7,393,776	3304.31%	363,263	429,232,267	0.08%	6,791,891	1869.69%	
	Cash cards	-	-	-	-	-	-	-	-	-	-	
	Small-scale credit loans (Note 5)	198,632	117,528,033	0.17%	4,645,483	2338.74%	248,450	100,603,115	0.25%	3,614,217	1454.71%	
	Other (Note 6)	Secured	643,569	536,764,676	0.12%	5,862,853	910.99%	603,718	489,779,625	0.12%	5,539,927	917.64%
		Unsecured	49,119	20,748,561	0.24%	291,005	592.45%	14,922	22,885,286	0.07%	320,255	2146.14%
Loan		\$ 1,578,133	\$ 1,761,524,439	0.09%	\$ 28,064,287	1778.32%	\$ 2,274,287	\$ 1,620,594,252	0.14%	\$ 26,845,933	1180.41%	
		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		\$ 72,266	\$ 88,553,074	0.08%	\$ 2,019,742	2794.88%	\$ 99,834	\$ 87,092,880	0.11%	\$ 1,955,685	1958.94%	
Accounts receivable factored without recourse (Note 7)		-	4,081,459	-	108,365	-	-	4,924,287	-	77,506	-	

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

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

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

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

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

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

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

(Continued)

Not reported as nonperforming loans or nonperforming receivables

Types	Items	December 31, 2021		December 31, 2020	
		Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)		\$ 1,012	\$ 35,320	\$ 1,428	\$ 50,506
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)		101,553	1,167,911	68,601	1,194,283
Total		\$ 102,565	\$ 1,203,231	\$ 70,029	\$ 1,244,789

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. AND SUBSIDIARIES

RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES  
December 31, 2021  
(Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company (Note 1)	Location	Main Businesses and Products	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	\$ 61,304	\$ 2,970	2,547	-	2,547	0.58	
	Taipei Forex Inc.	Taipei	Foreign exchange broker	4.04	58,805	6,000	800	-	800	4.04	
	Taiwan Future Exchange Co., Ltd.	Taipei	Futures exchange	0.62	494,241	7,475	2,622	-	2,622	0.62	
	Financial Information Service Co., Ltd.	Taipei	Data processing services	2.41	866,688	33,643	12,577	-	12,577	2.41	
	Taiwan Finance Corporation	Taipei	Bills financing	24.57	1,736,374	123,080	126,814	-	126,814	24.57	
	Waterland Securities Co., Ltd.	Taipei	Integrated securities houses	10.32	1,001,572	30,442	104,443	-	104,443	12.29	
	Taiwan Asset Management Corporation	Taipei	Financial institution's debt purchase, evaluation or auction business	5.79	1,647,294	39,780	61,200	-	61,200	5.79	
	Taiwan Financial Asset Service Corporation	Taipei	Financial institution credit evaluation or auction services	5.88	190,458	1,000	10,000	-	10,000	5.88	
	Sunny Asset Management Co.	Taipei	Financial institution's debt purchase and other services	9.37	12,642	1,037	562	-	562	9.37	
	Visa	Los Angeles	Credit card business	0.02	2,811,830	17,194	1,211	-	1,211	0.06	
	Indovina Bank Limited	Vietnam	Commercial banking	50.00	4,376,090	464,119	Note 3	-	Note 3	50.00	
	Cathay United Bank (Cambodia) Corporation Limited	Cambodia	Commercial banking	100.00	3,318,574	102,122	100,000	-	100,000	100.00	
	Taiwan Mobile Payment Co.	Taipei	Trust service manager (TSM)	4.00	17,825	-	2,400	-	2,400	4.00	
	Philippine Clearing House Corporation (PCHC)	Philippines	Bills financing	1.69	16,706	-	21	-	21	1.69	
	Quantified Holdings Limited	Cayman Islands	Bills financing	7.80	27,720	-	2,829	-	2,829	7.80	
	Cathay United Bank (China) Limited	China	Commercial banking	100.00	16,584,264	238,516	Note 3	-	Note 3	100.00	
	Srisawad Corp PCL	Thailand	Holding industry	4.60	3,210,527	100,425	125,827	-	125,827	9.16	
		<u>Non-financial-related business</u>									
	Anfeng Enterprises Co., Ltd.	Taipei	ATM bill supplement business	15.00	19,034	518	450	-	450	15.00	
	Taiwan Real Estate Management Co., Ltd.	Taipei	Real estate management	30.15	95,892	(1,856)	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	1,345	-	19	-	19	4.87	
	Development International Investment Co., Ltd.	Taipei	Investment	4.95	880,509	21,600	108,000	-	108,000	9.90	
	EasyCard Investment Holding Co., Ltd.	Taipei	Investment	4.91	30,590	4,439	6,538	-	6,538	6.28	
	Kaohsiung Rapid Transit Corporation	Kaohsiung	Public rapid transit	1.38	49,680	-	3,845	-	3,845	1.38	
	Hantong Venture Capital Co., Ltd.	Taipei	Venture capital	12.95	102,178	7,021	7,092	-	7,092	12.95	
	Yuhua Venture Co., Ltd.	Taipei	Venture capital	5.00	855	-	20	-	20	5.00	
	Harbinger Venture Capital Co., Ltd.	Taipei	Venture capital	3.35	57	-	26	-	26	13.35	
	Victor Taichung Machinery Works Co., Ltd.	Taichung	Machinery and equipment manufacturing	0.03	2,381	10	66	-	66	0.03	
	Cathay United Bank (China) Limited	<u>Financial-related business</u>									
		Chongqing Ant Consumer Finance Co., Ltd.	China	Consumer financing	10.00	3,673,192	-	Note 3	-	Note 3	10.00

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 BANK CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021

(Unit: 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, 2021 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow							
Cathay United Bank (China) Limited.	Local government approved banking	\$ 14,377,562 (CNY 3,000,000 thousand)	Direct	\$ 14,377,562 (CNY 3,000,000 thousand)	\$ -	\$ -	\$ 14,377,562 (CNY 3,000,000 thousand)	\$ 238,516	100	\$ 238,516	\$ 16,584,264	\$ -	

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amount Approved by the Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 1)
\$ 14,377,562 (CNY 3,000,000 thousand)	\$ 14,377,562 (CNY 3,000,000 thousand)	\$ 150,436,321

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

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

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

TABLE 6

## CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Unit: In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			Percentage of Total Revenue or Total Assets (Note 3)
				Financial Statement Account	Amounts	Terms of Transaction	
0	Cathay United Bank	Indovina Bank	a	Due from banks - interest revenue	\$ 46	Note 4	0.00
		Indovina Bank	a	Due to bank	57,635	Note 4	0.00
		Indovina Bank	a	Due from banks	37,725	Note 4	0.00
1	Indovina Bank	Cathay United Bank	b	Due to banks - interest expense	46	Note 4	0.00
		Cathay United Bank	b	Due from banks	57,635	Note 4	0.00
		Cathay United Bank	b	Due to bank	37,725	Note 4	0.00
0	Cathay United Bank	CUBC Bank	a	Call loan to banks - interest revenue	390	Note 4	0.00
		CUBC Bank	a	Call loan from banks - interest expense	10	Note 4	0.00
		CUBC Bank	a	Due from banks - interest revenue	1,126	Note 4	0.00
		CUBC Bank	a	Due to bank	9,960	Note 4	0.00
		CUBC Bank	a	Due from banks	886,909	Note 4	0.03
		CUBC Bank	a	Interest receivable	1,127	Note 4	0.00
		CUBC Bank	a	Dividend receivable	163,225	Note 4	0.00
		CUBC Bank	a	Net other revenue other than interest income	9,148	Note 4	0.01
2	CUBC Bank	Cathay United Bank	b	Call loan from banks - interest expense	390	Note 4	0.00
		Cathay United Bank	b	Call loan to banks - interest revenue	10	Note 4	0.00
		Cathay United Bank	b	Due to banks - interest expense	1,126	Note 4	0.00
		Cathay United Bank	b	Due from banks	9,960	Note 4	0.00
		Cathay United Bank	b	Due to bank	886,909	Note 4	0.03
		Cathay United Bank	b	Interest payable	1,127	Note 4	0.00
		Cathay United Bank	b	Dividend payable	163,225	Note 4	0.00
		Cathay United Bank	b	Other general and administrative expense	9,148	Note 4	0.01
0	Cathay United Bank	CUBCN Bank	a	Call loan to banks - interest revenue	91,902	Note 4	0.14
		CUBCN Bank	a	Due from banks - interest revenue	262,021	Note 4	0.41
		CUBCN Bank	a	Due to bank	46,810	Note 4	0.00
		CUBCN Bank	a	Due from banks	4,285	Note 4	0.00
		CUBCN Bank	a	Other financial assets	4,346,973	Note 4	0.12
		CUBCN Bank	a	Call loan to banks	6,520,460	Note 4	0.19
		CUBCN Bank	a	Interest receivable	78,079	Note 4	0.00
		CUBCN Bank	a	Other receivables	51,343	Note 4	0.00

(Continued)

No. (Note 1)	Transacting Company	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amounts	Terms of Transaction	Percentage of Total Revenue or Total Assets (Note 3)
3	CUBCN Bank	Cathay United Bank	b	Call loan from banks - interest expense	\$ 91,902	Note 4	0.14
		Cathay United Bank	b	Due to banks - interest expense	262,021	Note 4	0.41
		Cathay United Bank	b	Due from banks	46,810	Note 4	0.00
		Cathay United Bank	b	Due to bank	4,351,258	Note 4	0.12
		Cathay United Bank	b	Call loan from banks	6,520,460	Note 4	0.19
		Cathay United Bank	b	Interest payable	78,079	Note 4	0.00
		Cathay United Bank	b	Other payables	51,343	Note 4	0.00

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

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

Note 2: The flow of transactions is as follows:

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

Note 3: The percentage is calculated as follows:

- a. Assets and liabilities: Ending balance divided by total consolidated assets.
- b. Income and expenses: The amount at the end of the period divided by consolidated net income.

Note 4: The terms of the transactions between the Bank and related parties were similar to those for unrelated parties.

(Concluded)



## **Appendix V**

### **Cathay United Bank Co., Ltd. 2021 Standalone Financial Report**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Cathay United Bank Co., Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2021 and 2020, its financial performance, and its cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Bank for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Bank's financial statements for the year ended December 31, 2021 are stated as follows:

#### Impairment Assessment of Loans

The domestic loans of the Bank which amounted to \$1,674,216,558 thousand were considered material to the financial statements as a whole. As the assessment of impairment of loans involves accounting estimates and management's significant judgment, and as the amount of impairment assessed on loans under the relevant regulations issued by the authorities is substantially larger than that assessed under IFRS 9, hence, we determined the impairment of the loans assessed under the relevant regulations prescribed by the authorities as a key audit matter.

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

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

1. We understood and tested the internal controls of impairment assessment of loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories to see if it complies with the relevant regulations issued by the authorities.
3. We performed the test on selected samples to ensure the appropriateness of impairment by the length of the overdue period and the value of the collateral of each respective loan.
4. We calculated the provision of impairment loss by classifying the credit assets into their respective category to see if it complies with the relevant regulations issued by the authorities.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Cheng-Hung Kuo and Shiuh-Ran Cheng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 11, 2022

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, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

	2021		2020	
	Amount	%	Amount	%
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 43)	\$ 61,282,356	2	\$ 74,801,339	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 7, 43 and 44)	212,890,343	6	114,673,136	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 43 and 48)	281,821,324	9	320,798,792	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 44 and 48)	281,577,371	8	304,618,288	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 44 and 48)	570,526,304	17	501,266,786	16
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	34,175,439	1	18,338,416	1
RECEIVABLES, NET (Notes 4, 13, 15 and 43)	103,077,662	3	99,694,198	3
ASSETS HELD FOR SALE, NET (Notes 4 and 17)	283,087	-	-	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 43)	1,732,854,284	51	1,593,426,912	51
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 16)	26,111,194	1	25,777,352	1
OTHER FINANCIAL ASSETS, NET (Note 6)	8,693,946	-	364	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	23,360,033	1	24,174,666	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 18 and 43)	3,116,075	-	3,697,989	-
INVESTMENT PROPERTIES, NET (Notes 4 and 19)	657,440	-	646,445	-
INTANGIBLE ASSETS, NET (Notes 4 and 20)	7,771,516	-	7,635,738	-
DEFERRED TAX ASSETS (Notes 4 and 41)	4,612,273	-	4,371,750	-
OTHER ASSETS, NET (Notes 21 and 43)	27,266,908	1	30,472,784	1
<b>TOTAL</b>	<b>\$ 3,380,077,555</b>	<b>100</b>	<b>\$ 3,124,394,955</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 22 and 43)	\$ 62,610,289	2	\$ 63,383,248	2
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	1,076,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 43 and 48)	74,475,373	2	114,386,759	4
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 23)	31,297,585	1	10,092,058	-
PAYABLES (Notes 24 and 43)	24,704,942	1	22,325,212	1
CURRENT TAX LIABILITIES (Notes 4 and 41)	21,690	-	189,195	-
DEPOSITS AND REMITTANCES (Notes 25 and 43)	2,846,473,269	84	2,559,958,727	82
FINANCIAL DEBENTURES PAYABLE (Note 26)	46,800,000	2	53,800,000	2
OTHER FINANCIAL LIABILITIES (Note 27)	28,655,043	1	35,331,092	1
PROVISIONS (Notes 4, 15 and 28)	3,780,862	-	3,766,162	-
LEASE LIABILITIES (Notes 4, 18 and 43)	3,134,128	-	3,719,319	-
DEFERRED TAX LIABILITIES (Notes 4 and 41)	2,554,019	-	3,330,151	-
OTHER LIABILITIES (Notes 4, 30 and 43)	8,143,243	-	10,740,160	-
Total liabilities	3,133,726,443	93	2,882,098,083	92
<b>EQUITY (Note 31)</b>				
Capital stock				
Common stock	106,985,830	3	106,985,830	4
Capital surplus	38,687,276	1	38,687,276	1
Retained earnings				
Legal reserve	71,182,447	2	64,526,043	2
Special reserve	2,083,756	-	2,084,653	-
Unappropriated earnings	25,236,235	1	22,122,582	1
Total retained earnings	98,502,438	3	88,733,278	3
Other equity	2,175,568	-	7,890,488	-
Total equity	246,351,112	7	242,296,872	8
<b>TOTAL</b>	<b>\$ 3,380,077,555</b>	<b>100</b>	<b>\$ 3,124,394,955</b>	<b>100</b>

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

**CATHAY UNITED BANK CO., LTD.**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2021		2020		Changes (%)
	Amount	%	Amount	%	
NET INTEREST REVENUE (Notes 4, 32 and 43)					
Interest income	\$ 43,142,092	70	\$ 43,507,190	74	(1)
Interest expense	<u>(7,410,699)</u>	<u>(12)</u>	<u>(11,398,019)</u>	<u>(19)</u>	(35)
Total net interest revenue	<u>35,731,393</u>	<u>58</u>	<u>32,109,171</u>	<u>55</u>	11
NET REVENUE OTHER THAN INTEREST					
Net service fee revenue (Notes 4, 33 and 43)	18,164,560	30	16,162,346	28	12
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 34 and 43)	1,941,392	3	3,708,743	6	(48)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4, 9 and 35)	3,509,117	6	4,454,671	8	(21)
Loss arising from derecognition of financial assets measured at amortised cost (Notes 4, 10 and 14)	(648,158)	(1)	(380,136)	(1)	71
Foreign exchange gain (Notes 4 and 49)	1,009,807	2	1,122,285	2	(10)
Impairment reversal (loss) on assets (Notes 4, 5 and 36)	100,980	-	(104,932)	-	196
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (Notes 4 and 16)	925,981	1	837,469	1	11
Net other revenue other than interest income (Notes 4 and 43)	<u>475,121</u>	<u>1</u>	<u>759,522</u>	<u>1</u>	(37)
Total net revenue other than interest	<u>25,478,800</u>	<u>42</u>	<u>26,559,968</u>	<u>45</u>	(4)
NET REVENUE	<u>61,210,193</u>	<u>100</u>	<u>58,669,139</u>	<u>100</u>	4
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 13, 14, 15 and 37)	<u>(2,568,304)</u>	<u>(4)</u>	<u>(2,900,505)</u>	<u>(5)</u>	(11)

(Continued)

**CATHAY UNITED BANK CO., LTD.**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2021		2020		Changes (%)
	Amount	%	Amount	%	
<b>TOTAL OPERATING EXPENSES</b>					
Employee benefits expenses (Notes 4, 38 and 43)	\$ (16,463,653)	(27)	\$ (15,794,781)	(27)	4
Depreciation and amortization expense (Notes 4, 17, 18, 20 and 39)	(3,214,704)	(5)	(3,116,186)	(5)	3
Other general and administrative expense (Notes 4, 40 and 43)	<u>(12,247,336)</u>	<u>(20)</u>	<u>(11,836,000)</u>	<u>(20)</u>	3
Total operating expenses	<u>(31,925,693)</u>	<u>(52)</u>	<u>(30,746,967)</u>	<u>(52)</u>	4
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAX</b>	26,716,196	44	25,021,667	43	7
<b>INCOME TAX EXPENSE (Notes 4 and 41)</b>	<u>(3,372,000)</u>	<u>(6)</u>	<u>(3,168,000)</u>	<u>(6)</u>	6
<b>INCOME FROM CONTINUING OPERATIONS, NET OF TAX</b>	<u>23,344,196</u>	<u>38</u>	<u>21,853,667</u>	<u>37</u>	7
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX (Notes 4 and 31)</b>					
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax					
Remeasurement of defined benefit plans	(88,612)	-	(238,096)	-	(63)
Property revaluation surplus	46,076	-	-	-	-
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	1,516,576	3	450,900	1	236
Change in fair value of financial liability attributable to change in credit risk of liability	736,634	1	464,755	1	58
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	203,684	-	(11,821)	-	1823
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 41)	192,125	-	(39,961)	-	581

(Continued)



**CATHAY UNITED BANK CO., LTD.**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2021		2020		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	\$ (914,337)	(1)	\$ (455,306)	(1)	101
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	63,472	-	203,464	-	(69)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(5,851,853)	(10)	2,568,562	4	(328)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 41)	<u>338,279</u>	<u>1</u>	<u>15,104</u>	<u>-</u>	2140
Other comprehensive income (loss), net of tax	<u>(3,757,956)</u>	<u>(6)</u>	<u>2,957,601</u>	<u>5</u>	(227)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>\$ 19,586,240</u>	<u>32</u>	<u>\$ 24,811,268</u>	<u>42</u>	(21)
EARNINGS PER SHARE (Note 42)					
Basic	<u>\$ 2.18</u>		<u>\$ 2.04</u>		

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

(Concluded)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

						Other Equity						Total Equity
	Capital Stock Common Stock	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Changes in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Losses on Remeasurements of Defined Benefit Plans	Property Revaluation Surplus	Total	
			Legal Reserve	Special Reserve								
BALANCE AT JANUARY 1, 2020	\$ 101,658,353	\$ 38,687,276	\$ 57,935,811	\$ 2,183,978	\$ 21,675,159	\$ (1,670,723)	\$ 10,124,219	\$ (1,850,508)	\$ (1,715,929)	\$ 457,968	\$ 5,345,027	\$ 227,485,604
Appropriation of 2019 earnings												
Legal reserve	-	-	6,590,232	-	(6,590,232)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(10,000,000)	-	-	-	-	-	-	(10,000,000)
Stock dividends	5,327,477	-	-	-	(5,327,477)	-	-	-	-	-	-	-
Net income for the year ended December 31, 2020	-	-	-	-	21,853,667	-	-	-	-	-	-	21,853,667
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(364,244)	3,144,183	371,803	(194,141)	-	2,957,601	2,957,601
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	21,853,667	(364,244)	3,144,183	371,803	(194,141)	-	2,957,601	24,811,268
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	268,915	-	(268,915)	-	-	-	(268,915)	-
Others	-	-	-	(99,325)	242,550	-	-	-	-	(143,225)	(143,225)	-
BALANCE AT DECEMBER 31, 2020	106,985,830	38,687,276	64,526,043	2,084,653	22,122,582	(2,034,967)	12,999,487	(1,478,705)	(1,910,070)	314,743	7,890,488	242,296,872
Appropriation of 2020 earnings												
Legal reserve	-	-	6,656,404	-	(6,656,404)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,532,000)	-	-	-	-	-	-	(15,532,000)
Net income for the year ended December 31, 2021	-	-	-	-	23,344,196	-	-	-	-	-	-	23,344,196
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(731,471)	(3,580,365)	589,308	(70,618)	35,190	(3,757,956)	(3,757,956)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	23,344,196	(731,471)	(3,580,365)	589,308	(70,618)	35,190	(3,757,956)	19,586,240
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	1,892,039	-	(1,892,039)	-	-	-	(1,892,039)	-
Others	-	-	-	(897)	65,822	-	-	-	-	(64,925)	(64,925)	-
BALANCE AT DECEMBER 31, 2021	<u>\$ 106,985,830</u>	<u>\$ 38,687,276</u>	<u>\$ 71,182,447</u>	<u>\$ 2,083,756</u>	<u>\$ 25,236,235</u>	<u>\$ (2,766,438)</u>	<u>\$ 7,527,083</u>	<u>\$ (889,397)</u>	<u>\$ (1,980,688)</u>	<u>\$ 285,008</u>	<u>\$ 2,175,568</u>	<u>\$ 246,351,112</u>

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

**CATHAY UNITED BANK CO., LTD.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	\$ 26,716,196	\$ 25,021,667
Adjustments:		
Depreciation expense	2,731,792	2,655,534
Amortization expense	482,912	460,652
Expected credit loss/bad debt expense	2,568,304	2,900,505
Net gains on financial assets and liabilities at fair value through profit or loss	(1,941,392)	(3,708,743)
Interest expense	7,410,699	11,398,019
Net losses arising from derecognition of financial assets measured at amortised cost	648,158	380,136
Interest income	(43,142,092)	(43,507,190)
Dividend income	(1,579,529)	(992,098)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(925,981)	(837,469)
Loss on disposal of property and equipment	3,024	7,880
Gains on disposal of investment properties	(23,700)	(6,100)
Gains on disposal of investments	(1,929,588)	(3,462,573)
Impairment loss (reversal) on financial assets	(100,980)	104,932
Loss on fair value adjustment of investment property	14,305	28,059
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(13,459,313)	(7,296,976)
Financial assets at fair value through profit or loss	19,611,021	52,458,308
Financial assets at fair value through other comprehensive income	20,718,395	(4,700,245)
Investments in debt instruments at amortised cost	(69,889,863)	(57,842,696)
Receivables	(4,097,922)	113,119
Discounts and loans	(142,028,556)	(108,263,427)
Other financial assets	(8,693,578)	551
Other assets	442,372	(3,138,536)
Deposits from the Central Bank and banks	(772,959)	(7,325,943)
Financial liabilities at fair value through profit or loss	(18,264,546)	(56,037,247)
Notes and bonds issued under repurchase agreement	21,205,527	(33,618,281)
Payables	3,016,078	857,744
Deposits and remittances	286,514,542	283,351,958
Other financial liabilities	(6,676,049)	(24,886,993)
Provisions	(81,670)	(178,103)
Other liabilities	417,357	(543,777)
Cash generated from operations	78,892,964	23,392,667
Interest received	45,561,015	44,540,932
Dividends received	1,591,474	1,009,877
Interest paid	(9,071,041)	(14,218,813)
Income tax paid	(4,309,409)	(4,400,843)
Net cash generated from operating activities	<u>112,665,003</u>	<u>50,323,820</u>

(Continued)

**CATHAY UNITED BANK CO., LTD.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	\$ (900,279)	\$ (892,149)
Proceeds from disposal of property and equipment	422	10,171
Acquisition of intangible assets	(325,080)	(174,744)
Proceeds from disposal of investment properties	117,100	189,100
Other assets	2,497,457	756,657
Dividends received	<u>549,732</u>	<u>512,950</u>
Net cash generated from investing activities	<u>1,939,352</u>	<u>401,985</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in due to the Central Bank and banks	-	1,076,000
Repayments of financial debentures payable	(7,000,000)	(100,000)
Decrease in financial liabilities designated as at fair value through profit or loss	-	(11,312,565)
Payments of lease liabilities	(1,363,638)	(1,401,254)
Other liabilities	(2,998,378)	2,105,921
Cash dividends paid	<u>(15,532,000)</u>	<u>(10,000,000)</u>
Net cash used in financing activities	<u>(26,894,016)</u>	<u>(19,631,898)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(644,950)</u>	<u>(285,572)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	87,065,389	30,808,335
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>140,544,781</u>	<u>109,736,446</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 227,610,170</u>	<u>\$ 140,544,781</u>

(Continued)

CATHAY UNITED BANK CO., LTD.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

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	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
RECONCILIATIONS OF CASH AND CASH EQUIVALENTS REPORTED IN THE STATEMENTS OF CASH FLOWS WITH THOSE REPORTED IN THE BALANCE SHEETS AS OF DECEMBER 31, 2021 AND 2020		
Cash and cash equivalents reported in the balance sheet	\$ 61,282,356	\$ 74,801,339
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	132,152,375	47,405,026
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>34,175,439</u>	<u>18,338,416</u>
Cash and cash equivalents at the end of the year	<u>\$ 227,610,170</u>	<u>\$ 140,544,781</u>

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

(Concluded)

**Cathay United Bank Co., Ltd.**  
**Securities Dept.**  
**2021 and 2020**

Cathay United Bank Co., Ltd.  
Balance Sheet of Securities Dept.  
December 31, 2021 and 2020

Unit: NT\$ thousand

Code	Asset	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
<b>Current assets</b>					
112000	Financial assets at fair value through profit or loss (Note 6 & 12)	\$18,836,515	19	\$41,435,221	31
113200	Financial assets at fair value through other comprehensive income – Current (Note 7 & 12)	3,215,089	3	3,609,002	3
114010	RS bill and bond investment	34,177,859	34	18,342,443	14
114130	Receivable	1,013,558	1	1,414,587	1
114150	Other prepayments	24,184	-	-	-
119000	Other current assets	<u>139,990</u>	<u>-</u>	<u>160,093</u>	<u>-</u>
110000	Total current assets	<u>57,407,195</u>	<u>57</u>	<u>64,961,346</u>	<u>49</u>
<b>Non-current assets</b>					
123200	Financial assets at fair value through other comprehensive income – Non-current (Note 7 & 12)	43,903,504	43	68,497,988	51
123300	Financial assets measured at amortized cost – Non-current (Note 8)	113,802	-	114,250	-
129010	Performance bond (Note 9)	5,000	-	15,700	-
129030	Guarantee deposits paid	<u>300</u>	<u>-</u>	<u>300</u>	<u>-</u>
120000	Total non-current assets	<u>44,022,606</u>	<u>43</u>	<u>68,628,238</u>	<u>51</u>
906001	Total assets	<u>\$101,429,801</u>	<u>100</u>	<u>\$133,589,584</u>	<u>100</u>
<b>Liability and equity</b>					
<b>Current liabilities</b>					
214010	RP bill and bond liabilities (Note 7)	\$ 3,849,548	4	\$ 2,581,896	2
214130	Payables	<u>383,918</u>	<u>-</u>	<u>460,016</u>	<u>-</u>
210000	Total current liability	<u>4,233,466</u>	<u>4</u>	<u>3,041,912</u>	<u>2</u>
<b>Non-current liabilities</b>					
229110	Inter-department debits	<u>95,221,985</u>	<u>94</u>	<u>127,483,116</u>	<u>96</u>
220000	Total of non-current liabilities	<u>95,221,985</u>	<u>94</u>	<u>127,483,116</u>	<u>96</u>
906003	Total liability	<u>99,455,451</u>	<u>98</u>	<u>130,525,028</u>	<u>98</u>
<b>Equity</b>					
301110	Appropriation of working capital	800,000	1	800,000	-
<b>Retained earnings</b>					
304040	Undistributed earnings	1,123,390	1	1,433,392	1
<b>Other equity</b>					
305120	Exchange differences resulting from translating the financial statements of a foreign operation	( 789)	-	-	-
305140	Unrealized valuation profit (loss) of financial assets measured at fair value through other comprehensive income	<u>51,749</u>	<u>-</u>	<u>831,164</u>	<u>1</u>
906004	Total equity	<u>1,974,350</u>	<u>2</u>	<u>3,064,556</u>	<u>2</u>
906002	Total liability and equity	<u>\$101,429,801</u>	<u>100</u>	<u>\$133,589,584</u>	<u>100</u>

The notes attached hereto constitute a part of the standalone financial statements.

Cathay United Bank Co., Ltd.  
Comprehensive Balance Sheet of Securities Dept.  
January 1 to December 31, 2021 and 2020

Unit: NT\$ thousand

Code		2021		2020	
		Amount	%	Amount	%
	Income				
404000	Factoring revenue	\$ 40,570	3	\$ 137,723	7
410000	Net income from sale of operating securities	362,522	26	606,578	33
421200	Interest income	810,430	59	1,231,638	66
421500	Net income from operating securities at fair value through profit or loss	130,766	10	( 88,342 )	( 5 )
425300	Gain on reversal (loss) of expected credit impairment	24,677	2	( 16,233 )	( 1 )
428000	Other operating income	<u>225</u>	<u>-</u>	<u>204</u>	<u>-</u>
400000	Total income	<u>1,369,190</u>	<u>100</u>	<u>1,871,568</u>	<u>100</u>
	Expenditure and expenses				
521200	Finance costs	3,837	-	5,554	-
531000	Employee benefit expenses (Note 10)	11,572	1	9,950	-
528000	Other operating expenses	<u>230,391</u>	<u>17</u>	<u>422,672</u>	<u>23</u>
500000	Total expenditure and expenses	<u>245,800</u>	<u>18</u>	<u>438,176</u>	<u>23</u>
902005	2021 net profit	<u>1,123,390</u>	<u>82</u>	<u>1,433,392</u>	<u>77</u>
	Other comprehensive income				
805600	Items that may be reclassified to profit or loss subsequently				
805610	Exchange differences resulting from translating the financial statements of a foreign operation	( 789 )	-	-	-
805618	Profit or loss from debt instrument measured at fair value through other comprehensive income	( <u>779,415</u> )	( <u>57</u> )	<u>266,317</u>	<u>14</u>
805000	Total other comprehensive income	( <u>780,204</u> )	( <u>57</u> )	<u>266,317</u>	<u>14</u>
902006	2021 total comprehensive income	<u>\$ 343,186</u>	<u>25</u>	<u>\$ 1,699,709</u>	<u>91</u>

The notes attached hereto constitute a part of the standalone financial statements.



# **Appendix VI**

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

**Affiliation report**

**2021**

# Declaration

The 2021 (from January 1 to December 31, 2021) Affiliation Report of the Bank has been prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and there is no material nonconformity between the information disclosed and relevant information disclosed in the notes of the financial statements for the aforementioned period.

Hereby declared by

Company name: Cathay United Bank Co., Ltd.

Chairman: Andrew Ming-Jian Kuo

March 11, 2022

## Review Report of Affiliation Report

Cathay United Bank Co., Ltd.:

We have audited the 2021 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, 2022. The purpose of this audit was to express opinions on the fairness of the financial statement preparation. The attached 2021 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 2021 affiliation report of Cathay United Bank Co., Ltd. has been prepared in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises”; the financial information presented in this report was consistent with the financial statements, and no material amendment was required.

Deloitte & Touche

Certified Public Accountant: Cheng-Hung Kuo

Certified Public Accountant: Hsu-Jan Cheng

March 11, 2022

## Summary on the Relationship between the Affiliated Company and the Controlling Company

Unit: shares

Name of the controlling company	Reasons for control	Share ownership and pledges by the controlling company			Appointment of members of the controlling company as the directors, supervisors, or managers	
		Number of shares held	Ratio of shareholding	Number of shares	Title	Name
Cathay Financial Holding Co., Ltd.	Holds 100% of voting rights-vested shares issued by the company	10,698,582,892	100%	-	Chairman Vice Chairman Managing Director/Independent Director Managing Director Managing Director Independent Director Independent Director Director Director Director Director Director Director Director Director Director Resident Supervisor Supervisor	Andrew Ming-Jian Kuo Tzung-Han Tsai Tang-Chieh Wu Alan Lee Chung-Yi Teng Feng-Chiang Miao Edward Yung-Do Way Tsung-Hsien Tsai Chi-Wei Joong Han-Kuo Chen Chang-Ken Lee Grace Chen Sophia Cheng Jian-Hsing Wu Wei-Hua Chou Yiao-Chiun Lai Chin-Hua Chiu

Note: 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 and Sales

Unit: NT\$ thousand

Transactions with the controlling company				Terms of transactions with the controlling company		Arms length terms of transaction		Reason of the difference	Accounts and notes receivable (payable)		NPL			Remarks
Purchase (Sale)	Amount	Percentage of total purchase (sale)	Gross profit from sale	Price (NT\$)	Duration of Credit	Price (NT\$)	Duration of Credit		Balance	Percentage of total accounts and notes receivable (payable)	Amount	Method of processing	Amount of allowance for bad debt	
None														

Note 1: For the condition of advance receipts (payments), it is necessary to describe the reason, contract terms and conditions, amount and general transaction differences in the Remarks field.

Note 2: For the account items listed in the table that are not applicable, such items may be adjusted individually. If there are no applicable account items as listed in the table due to industry characteristics, this table may be exempted from filling.

## Property Transactions

Unit: NT\$ thousand

Transaction type (acquisition or disposal)	Name of Property	Transaction date or the date when the event occurred	Transaction amount	Delivery or payment terms	Payment or collection status	Gain/loss on disposal (Note 1)	Reason for transacting with the controlling company	Information of the previous transfer (Note 2)				The method for determining the transactions (Note 3)	The basis for determining the prices	The purpose of acquisition or disposal and the condition of use	Other stipulations
								Owner	Relationship with the company	Date of transfer	Amount				
None															

Note 1: Acquisition of property is exempted being stated in the table.

Note 2: (1) For acquisition of property, the original data obtained by the controlling company shall be stated. For disposal of property, the original data obtained by the subordinate company shall be stated.

(2) The field of "Relationship with Company" shall explain the relationship of the owner with the affiliated company and the controlling company.

(3) If the counterparty of the last preceding transfer transaction is a related party, then the information on the last preceding transfer of such related party shall be further indicated in the same field.

Note 3: The determining hierarchy of the transaction shall be explained.

## Financing

Unit: NT\$ thousand

Transaction type (lending or borrowing)	Highest balance	Closing balance	Interest rate range	Total interest happened in current period	Duration of financing tenor	Reason for financing	Collaterals obtained (provided)		The methods for determining the transactions (Note 1)	Provision the allowance for bad debt (Note 2)
							Name	Amount		
None										

Note 1: The determining hierarchy of the transaction shall be explained.

Note 2: For fund borrowing, it is exempted from being stated in the table.

## Assets leasing

Unit: NT\$ thousand

Transaction type (as lessor or lessee)	Underlying asset		Lease duration	Nature of lease (Note 1)	Basis of the determining of the rent	Metod of collection (payment) terms	Comparison with regular rental levels	Sum of rent in the current period	Amount collected/paid in the current year	Other stipulations (Note 2)
	Name	Location								
None										

Note 1: It is necessary to explain whether the nature of leasing is capital leasing or operational leasing.

Note 2: If there is other setting of rights, such as superficies, lien right or easement, such setting of rights shall be indicated in the table.



## Endorsements and Guarantees

Unit: NT\$ thousand

Highest balance	Closing balance		Reason for endorsement / guarantee	Providing collateral as guarantee			Conditions or dates for releasing the guarantee or recovering the collateral	Amount of contingent losses recognized in current financial statement	Any violation against operating guidelines
	Amount	Percentage of net assets in the financial statement		Name	Quantity	Value			
None									

## Other important transactions

Unit: NT\$ thousand

Controlling company	Item	Closing balance	Interest rate range	Total interest
Cathay Financial Holding Co., Ltd.	Demand (current) deposit	\$ 47,839	0.001%-0.1%	\$ 78
	Consolidated tax payable	507,935	-	-
	Sundry income	6,793	-	-

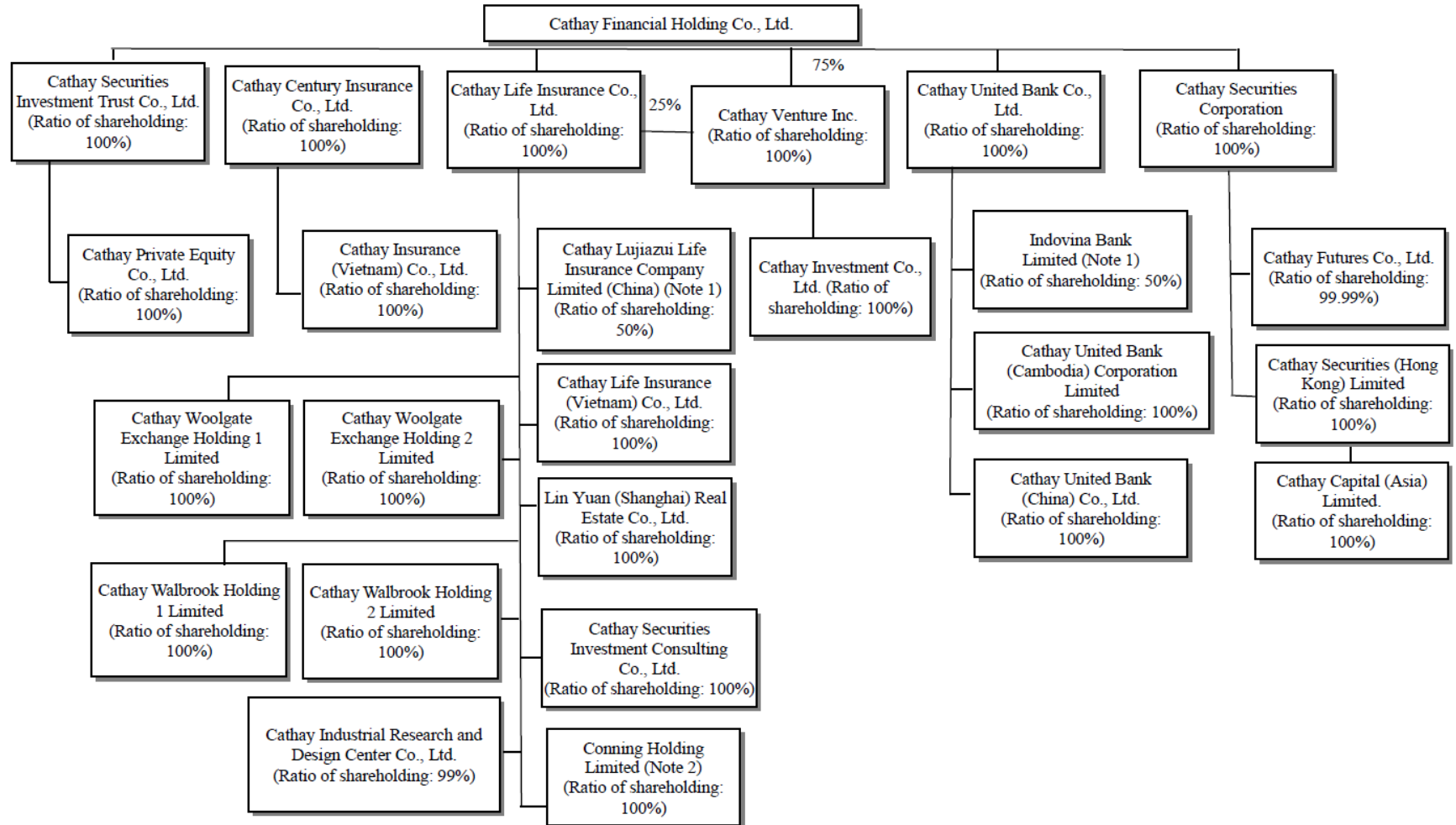
# **Appendix VII**

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

**Consolidated business reports**

**2021**

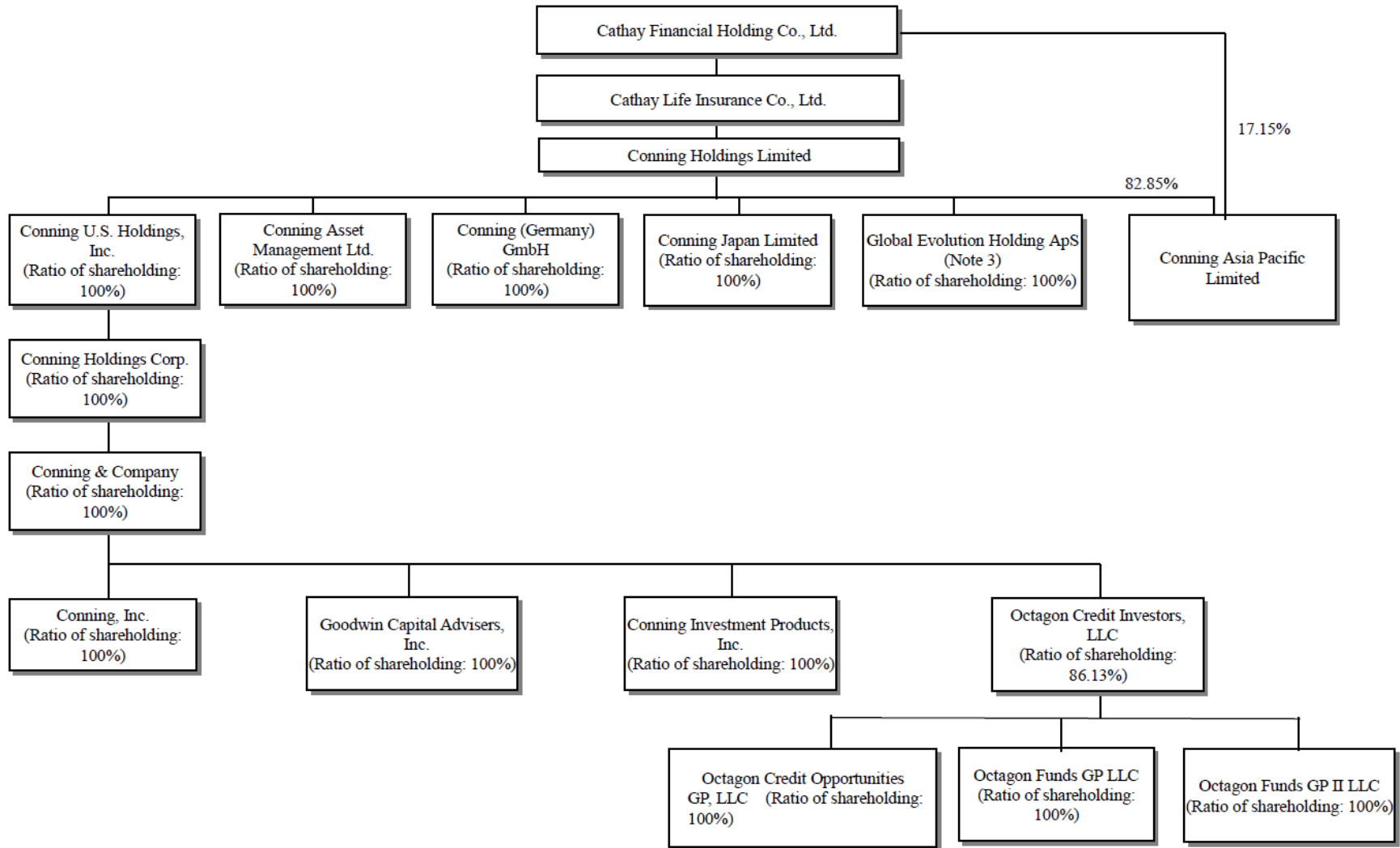
## Organizational Chart of Affiliated Companies



Note 1: A subsidiary other than those referred to in Article 4 of the Financial Holding Company Act.

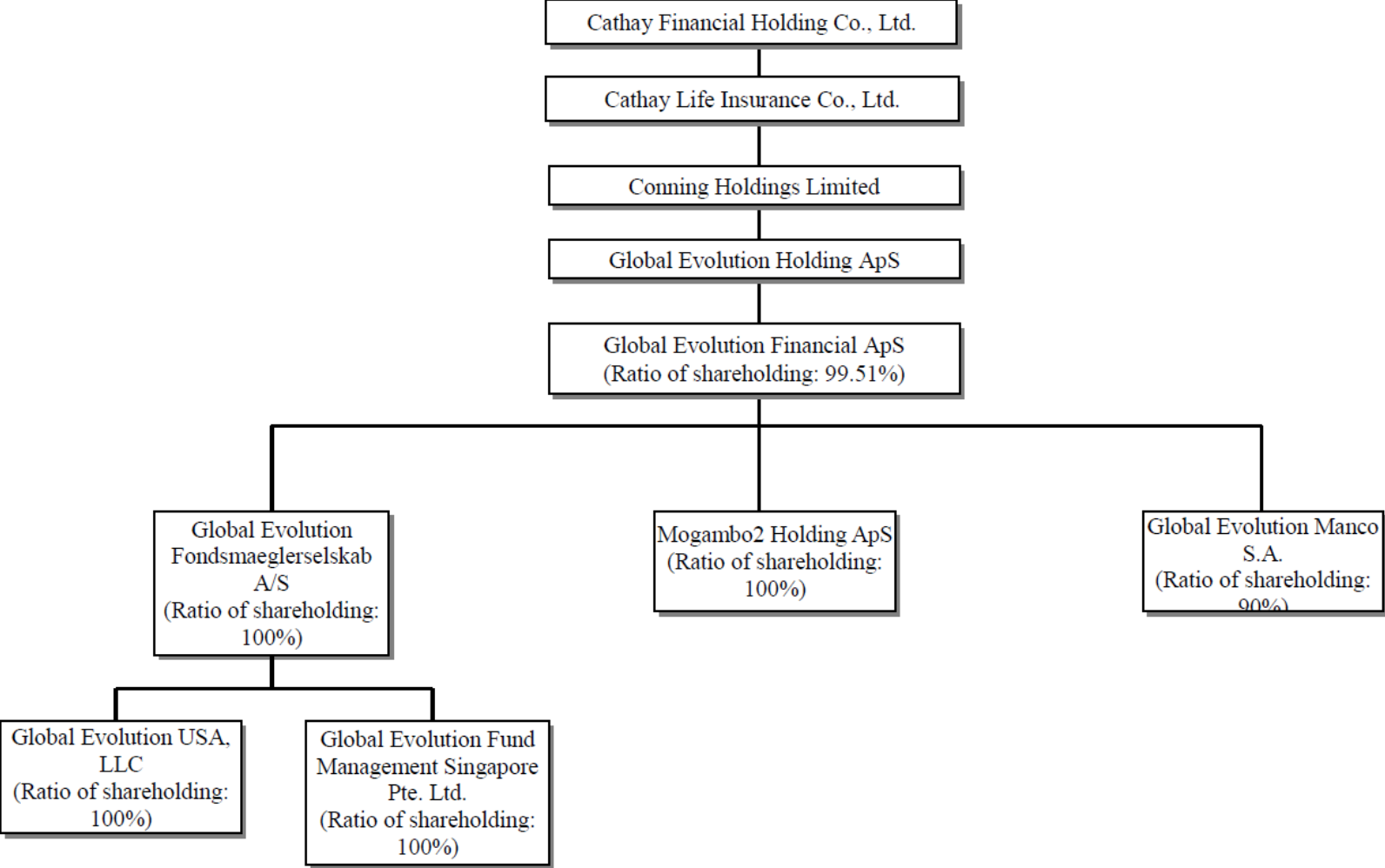
Note 2: Presented as a consolidated entity; refer to the following table.

### Organizational Chart of Affiliated Companies (Continued)



Note 3: Presented as a consolidated entity; please refer to the table next page.

Organizational Chart of Affiliated Companies (Continued)



Basic Information on Affiliates

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Cathay Financial Holding Co., Ltd.	2001.12.31	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	\$ 147,025,102	Financial Holdings
Cathay Life Insurance Co., Ltd.	1962.10.23	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	58,515,274	Personal Insurance
Cathay United Bank Co., Ltd.	1975.1.4	No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	106,985,830	Commercial Bank
Cathay Century Insurance Co., Ltd.	1993.7.19	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	3,057,052	Property and Casualty Insurance
Cathay Securities Corporation	2004.5.12	19-20F., No. 333 and 6, 10, 18-22F., No. 335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	7,300,000	Securities Business
Cathay Venture Inc.	2003.4.10	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	5,181,730	Venture Capital Business
Cathay Securities Investment Trust Co., Ltd.	2000.2.11	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,500,000	Securities Investment Trust
Cathay Securities Investment Consulting Co., Ltd.	2002.11.25	6F., No. 108, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	300,000	Securities investment consulting
Cathay Industry R&D Center Co., Ltd.	2021.01.08	12F., No. 339, Sec. 4 Xinyi Rd., Da'an Dist., Taipei City, Taiwan (R.O.C.) 10657	1,000,000	Real estate rental and leasing
Cathay Lujiazui Life Insurance Company Limited	2004.12.29	38F, Qiantan Center, No. 555, Haiyang W. Rd./No. 588, Dongyu Rd., China (Shanghai) Pilot Free Trade Zone	13,497,155	Personal Insurance
Lin Yuan (Shanghai) Real Estate Co., Ltd.	2012.8.15	Unit 306, 3F., Dining-2 Department, Huadu Building, No. 828-838 Zhangyang Road, Free Economic Pilot Zone, Shanghai City	7,223,435	Leasing of Proprietary Office Space
Cathay Life Insurance (Vietnam) Co., Ltd.	2007.11.21	46-48-50 Pham Hong Thai Street, District 1, Ho Chi Minh City, Vietnam	20,370,930	Personal Insurance
Cathay Woolgate Exchange Holding 1 Limited	2014.7.30	IFC 5, St. Helier, Jersey, JE1 1ST	16,654,013	Management of Real Estate Investment
Cathay Woolgate Exchange Holding 2 Limited	2014.7.30	IFC 5, St. Helier, Jersey, JE1 1ST	168,222	Management of Real Estate Investment
Cathay Walbrook Holding 1 Limited	2015.3.31	IFC 5, St. Helier, Jersey, JE1 1ST	10,189,090	Management of Real Estate Investment
Cathay Walbrook Holding 2 Limited	2015.3.31	IFC 5, St. Helier, Jersey, JE1 1ST	536,268	Management of Real Estate Investment

Basic Information on Affiliates (Continued)

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Conning Holdings Limited	2015.6.10	24 Monument Street, London, EC3R 8AJ, United Kingdom	\$ 15,723,539	Holdings Company
Conning U.S. Holdings, Inc.	2015.6.10	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings Company
Conning Asset Management Ltd.	1998.10.16	24 Monument Street, London, EC3R 8AJ, United Kingdom	191,303	Asset Management
Conning (Germany) GmbH	2012.1.10	Augustinerstr. 10, 50667, Cologne, Germany	938	Risk Management Software Business
Conning Asia Pacific Limited	2011.7.6	19/F LHT Tower, 31 Queen's Road Central, Hong Kong	577,686	Asset Management
Conning Japan Limited	2015.9.3	Oak Minami-Azabu Building 2F, 3-19-23 Minami-Azabu, Minato-ku, Tokyo, Japan	-	Asset Management
Global Evolution Holding ApS	2007.5.1	Kokholm 3A, DK-6000 Kolding, Denmark	127,319	Holdings Company
Conning Holdings Corp.	2009.6.5	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings Company
Conning & Company	1986.7.10	One Financial Plaza, Hartford, CT, 06103, USA	4,485	Holdings Company
Conning, Inc.	1982.9.13	One Financial Plaza, Hartford, CT, 06103, USA	329	Asset Management
Goodwin Capital Advisers, Inc.	1930.3.14	One Financial Plaza, Hartford, CT, 06103, USA	172	Asset Management
Conning Investment Products, Inc.	2002.2.13	One Financial Plaza, Hartford, CT, 06103, USA	-	Securities Business
Octagon Credit Investors, LLC	1998.12.29	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Asset Management
Octagon Credit Opportunities GP, LLC	2014.6.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business
Octagon Funds GP LLC	2014.11.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business
Octagon Funds GP II LLC	2016.1.21	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business



Basic information on affiliates (Continued)

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Global Evolution Financial ApS	2019.1.1	Kokholm 3A, DK-6000 Kolding, Denmark	\$ -	Asset Management
Global Evolution Fondsmæglerselskab A/S	2007.6.4	Kokholm 3A, DK-6000 Kolding, Denmark	-	Asset Management
Global Evolution Manco S.A.	2016.8.17	15, Rue d'Epernay, L-1490 Luxemboug, Luxemburg	-	Asset Management
Global Evolution USA, LLC	2012.1.27	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Asset Management
Global Evolution Fund Management Singapore Pte. Ltd.	2019.10.10	6 Battery Road, #30-00, Singapore 0499909	-	Asset Management
Cathay Insurance (Vietnam) Co., Ltd.	2010.11.2	6th floor, 46-48-50 Pham Hong Thai Street, District 1, Ho Chi Minh City, Vietnam	845,585	Property and Casualty Insurance
Indovina Bank Limited	1992.10.29	97A Nguyen Van Troi Street Ward 12, Phu Nhuan Dist., HCMC, Vietnam	6,094,911	Banking
Cathay United Bank (Cambodia) Corporation Limited	1993.7.5	No.68, Samdech Pan Street (St.214), Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia	3,020,769	Banking
Cathay United Bank (China) Co., Ltd.	2018.9.3	Unit 01-03, 8F. and Unit 01 and 04B, 15F., No. 1366, Lujiazui Ring Road, Pudong New District, Shanghai (Foxconn Building)	14,377,562	Banking
Cathay Futures Co., Ltd.	1993.12.29	19F., No. 333 and 10F. and 5F., No.335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	667,000	Futures business
Cathay Securities (Hong Kong) Limited	2007.3.22	Room 1001, 10F., No. 29 Queen's Road Central (China Building), Central, Hong Kong	1,108,244	Securities Business
Cathay Capital (Asia) Limited.	2020.2.24	Unit B, 17th floor, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong.	3,875	Investment Business
Cathay Investment Co., Ltd.	2019.11.5	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	35,000	Venture Capital Business
Cathay Private Equity Co., Ltd.	2015.11.15	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	150,000	Private equity service

Information on common shareholders assumed to be in a controlling and subordinate relationship

Unit: NT\$ thousand; Share; %

Reason of assumption	Name (Note 1)	Number of shares held (Note 2)		Date of establishment	Address	Paid-in capital	Core Business
		Number of shares	Ratio of shareholding				
None							

Note 1: If the subsidiaries share identical shareholders that are corporations, the preparer should fill in the name of the corporations. If the subsidiaries share identical individual shareholders, the preparer should fill in the name of the individuals. Individual shareholders only need to fill in the reason of assumption, the names, and the number of shares held.

Note 2: The preparer fills in the information on stock ownership on the company that shareholders control in the section on the shares held.

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Financial Holding Co., Ltd.	Chairman	Hong-Tu Tsai	51,553,364	0.35%
	Vice Chairman	Tsu-Pei Chen (Representative of Culture and Charity Foundation of the Cathay United Bank)	6,600,740	0.05%
	Director	Andrew Ming-Jian Kuo (Representative of Culture and Charity Foundation of the Cathay United Bank)	6,600,740	0.05%
	Director	Cheng-Ta Tsai (Representative of Chia Yi Capital Co., Ltd.)	60,241,183	0.41%
	Director	Chi-Wei Joong (Representative of Chia Yi Capital Co., Ltd.)	60,241,183	0.41%
	Director	Cheng-Chiu Tsai (Representative of Chen Sheng Industrial Co., Ltd.)	33,875,134	0.23%
	Director	Tiao-Kuei Huang (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Director	Ming-Ho Hsiung (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Director	Chang-Ken Lee (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Independent Director	Edward Yung-Do Way	-	-
	Independent Director	Feng-Chiang Miao	-	-
	Independent Director	Li-Ling Wang	-	-
	Independent Director	Tang-Chieh Wu	-	-
	President	Chang-Ken Lee	151,729	0.001%

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Life Insurance Co., Ltd.	Chairman	Tiao-Kuei Huang (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Vice Chairman	Ming-Ho Hsiung (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Chung-Yan Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	John Chu (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Shang-Chi Liu (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Chao-Ting Lin (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Independent Director	Li-Ling Wang (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Resident Supervisor	Chih-Ying Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Chih-Ming Lin (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Yung-Chen Li (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Han-Chang Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
President	Shang-Chi Liu	-	-	

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay United Bank Co., Ltd.	Chairman	Andrew Ming-Jian Kuo (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Vice Chairman	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director/ Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director	Alan Lee (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Han-Kuo Chen (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Chi-Wei Joong (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Wei-Hua Chou (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Jian-Hsing Wu (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Sophia Cheng (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Independent Director	Edward Yung-Do Way (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Resident Supervisor	Yiao-Chiun Lai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Supervisor	Chin-Hua Chiu (Representative of Cathay Financial Holdings)	10,698,582,892	100%
President	Alan Lee	-	-	

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Century Insurance Co., Ltd.	Chairman	Cheng-Chiu Tsai (Representative of Cathay Financial Holdings)	305,705,194	100%
	Vice Chairman	Jung-Hsien Hsu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Fa-Te Chang (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Tsu-Yao Lu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Chih-Yi Yu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Wan-Hsiang Chen (Representative of Cathay Financial Holdings)	305,705,194	100%
	Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	305,705,194	100%
	Resident Supervisor	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Supervisor	Tso-Hsing Hsu (Representative of Cathay Financial Holdings)	305,705,194	100%
President	Wan-Hsiang Chen	-	-	
Cathay Securities Corporation	Chairman	Shun-Yu Chuang (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Kuan-Cheng Chou (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Chuang-Hao Lo (Representative of Cathay Financial Holdings)	730,000,000	100%
	Independent Director	Edward Yung-Do Way (Representative of Cathay Financial Holdings)	730,000,000	100%
	Independent Director	Wei-Kang Pan (Representative of Cathay Financial Holdings)	730,000,000	100%
	Supervisor	Ta-Kun Liu (Representative of Cathay Financial Holdings)	730,000,000	100%
	Supervisor	Bo-Sheng Fu (Representative of Cathay Financial Holdings)	730,000,000	100%
	President	Kuan-Cheng Chou	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Venture Inc.	Chairman	Jen-Ho Chang (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Sophia Cheng (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Chuan-Yen Hu (Representative of Cathay Financial Holdings)	388,629,745	75%
	Supervisor	Shun-Yu Chuang	-	-
	President	Jen-Ho Chang	-	-
Cathay Securities Investment Trust Co., Ltd.	Chairman	Jeff Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Andrew Ming-Jian Kuo (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yi-Fang Tsai (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Linwood ("Woody") E. Bradford, Jr. (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Hung-Ming Lee (Representative of Cathay Financial Holdings)	150,000,000	100%
	Supervisor	Jui-Hung Hung (Representative of Cathay Financial Holdings)	150,000,000	100%
	President	Yung-Chuan Chang	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Securities Investment Consulting Co., Ltd.	Chairman	Yi-Tsung Wang (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Ching-Li Chang (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Linwood (“Woody”) E. Bradford, Jr. (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Hsiang-Sung Chang (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Chun-Hung Wu (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Ruo-Lan Huang (Representative of Cathay Life Insurance)	30,000,000	100%
	Supervisor	Wei-Chi Li (Representative of Cathay Life Insurance)	30,000,000	100%
	President	Ruo-Lan Huang	-	-
Cathay Industry R&D Center Co., Ltd.	Chairman	Jen-Ho Chang	-	-
	Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	99,000,000	99%
	Director	Min-Hung Shih	-	-
	Supervisor	Hsu-Feng Cheng	-	-
	President	-	-	-
Cathay Lujiazui Life Insurance Company Limited	Chairman	Tso-Chiang Li (Representative of Shanghai Lujiazui Finance & Trade Zone Development Company Limited)	-	50%
	Director	Yen Wang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Company Limited)	-	50%
	Director	Tung-Kai Ou Yang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Company Limited)	-	50%
	Director	Shih-Chiao Lin (Representative of Cathay Life Insurance)	-	50%
	Director	Chun-Hung Wu (Representative of Cathay Life Insurance)	-	50%
	Director	Chih-Jung Kung (Representative of Cathay Life Insurance)	-	50%
	Independent Director	Fang-Shu Chan (Representative of Cathay Life Insurance)	-	50%
	Independent Director	Chiang-Feng Lin (Representative of Cathay Life Insurance)	-	50%
	Independent Director	Chung-Chi Chang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.)	-	50%
	Independent Director	Tao-Yung Lou (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.)	-	50%
President	Chih-Jung Kung	-	-	



Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
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	Chun-Hung Wu (Representative of Cathay Life Insurance)	-	100%
	Director	Shih-Chiao Lin (Representative of Cathay Life Insurance)	-	100%
	Director	Hsun-Yu Li (Representative of Cathay Life Insurance)	-	100%
	Supervisor	Ke-Wen Chang (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; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
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	Linwood ("Woody") E. Bradford, Jr. (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%
President	-	-	-	
Conning U.S. Holdings, Inc.	Chairman	Linwood ("Woody") E. Bradford, Jr. (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; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Conning Asset Management Ltd.	Chairman	Linwood ("Woody") E. Bradford, Jr. (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, Jr. (Representative of Conning Holdings Limited)	25,100	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	25,100	100%
	President	-	-	-
Conning Asia Pacific Limited	Chairman	Linwood ("Woody") E. Bradford, Jr. (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Bo Rolf Anders Kratz (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Siew Mee Yeo (Representative of Conning Holdings Limited)	226,150,417	82.85%
	President	-	-	-
Conning Japan Limited	Director	Bo Rolf Anders Kratz (Representative of Conning Holdings Limited)	1	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	1	100%
	President	-	-	-
Global Evolution Holding ApS	Chairman	Linwood ("Woody") E. Bradford, Jr. (Representative of Conning Holdings Limited)	4,254,102	61.15%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	4,254,102	61.15%
	President	-	-	-
Conning Holdings Corp.	Chairman	Linwood ("Woody") E. Bradford, Jr. (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	-	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Conning & Company	Chairman	Linwood ("Woody") E. Bradford, Jr. (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	-	-	-
Conning, Inc.	Chairman	Linwood ("Woody") E. Bradford, Jr. (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, Jr. (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, Jr. (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, Jr. (Representative of Conning & Company)	-	86.13%
	Director	Jung W. Lee (Representative of Conning & Company)	-	86.13%
	Director	Richard Sega (Representative of Conning & Company)	-	86.13%
	Director	Andrew D. Gordon (Representative of Conning & Company)	-	86.13%
	Director	Michael Nechamkin (Representative of Conning & Company)	-	86.13%
	President	-	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Octagon Credit Opportunities GP, LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP II LLC	N/A	Octagon Credit Investors, LLC	-	100%
Global Evolution Financial ApS	N/A	Global Evolution Holding ApS	-	99.51%
Global Evolution Fondsmæglerselskab A/S	N/A	Global Evolution Financial ApS	-	100%
Global Evolution Manco S.A.	N/A	Global Evolution Financial ApS	-	90%
Global Evolution USA, LLC	N/A	Global Evolution Fondsmæglerselskab A/S	-	100%
Global Evolution Fund Management Singapore Pte. Ltd.	N/A	Global Evolution Fondsmæglerselskab A/S	-	100%
Cathay Insurance (Vietnam) Co., Ltd.	Chairman	Yi-Min Hu (Representative of Cathay Century Insurance)	-	100%
	Director	Yu-Tang Lin (Representative of Cathay Century Insurance)	-	100%
	Director	Ming-Chiao Liang (Representative of Cathay Century Insurance)	-	100%
	President	Yu-Tang Lin	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Indovina Bank Limited	Chairman	Le Duy Hai (Representative of Vietinbank)	-	50%
	Vice Chairman	Ming-Hsien Li (Representative of Cathay United Bank)	-	50%
	Director	Chun-Hao Liu (Representative of Cathay United Bank)	-	50%
	Director	Yi-Fang Chan (Representative of Cathay United Bank)	-	50%
	Director	Tran Thi Hong Anh (Representative of Vietinbank)	-	50%
	Director	Pham Bao Khue (Representative of Vietinbank)	-	50%
	President	Chun-Hao Liu	-	-
Cathay United Bank (Cambodia) Corporation Limited	Chairman	Chung-Yi Teng (Representative of Cathay United Bank)	100,000,000	100%
	Director	David P. Sun (Representative of Cathay United Bank)	100,000,000	100%
	Director	Chih-Fong Wang (Representative of Cathay United Bank)	100,000,000	100%
	Director	Hua-Ben Miao (Representative of Cathay United Bank)	100,000,000	100%
	Director	Hsiu-Chu Chuang (Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Wu-Shui Cheng (Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Chang-Chuan Hsia (Representative of Cathay United Bank)	100,000,000	100%
	President	Hsiu-Chu Chuang	-	-
Cathay United Bank (China) Co., Ltd.	Chairman	Wei-Hua Chou (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	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%
	Independent Director	Pin Tang (Representative of Cathay United Bank)	-	100%
	Supervisor	Hsiang-Hsin Tsai (Representative of Cathay United Bank)	-	100%
	President	Francis Peng	-	-

Information on directors, supervisors and presidents of the company's affiliates (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Futures Co., Ltd.	Chairman	Kuan-Cheng Chou (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Ju-Ping Chiu (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Chuang-Hao Lo (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Chao-Kuei Kuo (Representative of Cathay Securities)	66,693,748	99.99%
	Supervisor	Yu-Mei Lee	-	-
	President	Chuang-Hao Lo	-	-
Cathay Securities (Hong Kong) Limited	Director / President	Shun-Yu Yang (Representative of Cathay Securities)	-	100%
	Director	Wan-Chin Chen (Representative of Cathay Securities)	-	100%
	Director	Hsing-Chien Chao (Representative of Cathay Securities)	-	100%
	President	-	-	-
Cathay Capital (Asia) Limited.	Director / President	Shun-Yu Yang (Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	Director	Chu-Wang Wu (Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	Director	Chi-Wu Chen (Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	President	-	-	-
Cathay Investment Co., Ltd.	Chairman	Jen-Ho Chang (Representative of Cathay Venture)	3,500,000	100%
	Supervisor	Chang-Hui Hung (Representative of Cathay Venture)	3,500,000	100%
	President	Jen-Ho Chang	-	-
Cathay Private Equity Co., Ltd.	Chairman	Jeff Chang (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Andrew Ming-Jian Kuo (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Chuan-Yen Hu (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Hui-Chun Wu (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Supervisor	Kou-Chung Huang (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	President	Chuan-Yen Hu	-	-

Operating overview of affiliated corporations

Unit: NT\$ thousand

Corporate name	Location	Capital	Total assets	Total Liabilities	Net worth	Operating income	Operating Profit (loss) /Net income (loss)	Current pre-tax (loss) profit	Income tax (expense) benefit	Current net (loss) profit	Earnings Per Share (NTD)
Cathay Financial Holding Co., Ltd.	Taiwan	\$ 147,025,102	\$1,024,772,420	\$ 122,734,274	\$ 902,038,146	Note 1	\$ 142,322,780	\$ 140,556,310	(\$ 1,042,228)	\$ 139,514,082	10.34
Cathay Life Insurance Co., Ltd.	Taiwan	58,515,274	7,985,611,163	7,251,168,251	734,442,912	914,869,993	123,035,433	124,599,073	( 12,368,278)	112,230,795	19.18
Cathay United Bank Co., Ltd.	Taiwan	106,985,830	3,380,077,555	3,133,726,443	246,351,112	Note 1	61,210,193	26,716,196	( 3,372,000)	23,344,196	2.18
Cathay Century Insurance Co., Ltd.	Taiwan	3,057,052	49,312,402	34,865,089	14,447,313	21,836,128	2,514,397	2,556,763	( 381,465)	2,175,298	7.12
Cathay Securities Corporation	Taiwan	7,300,000	56,869,433	43,824,399	13,045,034	6,840,727	2,666,641	2,720,376	( 519,834)	2,200,542	3.01
Cathay Venture Inc.	Taiwan	5,181,730	6,477,090	52,520	6,424,570	518,051	466,237	465,005	( 29,369)	435,636	0.84
Cathay Securities Investment Trust Co., Ltd.	Taiwan	1,500,000	4,540,105	988,137	3,551,968	3,855,397	1,877,684	1,778,571	( 376,153)	1,402,418	9.35
Cathay Securities Investment Consulting Co., Ltd.	Taiwan	300,000	924,924	224,950	699,974	941,120	318,187	317,483	( 63,496)	253,987	8.47
Cathay Industry R&D Center Co., Ltd.	Taiwan	1,000,000	2,388,697	1,471,679	917,018	( 33,281)	( 95,348)	( 95,348)	12,366	( 82,982)	(0.83)
Cathay Lujiazui Life Insurance Company Limited	China	13,497,155	71,971,070	58,882,780	13,088,290	18,345,788	703,957	696,328	83,420	779,748	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	China	7,223,435	8,820,894	672,881	8,148,013	329,311	287,672	287,672	( 71,918)	215,754	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	20,370,930	32,411,634	9,635,734	22,775,900	4,409,627	80,884	88,010	-	88,010	-
Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	16,654,013	13,142,740	151	13,142,589	479,060	370,847	370,847	( 32,379)	338,468	-
Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	168,222	130,595	151	130,444	4,829	3,049	3,049	( 165)	2,884	-
Cathay Walbrook Holding 1 Limited	Jersey Island	10,189,090	20,330,244	11,746,604	8,583,640	578,970	102,463	102,463	( 14,813)	87,650	-
Cathay Walbrook Holding 2 Limited	Jersey Island	536,268	1,072,473	625,653	446,820	30,470	4,404	4,404	( 262)	4,142	-
Conning Holdings Limited (Note 2)	UK	15,723,539	24,855,613	9,605,029	15,250,584	10,453,473	2,627,127	2,627,127	( 541,300)	2,085,827	-
Conning U.S. Holdings, Inc.	USA	-	16,074,629	5,423,894	10,650,735	7,422,919	1,289,717	1,289,717	( 258,481)	1,031,236	-
Conning Asset Management Ltd.	UK	191,303	402,349	136,504	265,845	282,400	37,117	37,117	( 5,351)	31,766	-
Conning (Germany) GmbH	Germany	938	46,304	22,022	24,282	13,287	3,583	3,583	( 2,118)	1,465	-
Conning Asia Pacific Limited	Hong Kong	577,686	560,888	115,867	445,021	484,926	149,916	149,916	( 9,805)	140,111	-
Conning Japan Limited	Japan	-	11	-	11	-	-	-	-	-	-
Global Evolution Holding ApS	Denmark	127,319	2,004,210	782,784	1,221,426	2,309,929	1,283,691	1,283,691	( 307,032)	976,659	-
Conning Holdings Corp.	USA	-	11,057,616	4,390,364	6,667,252	7,422,919	1,383,466	1,383,466	( 285,971)	1,097,495	-
Conning & Company	USA	4,485	10,359,635	4,402,731	5,956,904	7,422,938	1,386,447	1,386,447	( 285,833)	1,100,614	-



Corporate name	Location	Capital	Total assets	Total Liabilities	Net worth	Operating income	Operating Profit (loss) /Net income (loss)	Current pre-tax (loss) profit	Income tax (expense) benefit	Current net (loss) profit	Earnings Per Share (NTD)
Conning, Inc.	USA	\$ 329	\$ 2,840,592	\$ 1,641,565	\$ 1,199,027	\$ 3,677,383	\$ 244,795	\$ 244,795	(\$ 25,932)	\$ 218,863	-
Goodwin Capital Advisers, Inc.	USA	172	63,638	19,313	44,325	84,736	43,946	43,946	( 8,096)	35,850	-
Conning Investment Products, Inc.	USA	-	20,773	2,440	18,333	13,084	( 2,720)	( 2,720)	( 98)	( 2,818)	-
Octagon Credit Investors, LLC	USA	-	3,709,634	1,210,923	2,498,711	3,783,786	1,304,820	1,304,820	( 33,213)	1,271,607	-
Octagon Credit Opportunities GP, LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP II LLC	USA	-	-	-	-	-	-	-	-	-	-
Global Evolution Financial ApS	Denmark	-	-	-	-	-	-	-	-	-	-
Global Evolution Fondsmaglerselskab A/S	Denmark	-	-	-	-	-	-	-	-	-	-
Global Evolution Manco S.A.	Luxembourg	-	-	-	-	-	-	-	-	-	-
Global Evolution USA, LLC	USA	-	-	-	-	-	-	-	-	-	-
Global Evolution Fund Management Singapore Pte. Ltd.	Singapore	-	-	-	-	-	-	-	-	-	-
Cathay Insurance (Vietnam) Co., Ltd.	Vietnam	845,585	1,214,847	587,784	627,063	360,019	38,018	37,177	( 10,112)	27,065	-
Indovina Bank Limited	Vietnam	6,094,911	68,528,509	59,776,329	8,752,180	Note 1	2,175,330	1,138,282	( 210,046)	928,236	-
Cathay United Bank (Cambodia) Corporation Limited	Cambodia	3,020,769	12,083,921	9,135,232	2,948,689	Note 1	533,115	117,807	( 15,685)	102,122	1.02
Cathay United Bank (China) Co., Ltd.	China	14,377,562	81,801,723	65,217,459	16,584,264	Note 1	1,237,674	311,968	( 73,452)	238,516	-
Cathay Futures Co., Ltd.	Taiwan	667,000	14,470,981	12,337,563	2,133,418	373,013	( 12,531)	56,615	( 7,341)	49,274	0.74
Cathay Securities (Hong Kong) Limited	Hong Kong	1,108,244	1,150,989	617,754	533,235	95,696	( 44,118)	( 40,735)	-	( 40,735)	-
Cathay Capital (Asia) Limited.	Hong Kong	3,875	1,405,235	1,398,834	6,401	24,688	6,332	6,337	( 3,029)	3,308	-
Cathay Investment Co., Ltd.	Taiwan	35,000	34,276	39	34,237	54	( 156)	( 154)	( 141)	( 295)	(0.08)
Cathay Private Equity Co., Ltd.	Taiwan	150,000	118,338	14,196	104,142	17,504	( 24,944)	( 28,210)	4,946	( 23,264)	(2.19)

Note 1: Due to revisions in Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and Regulations Governing the Preparation of Financial Reports by Public Banks, the financial statements of such companies do not include items such as operating revenue and operating income. Therefore, the company only discloses net income.

Note 2: Conning Holdings Limited is presented on a consolidated basis.

## Brief descriptions of the operations of affiliated corporations

### I. Businesses activities covered by affiliated companies

- (1) Cathay Financial Holding Co., Ltd.: Financial holding.
- (2) Cathay Life Insurance Co., Ltd.: Life insurance.
- (3) Cathay United Bank Co., Ltd.: Commercial Bank.
- (4) Cathay Century Insurance Co., Ltd.: Property and Casualty Insurance.
- (5) Cathay Securities Corporation: Securities Business.
- (6) Cathay Venture Inc.: Venture Capital Business.
- (7) Cathay Securities Investment Trust Co., Ltd.: Securities Investment Trust Business.
- (8) Cathay Securities Investment Consulting Co., Ltd.: Securities Investment Consulting Services.
- (9) Cathay Industry R&D Center Co., Ltd.: Real estate rental and leasing.
- (10) Cathay Lujiazui Life Insurance Company Limited: Personal Insurance.
- (11) Lin Yuan (Shanghai) Real Estate Co., Ltd.: Leasing of Proprietary Office Space.
- (12) Cathay Life Insurance (Vietnam) Co., Ltd.: Personal Insurance.
- (13) Cathay Woolgate Exchange Holding 1 Limited: Management of Real Estate Investment.
- (14) Cathay Woolgate Exchange Holding 2 Limited: Management of Real Estate Investment.
- (15) Cathay Walbrook Holding 1 Limited: Management of Real Estate Investment.
- (16) Cathay Walbrook Holding 2 Limited: Management of Real Estate Investment.
- (17) Conning Holdings Limited: Holdings Company.
- (18) Conning U.S. Holdings, Inc.: Holdings Company.
- (19) Conning Asset Management Ltd.: Asset Management Business.
- (20) Conning (Germany) GmbH: Risk Management Software Business.
- (21) Conning Asia Pacific Limited: Asset Management Business.

- (22) Conning Japan Limited: Asset Management Business.
- (23) Global Evolution Holding ApS: Holdings Company.
- (24) Conning Holdings Corp.: Holdings Company.
- (25) Conning & Company: Holdings Company.
- (26) Conning, Inc.: Asset Management Business.
- (27) Goodwin Capital Advisers, Inc.: Asset Management Business.
- (28) Conning Investment Products, Inc.: Securities Business.
- (29) Octagon Credit Investors, LLC: Asset Management Business.
- (30) Octagon Credit Opportunities GP, LLC: Fund Management Business.
- (31) Octagon Funds GP LLC: Fund Management Business.
- (32) Octagon Funds GP II LLC: Fund Management Business.
- (33) Global Evolution Financial ApS: Asset Management Business.
- (34) Global Evolution Fondsmæglersekskab A/S: Asset Management Business.
- (35) Global Evolution Manco S.A.: Asset Management Business.
- (36) Global Evolution USA, LLC: Asset Management Business.
- (37) Global Evolution Fund Management Singapore Pte. Ltd.: Asset Management Business.
- (38) Cathay Insurance (Vietnam) Co., Ltd.: Property and Casualty Insurance.
- (39) Indovina Bank Limited: Banking.
- (40) Cathay United Bank (Cambodia) Corporation Limited: Banking.
- (41) Cathay United Bank (China) Co., Ltd.: Banking
- (42) Cathay Futures Co., Ltd.: Futures
- (43) Cathay Securities (Hong Kong) Limited: Securities.
- (44) Cathay Capital (Asia) Limited.: Investment Business
- (45) Cathay Investment Co.: Venture Capital Business
- (46) Cathay Private Equity Co., Ltd.: Private Equity Service

## II. Job specialization with affiliated enterprises:

### (I) Coordinated business promotion

To improve competitiveness and operational synergy, our Company consolidated diverse financial institutions, including the bank, the insurance Company, and the securities firm, to create an operation platform with comprehensive product lines. By having 667 business locations throughout Taiwan and nearly 30,000 well-trained sales staff, the Company develops comprehensive financial management and provides one-stop shopping service for customers.

### (II) Shared use of information

To provide comprehensive financial products and services to customers, our Company has stipulated “Regulations Governing Management of Joint Marketing Among Subsidiaries of Cathay Financial Holdings,” “Joint Marketing Agreement Among Subsidiaries of Cathay Financial Holdings,” “Business and Customer Information Confidentiality Agreement Among Subsidiaries of Cathay Financial Holdings,” “Joint Statement of Confidentiality Measures Among Subsidiaries of Cathay Financial Holdings,” “Regulations Governing Surveillance on Marketing of Subsidiaries by Marketing and Planning Department of Cathay Financial Holdings,” and “Regulations Governing Data Storage Management of Cathay Financial Holdings” pursuant to “Financial Holding Company Act,” “Personal Information Protection Act,” “Regulations Governing Management of Joint Marketing Among Subsidiaries of a Financial Holding Company,” “Rules on Self-regulation for Financial Holding Companies and Their Subsidiaries,” and other applicable letters and orders by FSC. Our Company also provides exit mechanism for customers, striving to use customer information from one another and provide comprehensive financial products and services in an environment that is as lawful, secure, and confidential as possible.

### (III) Shared use of business equipment or premise

The group continues to expand joint marketing within the scope approved by law in order to provide the ultimate one-stop financial service experience.

1. Cathay United Bank has 165 branches involved in the joint marketing of securities. Following deregulation a few years back, Cathay United Bank began providing insurance agency services on April 29, 2016, and has since been coordinating its 165 branches nationwide for the sale of life insurance and non-life insurance products.
2. Similarly, Cathay Life began joint marketing of banking and non-life insurance services through its 58 service centers.
3. Meanwhile, Cathay Securities has set up joint marketing offices at 32 branches of Cathay Life including Zhongxiao Branch. By sharing business premises and equipment among subsidiaries, the group has made it convenient for customers to open up securities accounts.

(IV) Method and amount of allocation for revenue, cost, expense and profit/loss

Revenues, costs, expenses and profits/losses relating to business activities jointly performed between the Company and subsidiaries are allocated to the respective companies according to the nature of business activities using direct attribution or other reasonable method.

Cathay United Bank Co., Ltd.

Chairman Andrew Ming-Jian Kuo

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