Cathay United Bank Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2022 and 2021 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Cathay United Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively, the "Company"), as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2022 and 2021, and its consolidated financial performance for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Cheng-Hung Kuo and Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 10, 2022

<u>*Notice to Readers*</u>

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

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	$ 66,779,068	2	$ 65,389,093	2	$ 43,642,478	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 7, 44 and 45)	350,548,777	9	234,546,475	7	198,499,396	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	285,860,868	7	285,354,534	8	277,943,963	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 45 and 49)	430,214,587	11	313,368,538	9	342,173,291	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 45 and 49)	478,575,106	13	571,901,742	16	558,497,730	16
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	28,033,797	1	42,029,115	1	37,023,846	1
RECEIVABLES, NET (Notes 4, 13, 15 and 44)	106,147,002	3	103,894,679	3	93,996,532	3
CURRENT INCOME TAX ASSETS (Note 4)	8,336	-	2,740	-	7,552	-
ASSETS HELD FOR SALE, NET (Notes 4 and 18)	-	-	283,087	-	-	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 44)	2,002,636,393	52	1,807,076,659	52	1,800,415,752	53
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 17)	1,771,461	-	1,832,266	-	1,883,354	-
OTHER FINANCIAL ASSETS, NET (Note 6)	126	-	4,346,973	-	4,308,345	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	24,307,137	1	24,504,088	1	24,891,994	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 19 and 44)	3,908,956	-	3,660,366	-	3,662,341	-
INVESTMENT PROPERTIES, NET (Notes 4 and 20)	2,018,816	-	657,440	-	548,441	-
INTANGIBLE ASSETS, NET (Notes 4 and 21)	8,331,434	-	8,250,600	-	8,150,189	-
DEFERRED TAX ASSETS (Note 4)	3,159,333	-	4,612,273	-	4,532,846	-
OTHER ASSETS, NET (Notes 22 and 44)	47,676,004	1	27,612,414	1	23,773,704	1
TOTAL	$ 3,839,977,201	100	$ 3,499,323,082	100	$ 3,423,951,754	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	$ 95,969,588	3	$ 74,605,174	2	$ 82,603,839	3
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)	170,396,073	4	75,884,932	2	77,217,915	2
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 24)	36,827,441	1	37,161,652	1	21,300,298	1
PAYABLES (Notes 25 and 44)	27,199,668	1	27,055,843	1	40,260,736	1
CURRENT TAX LIABILITIES (Note 4)	437,374	-	71,994	-	197,452	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	3,170,302,999	83	2,935,693,967	84	2,857,078,866	84
FINANCIAL DEBENTURES PAYABLE (Note 27)	37,000,000	1	46,800,000	2	46,800,000	1
OTHER FINANCIAL LIABILITIES (Note 28)	45,050,985	1	31,502,729	1	32,479,099	1
PROVISIONS (Notes 4, 15 and 29)	3,558,210	-	3,810,166	-	3,741,235	-
LEASE LIABILITIES (Notes 4, 19 and 44)	3,945,386	-	3,679,114	-	3,710,435	-
DEFERRED TAX LIABILITIES (Note 4)	1,471,409	-	2,872,121	-	2,938,393	-
OTHER LIABILITIES (Notes 4, 31 and 44)	11,808,769	-	8,382,187	-	8,451,061	-
Total liabilities	3,603,967,902	94	3,248,595,879	93	3,177,855,329	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 32)						
Capital stock						
Common stock	108,598,655	3	106,985,830	3	106,985,830	3
Capital surplus	38,687,276	1	38,687,276	1	38,687,276	1
Retained earnings						
Legal reserve	78,748,709	2	71,182,447	2	71,182,447	2
Special reserve	2,077,665	-	2,083,756	-	2,083,756	-
Unappropriated earnings	19,185,619	1	25,236,235	1	20,614,394	1
Total retained earnings	100,011,993	3	98,502,438	3	93,880,597	3
Other equity	(15,589,998)	(1)	2,175,568	-	2,447,888	-
Total equity attributable to owners of the Bank	231,707,926	6	246,351,112	7	242,001,591	7
NON-CONTROLLING INTERESTS (Note 32)	4,301,373	-	4,376,091	-	4,094,834	-
Total equity	236,009,299	6	250,727,203	7	246,096,425	7
TOTAL	$ 3,839,977,201	100	$ 3,499,323,082	100	$ 3,423,951,754	100

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
NET INTEREST REVENUE (Notes 4, 33 and 44)								
Interest income	$ 19,043,964	93	$ 12,455,468	72	$ 47,178,918	85	$ 36,479,738	74
Interest expense	(6,038,131)	(29)	(2,622,027)	(15)	(12,265,493)	(22)	(7,991,293)	(16)
Total net interest revenue	13,005,833	64	9,833,441	57	34,913,425	63	28,488,445	58
NET REVENUE OTHER THAN INTEREST								
Net service fee revenue (Notes 4, 34 and 44)	4,913,445	24	5,387,663	31	13,855,268	25	14,085,471	29
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 35 and 44)	2,066,600	10	300,888	2	2,780,913	5	1,782,391	4
Realized (loss) gain on financial assets at fair value through other comprehensive income (Notes 4, 9 and 36)	(558,013)	(3)	1,304,574	8	1,241,796	2	3,687,157	7
Gain (loss) arising from derecognition of financial assets measured at amortised cost (Notes 4, 10 and 14)	80,760	-	(122,103)	(1)	(129,359)	-	(443,242)	(1)
Foreign exchange gain (Notes 4 and 50)	762,025	4	332,196	2	1,794,919	3	804,369	2
Impairment reversal (loss) on assets (Notes 4 and 37)	1,282	-	(2,993)	-	(18,190)	-	86,629	-
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 17)	16,851	-	33,043	-	21,026	-	104,575	-
Net other revenue other than interest income (Notes 4 and 44)	112,801	1	88,360	1	760,385	2	362,837	1
Total net revenue other than interest	7,395,751	36	7,321,628	43	20,306,758	37	20,470,187	42
NET REVENUE	20,401,584	100	17,155,069	100	55,220,183	100	48,958,632	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 13, 14, 15 and 38)	(1,246,459)	(6)	(621,739)	(4)	(2,763,441)	(5)	(2,742,840)	(5)

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CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL OPERATING EXPENSES								
Employee benefits expenses (Notes 4, 39 and 44)	$ (4,758,666)	(23)	$ (4,413,071)	(26)	$ (14,120,164)	(25)	$ (13,014,238)	(27)
Depreciation and amortization expense (Notes 4, 18, 19, 21 and 40)	(916,521)	(5)	(886,020)	(5)	(2,693,876)	(5)	(2,601,300)	(5)
Other general and administrative expense (Notes 4, 41 and 44)	(4,500,375)	(22)	(3,612,077)	(21)	(10,417,949)	(19)	(8,894,276)	(18)
Total operating expenses	(10,175,562)	(50)	(8,911,168)	(52)	(27,231,989)	(49)	(24,509,814)	(50)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	8,979,563	44	7,622,162	44	25,224,753	46	21,705,978	45
INCOME TAX EXPENSE (Notes 4 and 42)	(1,530,568)	(7)	(1,043,558)	(6)	(4,312,004)	(8)	(2,866,657)	(6)
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	7,448,995	37	6,578,604	38	20,912,749	38	18,839,321	39
OTHER COMPREHENSIVE INCOME, NET OF TAX (Notes 4 and 32)								
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax								
Remeasurement of defined benefit plans	-	-	-	-	(826)	-	(655)	-
Gain on property revaluation	-	-	-	-	1,322,404	2	-	-
Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	(1,262,944)	(6)	(1,967,199)	(12)	(4,588,821)	(8)	1,307,924	3
Change in fair value of financial liability attributable to change in credit risk of liability	649,048	3	292,827	2	1,037,069	2	568,595	1
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	-	-	-	1,829	-	5,219	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 42)	(4,785)	-	130,360	1	49,166	-	167,377	-

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CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	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	$ 1,731,922	8	$ (183,726)	(1)	$ 3,358,526	6	$ (893,778)	(2)
Share of other comprehensive loss of associates and joint ventures accounted for using equity method	-	-	-	-	(20,253)	-	(10,984)	-
Losses from investments in debt instruments measured at fair value through other comprehensive income	(4,685,584)	(23)	(997,711)	(6)	(20,593,306)	(37)	(4,810,377)	(10)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 42)	(87,866)	-	62,859	1	269,440	-	271,270	1
Other comprehensive loss, net of tax	(3,660,209)	(18)	(2,662,590)	(15)	(19,164,772)	(35)	(3,395,409)	(7)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	$ 3,788,786	19	$ 3,916,014	23	$ 1,747,977	3	$ 15,443,912	32
PROFIT ATTRIBUTABLE TO:								
Owners of the Bank	$ 7,408,146	37	$ 6,444,602	37	$ 20,637,935	37	$ 18,628,030	38
Non-controlling interests	40,849	-	134,002	1	274,814	1	211,291	1
	$ 7,448,995	37	$ 6,578,604	38	$ 20,912,749	38	$ 18,839,321	39
COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 3,655,897	18	$ 3,783,908	22	$ 1,404,689	2	$ 15,236,719	31
Non-controlling interests	132,889	1	132,106	1	343,288	1	207,193	1
	$ 3,788,786	19	$ 3,916,014	23	$ 1,747,977	3	$ 15,443,912	32
EARNINGS PER SHARE (Note 43)								
Basic	$ 0.68		$ 0.60		$ 1.90		$ 1.72	

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Bank												
	Capital Stock		Retained Earnings			Other Equity							
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Changes in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Gains (Losses) on Remeasurements of Defined Benefit	Gain on Property Revaluation	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2021	$ 106,985,830	$ 38,687,276	$ 64,526,043	$ 2,084,653	$ 22,122,582	$ (2,034,967)	$ 12,999,487	$ (1,478,705)	$ (1,910,070)	$ 314,743	$ 7,890,488	$ 4,358,749	$ 246,655,621
Appropriation of 2020 earnings													
Legal reserve	-	-	6,656,404	-	(6,656,404)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,532,000)	-	-	-	-	-	-	-	(15,532,000)
Net income for the nine months ended September 30, 2021	-	-	-	-	18,628,030	-	-	-	-	-	-	211,291	18,839,321
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	(656,088)	(3,190,436)	454,876	337	-	(3,391,311)	(4,098)	(3,395,409)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	18,628,030	(656,088)	(3,190,436)	454,876	337	-	(3,391,311)	207,193	15,443,912
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(471,108)	(471,108)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	1,986,364	-	(1,986,364)	-	-	-	(1,986,364)	-	-
Other	-	-	-	(897)	65,822	-	-	-	-	(64,925)	(64,925)	-	-
BALANCE AT SEPTEMBER 30, 2021	$ 106,985,830	$ 38,687,276	$ 71,182,447	$ 2,083,756	$ 20,614,394	$ (2,691,055)	$ 7,822,687	$ (1,023,829)	$ (1,909,733)	$ 249,818	$ 2,447,888	$ 4,094,834	$ 246,096,425
BALANCE AT JANUARY 1, 2022	$ 106,985,830	$ 38,687,276	$ 71,182,447	$ 2,083,756	$ 25,236,235	$ (2,766,438)	$ 7,527,083	$ (889,397)	$ (1,980,688)	$ 285,008	$ 2,175,568	$ 4,376,091	$ 250,727,203
Appropriation of 2021 earnings													
Legal reserve	-	-	7,566,262	-	(7,566,262)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(16,047,875)	-	-	-	-	-	-	-	(16,047,875)
Stock dividends	1,612,825	-	-	-	(1,612,825)	-	-	-	-	-	-	-	-
Net income for the nine months ended September 30, 2022	-	-	-	-	20,637,935	-	-	-	-	-	-	274,814	20,912,749
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	2,271,039	(23,646,188)	829,655	521	1,311,727	(19,233,246)	68,474	(19,164,772)
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	20,637,935	2,271,039	(23,646,188)	829,655	521	1,311,727	(19,233,246)	343,288	1,747,977
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(418,006)	(418,006)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(1,452,316)	-	1,452,316	-	-	-	1,452,316	-	-
Others	-	-	-	(6,091)	(9,273)	-	-	-	-	15,364	15,364	-	-
BALANCE AT SEPTEMBER 30, 2022	$ 108,598,655	$ 38,687,276	$ 78,748,709	$ 2,077,665	$ 19,185,619	$ (495,399)	$ (14,666,789)	$ (59,742)	$ (1,980,167)	$ 1,612,099	$ (15,589,998)	$ 4,301,373	$ 236,009,299

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 25,224,753	$ 21,705,978
Adjustments:		
Depreciation expense	2,282,360	2,226,382
Amortization expense	411,516	374,918
Expected credit loss/bad debt expense	2,763,441	2,742,840
Net gains on financial assets and liabilities at fair value through profit or loss	(2,780,913)	(1,782,391)
Interest expense	12,265,493	7,991,293
Net losses arising from derecognition of financial assets measured at amortised cost	129,359	443,242
Interest income	(47,178,918)	(36,479,738)
Dividend income	(1,446,242)	(1,534,776)
Share of profit of associates and joint ventures accounted for using equity method	(21,026)	(104,575)
Loss on disposal of property and equipment	10,649	3,896
Gains on disposal of investment properties	(2,300)	(23,700)
Gains on disposal of assets held for sale	(440,613)	-
Losses (gains) on disposal of investments	204,446	(2,152,381)
Impairment loss (reversal of impairment loss) on financial assets	18,190	(86,629)
Losses on fair value adjustment of investment property	4,748	4,604
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(6,650,154)	(10,356,408)
Financial assets at fair value through profit or loss	202,380,248	20,792,117
Financial assets at fair value through other comprehensive income	(142,231,123)	(7,365,854)
Investments in debt instruments at amortised cost	93,177,588	(57,185,893)
Receivables	(174,340)	7,312,721
Discounts and loans	(198,325,767)	(141,912,122)
Other financial assets	4,346,846	(4,307,978)
Other assets	137,771	5,529,815
Deposits from the Central Bank and banks	21,364,414	16,472,780
Financial liabilities at fair value through profit or loss	(105,147,565)	(11,057,744)
Notes and bonds issued under repurchase agreement	(334,211)	11,208,240
Payables	(3,333,623)	17,309,233
Deposits and remittances	234,609,032	208,083,842
Other financial liabilities	13,548,256	(7,269,225)
Provisions	(264,132)	(36,935)
Other liabilities	434,279	(189,054)
Cash generated from operations	104,982,462	40,356,498
Interest received	46,941,686	36,318,882
Dividends received	1,485,000	1,535,704

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CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
Interest paid	$ (10,906,504)	$ (9,500,426)
Income tax paid	(2,498,517)	(4,236,645)
Net cash generated from operating activities	140,004,127	64,474,013
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets held for sale	723,700	-
Acquisition of property and equipment	(1,008,560)	(674,062)
Proceeds from disposal of property and equipment	901	688
Acquisition of intangible assets	(237,567)	(187,573)
Proceeds from disposal of investment properties	36,800	117,100
Other assets	(20,397,053)	4,646,433
Dividends received	63,407	78,625
Net cash generated from (used in) investing activities	(20,818,372)	3,981,211
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and banks	(1,076,000)	-
Proceeds from issuance of financial debentures	545,684	-
Repayments of financial debentures payable	(10,384,260)	(7,000,000)
Payments of the principal portion of lease liabilities	(1,173,388)	(1,189,974)
Other liabilities	2,948,072	(2,194,993)
Cash dividends paid	(16,465,881)	(16,003,108)
Net cash used in financing activities	(25,605,773)	(26,388,075)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,179,801	(843,001)
NET INCREASE IN CASH AND CASH EQUIVALENTS	96,759,783	41,224,148
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	254,581,778	151,993,849
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 351,341,561	$ 193,217,997

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	September 30	
	2022	**2021**
RECONCILIATIONS OF CASH AND CASH EQUIVALENTS REPORTED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THOSE REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2022 AND 2021		
Cash and cash equivalents reported in the consolidated balance sheets	$ 66,779,068	$ 43,642,478
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	256,528,696	112,551,673
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	28,033,797	37,023,846
Cash and cash equivalents at the end of the period	$ 351,341,561	$ 193,217,997

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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. INFORMATION ON THE BUSINESS

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Bank and its subsidiaries (collectively, the "Company") were approved by the Bank's board of directors on November 10, 2022.

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

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

   The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect applicated starting from 2022 by the FSC did not have a material impact on the Company's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2023

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

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

Note 2: 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

The Company assessed that the application of above 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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Company assessed that the application of above standards and interpretations will not have a material impact. 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 Regulations Governing the Preparation of Financial Reports by IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in the consolidated financial statements is less than that required in a complete set of annual financial statements.

Basis of Preparation

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

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

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

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

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

Basis of Consolidation

Principles for preparing the consolidated financial statements

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

The accounting policies of the consolidated entities are same.

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

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

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

Entities included in the consolidated financial statements

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

Foreign Currencies

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

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

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

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

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

Current and Non-current Assets and Liabilities

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

a. Financial assets

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

   1) Measurement categories

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

      a) Financial assets at FVTPL

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

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

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

      b) Financial assets at amortised cost

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

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

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

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

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

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

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

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

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

ii. Breach of contract, such as a default;

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

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

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

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

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

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

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

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

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

b) Financial guarantee contracts

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

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

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

2) Derecognition of financial liabilities

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

d. Derivatives

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

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

e. Modification of financial instruments

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

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

Investments in Associates

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

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

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

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

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

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

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

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

Nonperforming Loans

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

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

Repurchase and Resale Transactions

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

Property and Equipment

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

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

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

Investment Properties

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

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

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

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

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

Goodwill

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

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

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

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

Foreclosed Collateral

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

Intangible Assets (Excluding Goodwill)

a. Intangible assets acquired separately

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

b. Derecognition

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

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

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

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

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

Assets Held for Sale

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

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

Leasing

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

a. The Company as lessor

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

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

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

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

b. The Company as lessee

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

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

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

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

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

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

Provisions

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

c. Termination benefits

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

d. Employee preferential interest rate deposits

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

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

Income Tax

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

a. Current tax

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

According to the Income Tax Act, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders 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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	$ 19,389,254	$ 23,454,370	$ 18,367,470
Checks for clearance	2,285,827	6,116,728	2,589,304
Due from banks	45,131,389	35,838,074	22,696,636
	66,806,470	65,409,172	43,653,410
Less: Allowance for impairment loss	(27,402)	(20,079)	(10,932)
	$ 66,779,068	$ 65,389,093	$ 43,642,478

As of September 30, 2022, December 31, 2021 and September 30, 2021, due from banks that mature exceed one year from the date of acquisition are recorded as other financial assets, amounting to $0 thousand, $4,346,973 thousand and $4,308,254 thousand, respectively.

Reconciliations of cash and cash equivalents reported in the consolidated statements of cash flows with those reported in the consolidated balance sheets as of September 30, 2022 and 2021 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2021 are shown below:

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Deposit reserves - general account	$ 81,386,686	$ 73,493,011	$ 72,399,691
Deposit reserves - foreign currency account	12,728,908	13,965,956	13,672,268
Deposits in the Central Bank - general account	55,319,509	43,547,855	48,804,193
Call loans and overdrafts	201,209,187	103,615,715	63,747,480
	350,644,290	234,622,537	198,623,632
Less: Allowance for impairment loss	(95,513)	(76,062)	(124,236)
	$ 350,548,777	$ 234,546,475	$ 198,499,396

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 and recorded as deposit reserves - foreign currency account. These non-interest bearing reserves may be withdrawn at any time. As of September 30, 2022, December 31, 2021 and September 30, 2021, the balances of foreign-currency deposit reserves were $5,474,004 thousand, $7,259,716 thousand and $6,892,177 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 $1,606,614 thousand, $1,435,366 thousand and $1,178,258 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

CUBC Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the National Bank of Cambodia were $1,094,108 thousand, $814,485 thousand and $818,576 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

CUBCN Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the People's Bank of China were $4,554,182 thousand, $4,456,389 thousand and $4,783,257 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets mandatorily classified as at fair value through profit or loss			
Treasury bills	$ 3,975,915	$ 7,567,899	$ 3,990,371
Commercial paper	83,261,188	151,041,669	145,613,309
Government bonds	2,029,296	17,741,331	17,320,101
Corporate bonds	14,173,724	18,795,119	16,602,395
Financial debentures	38,272,915	38,719,321	37,118,798
Negotiable certificates of deposits	3,010,092	9,776,810	16,378,778
Stock investments	81,076	3,114,840	23,573
Fund beneficiary certificates	-	85,133	10,390
	144,804,206	246,842,122	237,057,715
Derivative financial instruments			
Foreign exchange forward contracts	97,927,515	13,529,981	12,147,022
Interest rate swaps	33,660,715	20,596,333	24,286,782
Options	5,987,245	2,963,723	3,067,332
Others	3,481,187	1,422,375	1,385,112
	141,056,662	38,512,412	40,886,248
	$ 285,860,868	$ 285,354,534	$ 277,943,963
Financial liabilities designated as at fair value through profit or loss			
Bonds	$ 39,948,351	$ 40,587,123	$ 41,484,266
Financial liabilities held for trading			
Derivative financial instruments			
Foreign exchange forward contracts	87,092,256	14,160,913	12,865,821
Interest rate swaps	32,788,217	15,631,389	17,729,926
Options	6,164,843	4,008,026	3,871,134
Others	4,402,406	1,497,481	1,266,768
	130,447,722	35,297,809	35,733,649
	$ 170,396,073	$ 75,884,932	$ 77,217,915

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 September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

(Unit: Thousands of U.S. Dollars)

	Contract Amounts		
	September 30, 2022	**December 31, 2021**	**September 30, 2021**
The Bank			
Foreign exchange forward contracts	$ 128,578,460	$ 98,048,307	$ 98,883,201
Interest rate swaps	45,080,144	43,544,052	44,986,591
Options	6,017,722	5,598,747	5,916,309
Futures	232,981	952,858	627,302
Cross-currency swaps	2,623,499	3,259,720	3,089,094
Commodity exchange contracts	9,446	4,285	4,604

	Contract Amounts		
	September 30, 2022	**December 31, 2021**	**September 30, 2021**
Indovina Bank			
Foreign exchange forward contracts	$ 16,336	$ 54,756	$ -
Cross-currency swaps	280,000	258,000	-

	Contract Amounts		
	September 30, 2022	**December 31, 2021**	**September 30, 2021**
CUBCN Bank			
Foreign exchange forward contracts	$ 64,901	$ 49,268	$ 106,560
Interest rate swaps	3,008,535	3,842,715	3,427,699
Options	3,030	3,119	2,589
Cross-currency swaps	9,232	-	22,752
Commodity exchange contracts	4,594,956	3,328,761	3,547,789

As of September 30, 2022 and 2021, none of the financial assets at FVTPL was sold under repurchase agreements. As of December 31, 2021, certain financial assets at FVTPL were sold under repurchase agreement with notional amount of $2,215,200 thousand. The proceeds amounting to $2,148,959 thousand, was recorded as notes and bonds sold under repurchase agreement and was repurchased for $2,149,060 thousand before the end of January 2022.

Financial Liabilities Designated as at Fair Value through Profit or Loss

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

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

The Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the nine months ended September 30, 2022 and 2021, such interest rate swaps were valued with a net loss of $4,699,190 thousand and $644,526 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in equity instruments			
Domestic listed shares	$ 4,039,006	$ 13,805,472	$ 5,723,423
Overseas stock investments	8,755,724	10,840,795	9,815,957
Domestic unlisted shares	4,193,305	5,437,458	5,431,849
	16,988,035	30,083,725	20,971,229
Investments in debt instruments			
Corporate bonds	84,018,491	98,631,312	117,115,244
Financial debentures	55,478,050	80,292,790	89,992,198
Asset-based securities	8,143,749	10,163,330	10,111,570
Negotiable certificates of deposit	206,461,507	25,599,336	24,446,594
Government bonds	59,124,755	68,598,045	79,536,456
	413,226,552	283,284,813	321,202,062
	$ 430,214,587	$ 313,368,538	$ 342,173,291

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 Bank sold its investments in equity instruments at FVTOCI with the fair value of $26,142,147 thousand and $36,387,538 thousand during the nine months ended September 30, 2022 and 2021, respectively, and the related unrealized loss of $1,452,316 thousand and gain of $1,986,364 thousand were transferred from other equity to retained earnings, accordingly.

Dividends of $1,446,242 thousand and $1,534,776 thousand were recognized as income for the nine months ended September 30, 2022 and 2021, respectively. Those related to investments held as of September 30, 2022 and 2021 were $643,264 thousand and $616,274 thousand, respectively, and the remaining amounts were related to investments derecognized for the nine months ended September 30, 2022 and 2021.

As of September 30, 2022, December 31, 2021 and September 30, 2021, certain financial assets at FVTOCI were sold under repurchase agreements with notional amounts of $28,457,555 thousand, $28,230,898 thousand and $20,146,260 thousand, respectively. The proceeds amounting to $26,143,114 thousand, $27,600,460 thousand and $20,015,425 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for $26,218,440 thousand, $27,614,471 thousand and $20,034,683 thousand before the end of March 2023, June 2022 and January 2022, 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

	September 30, 2022	December 31, 2021	September 30, 2021
Short-term bills	$ 290,865,452	$ 461,857,140	$ 441,325,357
Government bonds	42,773,698	37,671,344	35,558,515
Corporate bonds	24,841,908	13,479,441	13,592,748
Financial debentures	54,568,701	18,508,912	18,381,008
Asset-based bonds	65,578,959	40,413,469	49,659,526
	478,628,718	571,930,306	558,517,154
Less: Allowance for impairment loss	(53,612)	(28,564)	(19,424)
	$ 478,575,106	$ 571,901,742	$ 558,497,730

For the nine months ended September 30, 2022 and 2021, the Bank disposed of certain bonds in advance due to the expected increase in credit risk, and recognized the gain arising from derecognition of financial assets measured at amortised cost amounting to $80,760 thousand and $0 thousand, respectively.

As of September 30, 2022, December 31, 2021 and September 30, 2021, certain financial assets measured at amortised cost were sold under repurchase agreements with notional amounts of $14,456,797 thousand, $7,791,895 thousand and $1,393,300 thousand, respectively. The proceeds amounting to $10,684,327 thousand, $7,412,233 thousand and $1,284,873 thousand, respectively, record as notes and bonds sold under repurchase agreements and were repurchased for $10,719,157 thousand, $7,417,746 thousand and $1,285,352 thousand before the end of December 2022, February 2022 and November 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:

September 30, 2022

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 431,864,680	$ 478,628,718	$ 910,493,398
Less: Allowance for impairment loss	(118,771)	(53,612)	(172,383)
Adjustment to fair value	(18,519,357)	-	(18,519,357)
	$ 413,226,552	$ 478,575,106	$ 891,801,658

December 31, 2021

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

September 30, 2021

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 318,348,762	$ 558,517,154	$ 876,865,916
Less: Allowance for impairment loss	(135,453)	(19,424)	(154,877)
Adjustment to fair value	2,988,753	-	2,988,753
	$ 321,202,062	$ 558,497,730	$ 879,699,792

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

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

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

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at September 30, 2022
Low credit risk	Low credit risk at the reporting date	12-month ECLs	$ 909,010,111
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	637,200
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	846,087

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at December 31, 2021
Low credit risk	Low credit risk at the reporting date	12-month ECLs	$ 852,305,969
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	657,319
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	-

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at September 30, 2021
Low credit risk	Low credit risk at the reporting date	12-month ECLs	$ 876,865,916
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 nine months ended September 30, 2022

	Credit Rating		
	Low Credit Risk (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	In Default (Lifetime ECLs - Credit-impaired)
Balance at the beginning of the period	$ 122,072	$ 12,576	$ -
Changes in credit risk classification			
Low credit risk to default	(23,866)	-	4,237
New debt instruments purchased	106,694	-	-
Derecognition	(69,255)	-	-
Effect of exchange rates changes and others	9,303	10,262	360
Balance at the end of the period	$ 144,948	$ 22,838	$ 4,597

For the nine months ended September 30, 2021

	Credit Rating		
	Low Credit Risk (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	In Default (Lifetime ECLs - Credit-impaired)
Balance at the beginning of the period	$ 242,946	$ -	$ -
New debt instruments purchased	64,036	-	-
Derecognition	(70,300)	-	-
Effect of exchange rates changes and others	(81,805)	-	-
Balance at the end of the period	$ 154,877	$ -	$ -

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Corporate bonds	$ 7,714,765	$ 33,129,004	26,505,271
Government bonds	8,170,999	2,098,165	2,341,184
Financial debentures	12,163,464	6,822,077	8,179,870
	28,049,228	42,049,246	37,026,325
Less: Allowance for impairment loss	(15,431)	(20,131)	(2,479)
	$ 28,033,797	$ 42,029,115	$ 37,023,846

As of September 30, 2022, December 31, 2021 and September 30, 2021, none of the securities purchased under resell agreements were sold under repurchase agreements.

13. RECEIVABLES, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Notes and accounts receivable	$ 89,106,911	$ 88,600,959	$ 79,123,734
Interest receivable	7,934,738	6,063,620	7,686,104
Acceptance	1,256,056	1,372,808	1,791,485
Factoring receivable	4,614,033	4,081,459	4,918,618
Others	5,703,600	6,211,367	2,893,502
	108,615,338	106,330,213	96,413,443
Less: Allowance for impairment loss	(2,468,336)	(2,435,534)	(2,416,911)
	$ 106,147,002	$ 103,894,679	$ 93,996,532

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 nine months ended September 30, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 101,532,216	$ 2,692,899	$ 2,105,098	$ 106,330,213
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(472,716)	475,076	(2,360)	-
Transferred to credit-impaired financial assets	(61,009)	(21,135)	82,144	-
Transferred to 12-month ECLs	877,165	(874,476)	(2,689)	-
Derecognition of financial assets in the period	(69,153,521)	(1,755,930)	(200,660)	(71,110,111)
New financial assets purchased or originated	72,527,410	530,501	303,709	73,361,620
Written-off as bad debt expense	-	-	(276,825)	(276,825)
Effects of exchange rate changes and others	291,508	6,047	12,886	310,441
Balance at the end of the period	$ 105,541,053	$ 1,052,982	$ 2,021,303	$ 108,615,338

For the nine months ended September 30, 2021

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 98,245,219	$ 1,889,559	$ 2,141,088	$ 102,275,866
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(832,543)	835,395	(2,852)	-
Transferred to credit-impaired financial assets	(51,655)	(14,322)	65,977	-
Transferred to 12-month ECLs	457,477	(453,299)	(4,178)	-
Derecognition of financial assets in the period	(59,027,752)	(1,368,480)	(119,167)	(60,515,399)
New financial assets purchased or originated	54,083,499	789,044	428,502	55,301,045
Written-off as bad debt expense	-	-	(349,088)	(349,088)
Effects of exchange rate changes and others	(294,485)	(2,194)	(2,302)	(298,981)
Balance at the end of the period	$ 92,579,760	$ 1,675,703	$ 2,157,980	$ 96,413,443

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

For the nine months ended September 30, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 418,248	$ 288,704	$ 1,658,913	$ 2,365,865	$ 69,669	$ 2,435,534
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(4,792)	206,861	(1,559)	200,510	-	200,510
Transferred to credit-impaired financial assets	(1,342)	(4,525)	64,136	58,269	-	58,269
Transferred to 12-month ECLs	24,033	(179,544)	(1,917)	(157,428)	-	(157,428)
Derecognition of financial assets in the period	(355,520)	(86,876)	(88,730)	(531,126)	-	(531,126)
New financial assets purchased or originated	213,861	84,729	198,097	496,687	-	496,687
Differences of impairment loss under the regulations	-	-	-	-	(15,344)	(15,344)
Written-off as bad debt expense	-	-	(276,825)	(276,825)	-	(276,825)
Effects of exchange rate changes and others	184,765	29,648	43,646	258,059	-	258,059
Balance at the end of the period	$ 479,253	$ 338,997	$ 1,595,761	$ 2,414,011	$ 54,325	$ 2,468,336

For the nine months ended September 30, 2021

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 465,842	$ 202,476	$ 1,731,461	$ 2,399,779	$ 62,941	$ 2,462,720
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,300)	113,423	(2,131)	105,992	-	105,992
Transferred to credit-impaired financial assets	(645)	(2,494)	59,627	56,488	-	56,488
Transferred to 12-month ECLs	3,417	(74,092)	(3,019)	(73,694)	-	(73,694)
Derecognition of financial assets in the period	(155,793)	(84,885)	(80,208)	(320,886)	-	(320,886)
New financial assets purchased or originated	101,551	79,190	322,835	503,576	-	503,576
Differences of impairment loss under the regulations	-	-	-	-	5,713	5,713
Written-off as bad debt expense	-	-	(349,088)	(349,088)	-	(349,088)
Effects of exchange rate changes and others	1,173	(7,621)	32,538	26,090	-	26,090
Balance at the end of the period	$ 410,245	$ 225,997	$ 1,712,015	$ 2,348,257	$ 68,654	$ 2,416,911

14. DISCOUNTS AND LOANS, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Discounts and overdrafts	$ 1,341,432	$ 1,278,734	$ 826,052
Short-term loans	481,437,374	437,829,639	461,519,467
Medium-term loans	498,807,940	464,070,380	451,856,888
Long-term loans	1,047,614,005	930,293,975	911,140,080
Export negotiations	2,009,708	1,354,799	1,474,339
Overdue loans	4,826,249	2,227,284	3,795,626
	2,036,036,708	1,837,054,811	1,830,612,452
Less: Allowance for impairment loss	(33,400,315)	(29,978,152)	(30,196,700)
	$ 2,002,636,393	$ 1,807,076,659	$ 1,800,415,752

For the nine months ended September 30, 2022 and 2021, the Bank disposed credit assets in order to increase debt recovery, and recognized the loss arising from the derecognition of credit assets measured at amortised cost amounting to $210,119 thousand and $443,242 thousand, respectively.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the loan and credit balances of nonaccrual loans were $4,826,249 thousand, $2,227,284 thousand and $3,795,626 thousand, respectively. For the nine months ended September 30, 2022 and 2021, the Company did not write off certain credits without completing the required legal procedures.

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

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

For the nine months ended September 30, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	$ 1,763,964,944	$ 60,965,797	$ 12,124,070	$ 1,837,054,811
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(23,604,711)	23,709,200	(104,489)	-
Transferred to credit-impaired financial assets	(1,949,123)	(1,586,478)	3,535,601	-
Transferred to 12-month ECLs	17,436,794	(17,182,153)	(254,641)	-
Derecognition of financial assets in the period	(498,224,992)	(20,755,635)	(3,052,394)	(522,033,021)
New financial assets purchased or originated	681,119,436	16,286,820	3,540,841	700,947,097
Written-off as bad debt expense	-	-	(666,016)	(666,016)
Effects of exchange rate changes and others	16,580,868	3,587,825	565,144	20,733,837
Balance at the end of the period	$ 1,955,323,216	$ 65,025,376	$ 15,688,116	$ 2,036,036,708

For the nine months ended September 30, 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	(27,626,169)	27,701,729	(75,560)	-
Transferred to credit-impaired financial assets	(2,544,525)	(499,941)	3,044,466	-
Transferred to 12-month ECLs	19,206,410	(18,878,366)	(328,044)	-
Derecognition of financial assets in the period	(412,153,065)	(18,000,691)	(732,058)	(430,885,814)
New financial assets purchased or originated	569,030,235	9,731,670	1,028,889	579,790,794
Written-off as bad debt expense	-	-	(1,837,269)	(1,837,269)
Effects of exchange rate changes and others	(4,765,214)	(1,086,123)	(147,961)	(5,999,298)
Balance at the end of the period	$ 1,762,693,124	$ 54,856,901	$ 13,062,427	$ 1,830,612,452

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

For the nine months ended September 30, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 3,442,880	$ 1,990,988	$ 5,005,473	$ 10,439,341	$ 19,538,811	$ 29,978,152
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(69,935)	976,990	(17,284)	889,771	-	889,771
Transferred to credit-impaired financial assets	(16,416)	(87,196)	1,199,274	1,095,662	-	1,095,662
Transferred to 12-month ECLs	125,117	(768,804)	(48,430)	(692,117)	-	(692,117)
Derecognition of financial assets in the period	(1,223,829)	(474,475)	(591,890)	(2,290,194)	-	(2,290,194)
New financial assets purchased or originated	1,372,434	367,179	740,204	2,479,817	-	2,479,817
Differences of impairment loss under the regulations	-	-	-	-	2,935,668	2,935,668
Written-off as bad debt expense	-	-	(666,016)	(666,016)	-	(666,016)
Effects of exchange rate changes and others	(460,212)	19,212	110,572	(330,428)	-	(330,428)
Balance at the end of the period	$ 3,170,039	$ 2,023,894	$ 5,731,903	$ 10,925,836	$ 22,474,479	$ 33,400,315

For the nine months ended September 30, 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	(130,469)	714,550	(13,567)	570,514	-	570,514
Transferred to credit-impaired financial assets	(19,970)	(45,608)	2,044,009	1,978,431	-	1,978,431
Transferred to 12-month ECLs	41,580	(735,760)	(44,052)	(738,232)	-	(738,232)
Derecognition of financial assets in the period	(1,431,626)	(484,121)	(348,741)	(2,264,488)	-	(2,264,488)
New financial assets purchased or originated	1,506,395	386,302	654,517	2,547,214	-	2,547,214
Differences of impairment loss under the regulations	-	-	-	-	3,729,377	3,729,377
Written-off as bad debt expense	-	-	(1,837,269)	(1,837,269)	-	(1,837,269)
Effects of exchange rate changes and others	(1,372,253)	(464,836)	(199,836)	(2,036,925)	-	(2,036,925)
Balance at the end of the period	$ 3,237,428	$ 1,465,752	$ 5,379,942	$ 10,083,122	$ 20,113,578	$ 30,196,700

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 nine months ended September 30, 2022

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased Nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	$ 173,324	$ 72,005	$ 4,532	$ 249,861	$ 184,559	$ 434,420
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(520)	21,312	-	20,792	-	20,792
Transferred to credit-impaired financial assets	(29)	(75)	4,729	4,625	-	4,625
Transferred to 12-month ECLs	2,934	(44,049)	(285)	(41,400)	-	(41,400)
Derecognition of financial assets in the period	(57,836)	(28,379)	(985)	(87,200)	-	(87,200)
New financial assets purchased or originated	75,366	12,672	1,322	89,360	-	89,360
Differences of impairment loss under the regulations	-	-	-	-	3,722	3,722
Effects of exchange rate changes and others	(13,868)	11,399	(3,768)	(6,237)	-	(6,237)
Balance at the end of the period	$ 179,371	$ 44,885	$ 5,545	$ 229,801	$ 188,281	$ 418,082

For the nine months ended September 30, 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	(9,759)	31,274	-	21,515	-	21,515
Transferred to credit-impaired financial assets	(28)	(49)	4,926	4,849	-	4,849
Transferred to 12-month ECLs	2,399	(30,609)	(437)	(28,647)	-	(28,647)
Derecognition of financial assets in the period	(84,091)	(17,684)	(2,496)	(104,271)	-	(104,271)
New financial assets purchased or originated	44,775	22,014	776	67,565	-	67,565
Differences of impairment loss under the regulations	-	-	-	-	50,891	50,891
Effects of exchange rate changes and others	(115,820)	(9,496)	(4,161)	(129,477)	-	(129,477)
Balance at the end of the period	$ 131,978	$ 50,512	$ 4,271	$ 186,761	$ 181,608	$ 368,369

16. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

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

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%) September 30, 2022	December 31, 2021	September 30, 2021	Description
The Bank	Indovina Bank Limited (Indovina Bank) (Note 1)	Bank business	50	50	50	Incorporated in Vietnam on November 21, 1990
	Cathay United Bank (Cambodia) Corporation Limited (CUBC Bank) (Note 1)	Bank business	100	100	100	SBC Bank was incorporated in Cambodia on July 5, 1993, and renamed as CUBC as of January 14, 2014
	Cathay United Bank (China) Limited (CUBCN Bank) (Note 2)	Bank business	100	100	100	Incorporated in China on September 3, 2018
Cambodia CUBC Bank	CUBC Investment Co., LTD.(CUBC-I) (Note 1)	Invest business	100 (Note 3)	100 (Note 3)	100 (Note 3)	Incorporated in Cambodia on August 14, 2012

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

Note 2: As a major subsidiary, its financial statements have been reviewed. Please refer to Table 5 for the relevant investment information.

Note 3: Cambodia CUBC Bank held 49% of the shares and was able to control the operations of CUBC-I and the composition of its board of directors through an agreement with the rest of shareholders; therefore, it is classified as a subsidiary.

17. INVESTMENTS MEASURED BY EQUITY METHOD, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Associates that are not individually material			
Taiwan Real-estate Management Corp.	$ 94,547	$ 95,892	$ 95,761
Taiwan Finance Corp.	1,676,914	1,736,374	1,787,593
	$ 1,771,461	$ 1,832,266	$ 1,883,354

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
The Bank's share of				
Current net profit	$ 16,851	$ 33,043	$ 21,026	$ 104,575
Current other comprehensive loss	-	-	(18,424)	(5,765)
Current comprehensive income	$ 16,851	$ 33,043	$ 2,602	$ 98,810

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

18. PROPERTY AND EQUIPMENT, NET

For the nine months ended September 30, 2022

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
Cost								
Balance at the beginning of the period	$ 15,440,070	$ 9,886,194	$ 5,223,402	$ 114,426	$ 7,899,628	$ 377,974	$ 299,800	$ 39,241,494
Additions	-	-	344,523	866	196,458	347	466,366	1,008,560
Disposals	-	-	(210,778)	(5,703)	(191,303)	-	-	(407,784)
Reclassification	(177,256)	(216,941)	88,293	-	137,927	-	(233,964)	(401,941)
Exchange differences	76,747	44,466	73,633	16,174	25,814	23,102	6,328	266,264
Balance at the end of the period	15,339,561	9,713,719	5,519,073	125,763	8,068,524	401,423	538,530	39,706,593
Accumulated depreciation and impairment								
Balance at the beginning of the period	-	4,762,428	3,616,695	77,200	6,094,199	186,884	-	14,737,406
Depreciation	-	153,679	508,223	6,498	380,925	28,773	-	1,078,098
Disposals	-	-	(210,650)	(5,036)	(180,548)	-	-	(396,234)
Reclassification	-	(136,359)	479	-	(479)	-	-	(136,359)
Exchange differences	-	19,430	56,508	11,256	15,674	13,677	-	116,545
Balance at the end of the period	-	4,799,178	3,971,255	89,918	6,309,771	229,334	-	15,399,456
Net								
Balance at the end of the period	$ 15,339,561	$ 4,914,541	$ 1,547,818	$ 35,845	$ 1,758,753	$ 172,089	$ 538,530	$ 24,307,137

For the nine months ended September 30, 2021

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
Cost								
Balance at the beginning of the period	$ 15,667,286	$ 10,211,629	$ 5,199,696	$ 112,996	$ 7,878,125	$ 280,099	$ 324,506	$ 39,674,337
Additions	-	-	202,074	5,033	150,416	2,416	314,123	674,062
Disposals	-	-	(402,844)	(3,165)	(90,229)	-	-	(496,238)
Reclassification	405	(405)	167,190	1,704	141,292	57,542	(380,018)	(12,290)
Others (Note)	(1,687)	-	-	-	-	-	-	(1,687)
Exchange differences	(12,151)	(7,047)	(15,195)	(2,546)	(7,132)	(5,617)	(1,235)	(50,923)
Balance at the end of the period	15,653,853	10,204,177	5,150,921	114,022	8,072,472	334,440	257,376	39,787,261
Accumulated depreciation and impairment								
Balance at the beginning of the period	-	4,724,122	3,414,551	78,301	5,969,057	157,840	-	14,343,871
Depreciation	-	159,559	502,952	6,908	374,741	22,693	-	1,066,853
Disposals	-	-	(400,905)	(3,165)	(87,584)	-	-	(491,654)
Exchange differences	-	(2,736)	(10,741)	(1,766)	(5,545)	(3,015)	-	(23,803)
Balance at the end of the period	-	4,880,945	3,505,857	80,278	6,250,669	177,518	-	14,895,267
Net								
Balance at the end of the period	$ 15,653,853	$ 5,323,232	$ 1,645,064	$ 33,744	$ 1,821,803	$ 156,922	$ 257,376	$ 24,891,994

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 September 30, 2022, December 31, 2021 and September 30, 2021, no property and equipment was pledged.

As of December 31, 2021, the Bank disposed of two vacant premises and classified them as assets held for sale with a carrying amount of $283,087 thousand. The two premises were originally used for the Bank's office and business warehouse. In January and April 2022, the Bank disposed the premises for proceeds of $23,700 thousand and $700,000 thousand, respectively, and recognized a disposal gain of $440,613 thousand. No impairment loss was recognized on the classification of the premises as assets held for sale for the year ended December 31, 2021 and for the nine months ended September 30, 2022.

19. LEASE AGREEMENTS

a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amount of right-of-use assets			
Land and buildings	$ 3,854,138	$ 3,610,474	$ 3,612,725
Equipment	2,025	1,971	2,193
Transportation equipment	52,793	47,921	47,423
	$ 3,908,956	$ 3,660,366	$ 3,662,341

	For the Nine Months Ended September 30	
	2022	2021
Additions of right-of-use assets	$ 1,369,223	$ 580,157

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Depreciation expense of right-of-use assets				
Land and buildings	$ 401,339	$ 378,478	$ 1,181,811	$ 1,135,718
Equipment	207	226	631	926
Transportation equipment	7,003	7,263	21,820	22,885
	$ 408,549	$ 385,967	$ 1,204,262	$ 1,159,529

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2022 and 2021.

b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amount of lease liabilities	$ 3,945,386	$ 3,679,114	$ 3,710,435

The discount rate intervals of lease liabilities are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Land and buildings	0.04%-4.68%	0.04%-4.68%	0.04%-4.68%
Equipment	0.36%-4.15%	0.36%-4.15%	0.36%-4.15%
Transportation equipment	0.22%-4.12%	0.22%-4.13%	0.22%-4.13%

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term rental expenses	$ 129,376	$ 135,075	$ 380,786	$ 392,838
Low value assets rental expenses	$ 83,018	$ 25,378	$ 188,386	$ 147,599
Variable lease payment expenses not included in measurable lease liabilities	$ -	$ 8	$ 3	$ 85
Gross cash outflow for leases	$ 619,074	$ 554,089	$ 1,771,858	$ 1,730,496

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

20. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
Balance at January 1, 2022	$ 542,841	$ 114,599	$ 657,440
Transfers from property and equipment	1,450,799	130,201	1,581,000
Disposals	(28,829)	(5,671)	(34,500)
Loss on fair value adjustments	(4,731)	(17)	(4,748)
Others (Note)	(180,376)	-	(180,376)
Balance at September 30, 2022	$ 1,779,704	$ 239,112	$ 2,018,816
Balance at January 1, 2021	$ 574,186	$ 72,259	$ 646,445
Disposals	(65,307)	(28,093)	(93,400)
Loss on fair value adjustments	(3,328)	(1,276)	(4,604)
Balance at September 30, 2021	$ 505,551	$ 42,890	$ 548,441

Note: Compensation fees for urban renewal and demolition.

a. As of September 30, 2022, December 31, 2021 and September 30, 2021, no investment property was pledged.

b. Some of the Bank's properties are held for earning rental income or for capital appreciation, while some are for self-use. When the part held for self-use is less than 5% of the individual real estate, the real estate is classified as investment properties.

c. The fair values of the Bank's investment properties were based on the valuations carried out by qualified real estate appraisers in Taiwan in accordance with the "Regulations on Real Estate Appraisal". The valuation dates were June 30, 2022, December 31, 2021 and June 30, 2021, respectively. The appraisers had reviewed the original valuation reports issued on the aforementioned valuation dates and clarified that the valuation reports were in effect on September 30, 2022 and 2021, respectively.

Appraiser Office	June 30, 2022	December 31, 2021	June 30, 2021
REPro Knight Frank Real Estate Appraiser Firm	Xiang-Yi Hsu; Hong-Xu Wu; You-Xiang Cai	Xiang-Yi Hsu; Hong-Xu Wu; You-Xiang Cai	Xiang-Yi Hsu; Hong-Xu Wu; You-Xiang Cai

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

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

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

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

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

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

   The main inputs used are as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Direct capitalization rates	1.14%-4.03%	1.20%-4.04%	1.94%-3.75%
Overall capital interest rate	0.76%-2.21%	0.67%-1.93%	0.67%-1.93%

   Operating expenses directly related to investment properties

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Generating rental income	$ -	$ -	$ -	$ -
Not generating rental income	364	178	2,788	1,152
	$ 364	$ 178	$ 2,788	$ 1,152

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 nine months ended September 30, 2022

	Computer Software	Goodwill	Total
Cost			
Balance at the beginning of the period	$ 3,050,318	$ 6,965,778	$ 10,016,096
Additions	237,567	-	237,567
Disposals	(185,896)	-	(185,896)
Reclassification	200,393	-	200,393
Exchange differences	40,991	42,842	83,833
Balance at the end of the period	3,343,373	7,008,620	10,351,993
Accumulated amortization and impairment			
Balance at the beginning of the period	1,765,496	-	1,765,496
Amortization	411,516	-	411,516
Disposals	(185,896)	-	(185,896)
Exchange differences	29,443	-	29,443
Balance at the end of the period	2,020,559	-	2,020,559
Net			
Balance at the end of the period	$ 1,322,814	$ 7,008,620	$ 8,331,434

For the nine months ended September 30, 2021

	Computer Software	Goodwill	Total
Cost			
Balance at the beginning of the period	$ 2,963,152	$ 6,974,424	$ 9,937,576
Additions	187,573	-	187,573
Disposals	(458,824)	-	(458,824)
Reclassification	208,690	-	208,690
Exchange differences	(9,640)	(6,786)	(16,426)
Balance at the end of the period	2,890,951	6,967,638	9,858,589

(Continued)

	Computer Software	Goodwill	Total
Accumulated amortization and impairment			
Balance at the beginning of the period	$ 1,798,273	$ -	$ 1,798,273
Amortization	374,918	-	374,918
Disposal	(458,824)	-	(458,824)
Exchange differences	(5,967)	-	(5,967)
Balance at the end of the period	1,708,400	-	1,708,400
Net			
Balance at the end of the period	$ 1,182,551	$ 6,967,638	$ 8,150,189

(Concluded)

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

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

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

22. OTHER ASSETS, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Prepayments	$ 1,499,153	$ 958,645	$ 1,308,143
Temporary payments and suspense accounts	907,283	270,575	500,327
Interbank clearing funds	8,941,105	10,450,180	8,386,225
Refundable deposits, net	35,743,600	15,443,116	13,089,953
Operating deposits, net	464,518	367,949	367,946
Others	120,345	121,949	121,110
	$ 47,676,004	$ 27,612,414	$ 23,773,704

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	September 30, 2022	December 31, 2021	September 30, 2021
Call loans from the Central Banks and banks	$ 35,133,409	$ 34,974,420	$ 48,277,862
Due to Chunghwa Post Co., Ltd.	17,709,405	17,709,405	17,709,405
Banks overdrafts	26,762	2,741,680	1,010,335
Deposits from the Central Bank and banks	43,100,012	19,179,669	15,606,237
	$ 95,969,588	$ 74,605,174	$ 82,603,839

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Asset-based securities	$ 11,168,907	$ 8,054,582	$ -
Corporate bonds	3,842,458	244,085	1,754,577
Government bonds	13,854,459	12,977,154	5,530,687
Financial debentures	7,961,617	15,885,831	14,015,034
	$ 36,827,441	$ 37,161,652	$ 21,300,298

25. PAYABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts payable	$ 2,675,193	$ 6,598,067	$ 3,052,342
Accrued expenses	7,853,126	8,384,211	7,104,105
Payable on bonds trade settle	1,334,030	693,070	9,134,849
Interest payable	5,748,591	3,354,011	3,220,102
Receipts under custody	2,390,763	651,141	12,260,485
Banker’s acceptances	1,275,476	1,396,596	1,795,511
Others	5,922,489	5,978,747	3,693,342
	$ 27,199,668	$ 27,055,843	$ 40,260,736

26. DEPOSITS AND REMITTANCES

	September 30, 2022	December 31, 2021	September 30, 2021
Checking deposits	$ 14,994,297	$ 18,050,527	$ 17,208,921
Demand deposits	844,564,220	854,216,452	792,305,474
Demand savings deposits	1,330,616,037	1,267,338,737	1,254,178,423
Time deposits	591,703,157	433,988,804	431,856,378
Time savings deposits	381,075,247	354,855,029	354,995,495
Negotiable certificates of deposits	5,154,499	4,665,005	3,944,689
Outward remittances and remittances payable	2,195,542	2,579,413	2,589,486
	$ 3,170,302,999	$ 2,935,693,967	$ 2,857,078,866

27. FINANCIAL DEBENTURES PAYABLE

	September 30, 2022	December 31, 2021	September 30, 2021
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	9,900,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000	12,000,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000	12,700,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.50%; maturity: April 2024	2,400,000	2,400,000	2,400,000
	$ 37,000,000	$ 46,800,000	$ 46,800,000

28. OTHER FINANCIAL LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Principal of structured products	$ 45,050,985	$ 31,502,729	$ 32,479,099

29. PROVISIONS

	September 30, 2022	December 31, 2021	September 30, 2021
Reserve for employee benefits			
Defined benefit plan	$ 2,400,312	$ 2,598,776	$ 2,700,467
Retired employees' preferential interest rate deposits	605,763	673,225	575,055
Reserve for losses on guarantees	205,679	209,703	208,336
Reserve for finance commitments	210,454	220,069	155,216
Other operating reserve	134,053	103,745	97,344
Other reserve - letter of credit	1,949	4,648	4,817
	$ 3,558,210	$ 3,810,166	$ 3,741,235

30. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Bank adopted a pension plan under the Labor Pension Act (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 nine months ended September 30, 2022 and 2021, the Company recognized expenses of $341,330 thousand and $319,034 thousand in the consolidated statements of comprehensive income in accordance with the defined contribution plan, respectively.

b. Defined benefit plan

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

The Bank uses the actuarially determined pension cost rate as of December 31, 2021 and 2020 respectively. For the nine months ended September 30, 2022 and 2021, pension expenses under the defined benefit plan recognized in the consolidated statements of comprehensive income amounted to $151,077 thousand and $150,790 thousand, respectively.

c. Employee preferential interest rate deposit plan

For the nine months ended September 30, 2022 and 2021, employee preferential interest rate deposit plan expenses amounted to $213,863 thousand and $247,193 thousand, respectively.

31. OTHER LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Advance receipts	$ 257,152	$ 258,023	$ 272,367
Temporary receipts and suspense accounts	2,816,861	2,197,331	1,781,936
Guarantee deposits received	7,416,740	4,468,668	5,162,964
Contract liabilities	1,317,699	1,457,888	1,233,073
Others	317	277	721
	$ 11,808,769	$ 8,382,187	$ 8,451,061

32. EQUITY

a. Capital stock

Common stock

	September 30, 2022	December 31, 2021	September 30, 2021
Number of authorized shares (in thousands)	10,859,866	10,698,583	10,698,583
Amount of authorized shares	$ 108,598,655	$ 106,985,830	$ 106,985,830
Number of shares issued and fully paid (in thousands)	10,859,866	10,698,583	10,698,583
Amount of shares issued	$ 108,598,655	$ 106,985,830	$ 106,985,830

On May 4, 2022, the Bank's board of directors resolved on behalf of the shareholders to transfer the retained earnings of $1,612,825 thousand in the form of dividends to increase capital and issued 161,283 thousand new shares for total authorized capital of $108,598,655 thousand. The capital increase was approved by the FSC on June 21, 2022 and the recapitalization record date was June 29, 2022.

b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
Capital surplus from the merger	$ 10,949,303	$ 10,949,303	$ 10,949,303
Additional paid-in capital	27,648,873	27,648,873	27,648,873
Others	89,100	89,100	89,100
	$ 38,687,276	$ 38,687,276	$ 38,687,276

c. Legal reserve

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

d. Special reserve

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

According to Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Bank should appropriate to or reverse from its special reserve certain specified amounts. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses, and thereafter distributed.

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

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

The changes in the special reserve of the Bank for the nine months ended September 30, 2022 and 2021 were as follows:

	Investment Properties	Others	Total
Balance at January 1, 2022	$ 1,525,074	$ 558,682	$ 2,083,756
Decrease	(6,091)	-	(6,091)
Balance at September 30, 2022	$ 1,518,983	$ 558,682	$ 2,077,665
Balance at January 1, 2021	$ 1,525,971	$ 558,682	$ 2,084,653
Decrease	(897)	-	(897)
Balance at September 30, 2021	$ 1,525,074	$ 558,682	$ 2,083,756

e. Retained earnings and dividends policy

According to the Bank's Articles of Incorporation, if the Bank made a profit in a fiscal year, the profit shall be first utilized for paying taxes and offsetting deficits of prior years, if any. If the legal reserve is less than the paid-in capital, profit shall be appropriated to legal reserve and special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing a plan for the distribution of dividends and bonuses to shareholder, which should be resolved by the shareholder.

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

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

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2021	2020	2021	2020
Legal reserve	$ 7,566,262	$ 6,656,404		
Cash dividends	16,047,875	15,532,000	$ 1.50	$ 1.45
Stock dividends	1,612,825	-	0.15	-

f. Other equity items

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

	For the Nine Months Ended September 30	
	2022	2021
Balance at the beginning of the period	$ (2,766,438)	$ (2,034,967)
Exchange differences generated from translating the net assets of foreign operations	2,838,797	(820,110)
Tax effect	(567,758)	164,022
Other comprehensive income (loss)	2,271,039	(656,088)
Balance at the end of the period	$ (495,399)	$ (2,691,055)

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

	For the Nine Months Ended September 30	
	2022	2021
Balance at the beginning of the period	$ 7,527,083	$ 12,999,487
Recognized for the period		
Unrealized gains (losses)		
Debt instruments	(20,362,235)	(2,658,052)
Equity instruments	(4,588,821)	1,307,924
Net remeasurement of loss allowance	15,739	(69,514)
Share from subsidiaries and associates accounted for using equity method	(19,606)	(6,626)
Reclassification adjustments		
Disposal of investment in debt instruments	204,445	(2,152,381)
Tax effect	1,104,290	388,213
Other comprehensive loss	(23,646,188)	(3,190,436)
Accumulated unrealized gains (losses) on equity instruments transferred to retained earnings due to disposal	1,452,316	(1,986,364)
Balance at the end of the period	$ (14,666,789)	$ 7,822,687

3) Remeasurement of the defined benefit plans

	For the Nine Months Ended September 30	
	2022	2021
Balance at the beginning of the period	$ (1,980,688)	$ (1,910,070)
Recognized for the period	(826)	(655)
Share from associates accounted for using equity method	1,182	861
Tax effect	165	131
Other comprehensive income	521	337
Balance at the end of the period	$ (1,980,167)	$ (1,909,733)

4) Gain on property revaluation

	For the Nine Months Ended September 30	
	2022	2021
Balance at the beginning of the period	$ 285,008	$ 314,743
Gain on property revaluation	1,322,404	-
Tax effect	(10,677)	-
Other comprehensive income	1,311,727	-
Transferred to retained earnings	15,364	(64,925)
Balance at the end of the period	$ 1,612,099	$ 249,818

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

	For the Nine Months Ended September 30	
	2022	2021
Balance at the beginning of the period	$ (889,397)	$ (1,478,705)
Change in fair value attributed to changes in credit risk	1,037,069	568,595
Tax effect	(207,414)	(113,719)
Other comprehensive income	829,655	454,876
Balance at the end of the period	$ (59,742)	$ (1,023,829)

g. Non-controlling interests

	For the Nine Months Ended September 30	
	2022	2021
Balance at the beginning of the period	$ 4,376,091	$ 4,358,749
Net income attributable to non-controlling interests	274,814	211,291
Exchange differences on translating the financial statements of foreign operations	519,729	(73,668)
Change in non-controlling interests	(418,006)	(471,108)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(451,255)	69,570
Balance at the end of the period	$ 4,301,373	$ 4,094,834

33. NET INTEREST REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest income				
Discounts and loans	$ 13,404,038	$ 9,163,486	$ 34,208,304	$ 26,839,048
Investment securities	3,077,985	2,247,911	7,899,280	6,352,908
Revolving credit	617,626	575,845	1,816,958	1,778,543
Due from banks and call loans to banks	1,723,720	418,149	2,863,290	1,406,135
Others	220,595	50,077	391,086	103,104
	19,043,964	12,455,468	47,178,918	36,479,738

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest expense				
Deposits	$ 4,731,742	$ 2,127,973	$ 9,731,864	$ 6,531,121
Financial debentures	177,263	207,429	581,542	661,287
Structured products	281,983	105,241	548,504	340,380
Due to the Central Bank and other banks	487,645	111,855	842,499	319,006
Notes and bonds issued under repurchase agreements	246,824	55,862	414,984	98,618
Interest on lease liabilities	9,407	9,903	29,295	31,273
Others	103,267	3,764	116,805	9,608
	6,038,131	2,622,027	12,265,493	7,991,293
	$ 13,005,833	$ 9,833,441	$ 34,913,425	$ 28,488,445

(Concluded)

34. NET SERVICE FEE REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Service fee income				
Credit card business	$ 3,056,713	$ 2,580,346	$ 7,081,576	$ 5,700,721
Trust business	1,061,537	1,177,144	3,229,637	3,821,461
Loan business	276,181	283,735	768,966	621,849
Cross-selling marketing	1,356,920	1,949,391	5,263,437	5,613,196
Others	821,526	676,461	2,380,968	2,058,829
	6,572,877	6,667,077	18,724,584	17,816,056
Service fee expenses				
Credit card business	1,242,589	962,813	3,680,735	2,749,105
Others	416,843	316,601	1,188,581	981,480
	1,659,432	1,279,414	4,869,316	3,730,585
	$ 4,913,445	$ 5,387,663	$ 13,855,268	$ 14,085,471

The Bank also engaged in the business of online payment services. For the nine months ended September 30, 2022 and 2021, service fee revenue was $629 thousand and $498 thousand, respectively, and the revenue and other income resulting from the funds collected were both zero.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Stock	$ (26,179)	$ (16,084)	$ (178,993)	$ 389,436
Short-term bills	210,616	179,260	581,732	563,483
Fund beneficiary certificates	(23,449)	(8,868)	(28,957)	(8,829)
Investments in debt instruments	1,824,700	194,070	3,791,431	1,349,079
Derivative financial instruments	80,912	(47,490)	(1,384,300)	(510,778)
	$ 2,066,600	$ 300,888	$ 2,780,913	$ 1,782,391
Realized gain (loss)				
Gain on disposal	$ 1,051,271	$ 57,394	$ 2,866,068	$ 2,154,685
Interest income	525,824	499,182	1,589,655	1,298,067
Dividend income	-	-	36,041	4,204
Interest expense	(360,354)	(326,473)	(1,035,591)	(982,357)
Unrealized gain (loss)				
Valuation gain (loss)	849,859	70,785	(675,260)	(692,208)
	$ 2,066,600	$ 300,888	$ 2,780,913	$ 1,782,391

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Net gain (loss) on disposal - debt instruments	$ (836,685)	$ 540,008	$ (204,446)	$ 2,152,381
Dividend income	278,672	764,566	1,446,242	1,534,776
	$ (558,013)	$ 1,304,574	$ 1,241,796	$ 3,687,157

37. IMPAIRMENT REVERSAL (LOSS) ON ASSETS

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Debt instruments at FVTOCI	$ 7,958	$ (11,568)	$ 1,499	$ 59,693
Debt instruments at amortised cost	(6,676)	8,575	(19,689)	26,936
	$ 1,282	$ (2,993)	$ (18,190)	$ 86,629

38. BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Discounts and loans	$ 1,249,927	$ 632,157	$ 2,766,033	$ 2,792,331
Receivables	(8,649)	(39,458)	(30,915)	(14,533)
Guarantee liability provisions	5,126	(6,472)	(8,786)	(22,162)
Financial commitment provisions	(19,371)	12,797	(9,878)	(89,934)
Others	19,426	22,715	46,987	77,138
	$ 1,246,459	$ 621,739	$ 2,763,441	$ 2,742,840

39. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Salaries	$ 4,200,727	$ 3,874,735	$ 12,438,938	$ 11,355,773
Insurance	308,227	292,310	924,030	890,000
Post-employment benefits	174,429	178,879	518,657	537,116
Remuneration of directors	1,093	1,093	3,375	3,122
Others	74,190	66,054	235,164	228,227
	$ 4,758,666	$ 4,413,071	$ 14,120,164	$ 13,014,238

For the nine months ended September 30, 2022 and 2021, the average number of the Company's employees was 12,257 and 12,128, including 20 and 19 non-executive directors, respectively.

As of September 30, 2022 and 2021, the number of employees of the Company was 12,393 and 12,174, respectively.

Under the Articles of Incorporation of the Bank, the Bank accrued compensation of employees and remuneration of directors at the rates of 0.05% and no higher than 0.1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors (after offsetting accumulated deficits). For the nine months ended September 30, 2022 and 2021, compensation of employees and the remuneration of directors were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Compensation of employees	$ 4,000	$ 3,700	$ 12,000	$ 10,650
Remuneration of directors	$ 1,093	$ 1,093	$ 3,375	$ 3,122

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

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

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

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

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

40. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Depreciation expense				
Property and equipment	$ 362,796	$ 362,694	$ 1,078,098	$ 1,066,853
Right-of-use assets	408,549	385,967	1,204,262	1,159,529
Amortization expense				
Intangible assets	145,176	137,359	411,516	374,918
	$ 916,521	$ 886,020	$ 2,693,876	$ 2,601,300

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Rental expenses	$ 212,394	$ 160,461	$ 569,175	$ 540,522
Tax expenses	831,754	582,573	2,194,793	1,755,947
Product promotion expenses	1,862,781	1,361,849	3,219,902	2,428,278
Insurance expenses	229,422	218,410	681,681	634,554
Others	1,364,024	1,288,784	3,752,398	3,534,975
	$ 4,500,375	$ 3,612,077	$ 10,417,949	$ 8,894,276

42. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Current tax				
In respect of the period	$ 1,206,226	$ 888,352	$ 3,578,101	$ 3,077,597
Adjustments for prior year	-	-	(194,911)	8,856
Deferred tax				
In respect of the period	256,774	57,648	650,810	(429,453)
Income tax of overseas subsidiaries	67,568	97,558	278,004	209,657
Income tax expense recognized in profit or loss	$ 1,530,568	$ 1,043,558	$ 4,312,004	$ 2,866,657

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

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Deferred tax				
Recognized in OCI				
Remeasurement of defined benefit plans	$ -	$ -	$ (165)	$ (131)
Gain on property revaluation	-	-	10,677	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	129,810	58,566	207,414	113,719

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Translation of foreign operations	$ 295,366	$ (36,672)	$ 567,758	$ (164,022)
Fair value changes of financial assets at FVTOCI	(332,525)	(215,113)	(1,104,290)	(388,213)
Total income tax expense (benefit) recognized in other comprehensive income	$ 92,651	$ (193,219)	$ (318,606)	$ (438,647)

(Concluded)

c. Income tax assessments

The Bank's income tax returns through 2017 have been assessed by the tax authority; however, the Bank was dissatisfied and invoked the administrative remedy for fiscal years from 2015 to 2017. The Bank assessed relevant income tax based on prudence principle.

43. EARNINGS PER SHARE

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

Unit: Dollar Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Basic earnings per share	$ 0.68	$ 0.60	$ 1.90	$ 1.72

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were retrospectively adjusted as follows:

Net income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Net income for calculating basic earnings per share	$ 7,408,146	$ 6,444,602	$ 20,637,935	$ 18,628,030

Number of shares

Unit: In Thousands

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
Weighted average number of ordinary shares used for calculating basic earnings per share	10,859,866	10,859,866	10,859,866	10,859,866

44. RELATED-PARTY TRANSACTIONS

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

a. Related parties and relationships

Related Party	Relationship with the Company
Cathay Financial Holding Co., Ltd.	Parent company
Taiwan Real-estate Management Corp.	Associate
Taiwan Finance Corp.	Associate
Cathay Life Insurance Co., Ltd.	Other related party
Cathay Century Insurance Co., Ltd.	Other related party
Cathay Securities Co., Ltd.	Other related party
Cathay Venture Inc.	Other related party
Cathay Securities Investment Trust Co., Ltd.	Other related party
Cathay Securities Investment Consulting Co., Ltd.	Other related party
Cathay Futures Co., Ltd.	Other related party
Cathay Life Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Insurance (Vietnam) Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Cultural Foundation	Other related party
Cathay United Bank Employees’ Welfare Committee	Other related party
Cathay Life Insurance Employees’ Welfare Committee	Other related party
Cathay Real Estate Development Employees’ Welfare Committee	Other related party
Vietinbank	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Lin Yuan Property Management Co., Ltd.	Other related party
Kao-Yi International Investment Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Sino Greenergy Group	Other related party
TaiYang Solar Power Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party

(Continued)

Related Party	Relationship with the Company
Jinhua Realty Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Other related party
CM Energy Co., Ltd.	Other related party
Cathay Industrial Research and Design Center Co., Ltd.	Other related party
CMG International One Co., Ltd.	Other related party
CMG International Two Co., Ltd.	Other related party
Sanchong Realty Co., Ltd.	Other related party
Cathay Real-estate Management Co., Ltd.	Other related party
TPIsoftware Corporation	Other related party
An Feng Enterprise Co., Ltd.	Other related party
Daiwa-Cathay Capital Markets Co., Ltd.	Other related party
Srisawad Corporation Public Company Limited	Other related party
Quantifeed Holdings Limited	Other related party
Taiwan Asset Management Corporation	Other related party
HanTech Venture Capital Co., Ltd.	Other related party
Taipei Forex Inc.	Other related party
Development International Investment Co., Ltd.	Other related party
Financial Information Service Co., Ltd.	Other related party
Yuhua Venture Co., Ltd.	Other related party
Funds managed by Cathay Securities Investment Trust Co., Ltd.	Other related party
Private Equity Funds managed by Cathay Private Equity	Other related party
Directors, supervisors, managers, and their relatives and affiliates	Other related party (Note)

(Concluded)

Note: The bank established audit committee on June 30, 2022. Therefore, supervisors have not been related parties since then.

b. Significant transactions between the Company and related parties

1) Loans and deposits

<u>Loans and interest revenue</u>

<u>September 30, 2022</u>

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 01.01-09.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	28	$ 232,203	$ 13,654	V	$ -	None	None	(226)	$ 192
Self-used housing mortgage loans	255	2,722,141	2,473,860	V	-	Real estate, stocks and certificates of deposits	None	4,092	30,828
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	-	330
Others	Sino Greenergy Group	75,465	69,806	V	-	Property	None	(57)	698
Others	TaiYang Solar Power Co., Ltd.	59,939	55,960	V	-	Property	None	(40)	560
Others	Cathay Real Estate Development Co., Ltd.	1,420,000	1,420,000	V	-	Real estate	None	14,200	14,200
Others	Daiwa-Cathay Capital Markets Co., Ltd.	3,600	-	V	-	None	None	-	-

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

September 30, 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 01.01-09.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	27	$ 172,735	$ 14,069	V	$ -	None	None	$ 128	$ 318
Self-used housing mortgage loans	264	2,441,100	2,228,061	V	-	Real estate, stocks and certificates of deposits	None	1,994	27,931
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	-	330
Others	Sino Greenergy Group	83,012	77,352	V	-	Property	None	(56)	774
Others	Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	10,000	V	-	Real estate	None	100	100
Others	TaiYang Solar Power Co., Ltd.	65,244	61,265	V	-	Property	None	(371)	613

	Interest Revenue			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Associate				
Taiwan Real-estate Management Corp.	$ 170	$ 133	$ 455	$ 395
Other related parties				
Sino Greenergy Group	425	411	1,198	1,247
Yua-Yung Marketing (Taiwan) Co., Ltd.	-	38	-	104
TaiYang Solar Power Co., Ltd.	347	311	967	954
Cathay Real Estate Development Co., Ltd.	4,139	-	4,975	-
Others	10,994	7,495	27,853	22,391
	15,905	8,255	34,993	24,696
	$ 16,075	$ 8,388	$ 35,448	$ 25,091

Deposits and interest expense

Related Parties	September 30, 2022 Ending Balance	September 30, 2022 Interest Expense	December 31, 2021 Ending Balance	December 31, 2021 Interest Expense	September 30, 2021 Ending Balance	September 30, 2021 Interest Expense
Parent company						
Cathay Financial Holding Co., Ltd.	$ 303,420	$ 1,571	$ 47,839	$ 78	$ 309,667	$ 75
Associate						
Other	13,522	13	13,196	9	13,089	7
Other related parties						
Cathay Life Insurance Co., Ltd.	36,634,352	63,521	42,128,322	6,003	27,271,402	4,401
Cathay Century Insurance Co., Ltd.	3,252,065	3,365	2,432,503	415	2,377,478	315
Cathay Securities Co., Ltd.	4,231,631	4,192	14,241,811	1,846	4,823,870	1,385
Cathay Futures Co., Ltd.	1,641,111	1,913	360,353	643	773,295	613
Cathay Venture Inc.	144,527	79	55,273	20	209,281	18
Cathay Real-estate Management Co., Ltd.	97,093	547	100,559	580	90,505	414
Cathay Securities Investment Trust Co., Ltd.	136,085	139	159,611	69	162,591	51
Cathay Securities Investment Consulting Co., Ltd.	499,395	630	563,928	173	473,505	125
Cathay Real Estate Development Co., Ltd.	254,175	38	290,378	28	343,361	23
Cathay Medical Care Corp.	168,741	259	218,988	48	188,040	28
Cathay Hospitality Management Co., Ltd.	156,690	98	163,365	10	30,834	5
Cathay Life Insurance (Vietnam) Co., Ltd.	3,312,119	103,531	1,830,226	131,557	2,285,372	102,233
Cathay Insurance (Vietnam) Co., Ltd.	306,160	9,968	243,871	14,584	290,513	11,269
Symphox Information Co., Ltd.	92,890	97	156,393	132	119,942	102
Cathay United Bank Foundation	562,908	3,955	541,531	4,189	544,970	3,136
Cathay Charity Foundation	305,743	1,949	281,451	1,918	284,081	1,434
Cathay Cultural Foundation	208,338	1,571	210,741	1,598	211,166	1,195
Cathay United Bank Employees' Welfare Committee	791,622	22,563	760,605	30,847	802,120	23,126
Cathay Life Insurance Employees' Welfare Committee	2,440,783	17,067	2,381,744	16,982	2,357,316	12,699
Cathay Real Estate Development Employees' Welfare Committee	487,517	3,587	438,380	3,506	450,757	2,575
Lin Yuan Property Management Co., Ltd.	208,616	1,095	267,301	1,178	154,058	899
Jinhua Realty Co., Ltd.	122,366	52	34,274	23	105,898	20
Pai Hsing Investment Co., Ltd.	1,683	75	142,416	129	144,581	101
Bannan Realty Co., Ltd.	374,390	185	190,289	30	297,388	23
Yua-Yung Marketing (Taiwan) Co., Ltd.	134,547	113	121,802	211	107,443	188
Ally Logistic Property Co., Ltd.	15,206	19	95,032	10	114,856	9
Lin Yuan (Shanghai) Real Estate Co., Ltd.	1,600,685	30,041	1,395,380	38,262	1,399,162	28,306
CM Energy Co., Ltd.	77,233	47	116,468	24	248,238	20
Cathay Industrial Research and Design Center Co., Ltd.	525,002	491	713,251	228	720,278	169
CMG International One Co., Ltd.	102,707	145	120,208	1	3,784	1
CMG International Two Co., Ltd.	101,386	151	167,291	2	10,209	1
Sanchong Realty Co., Ltd.	434,816	268	-	-	-	-
Funds managed by Cathay Securities Investment Trust Co., Ltd.	67,847	1	695,215	35	146,646	-
Private Equity Funds managed by Cathay Private Equity	512,506	311	659,967	36	-	-
Others	9,532,889	47,565	7,721,250	47,016	7,992,810	36,126
	69,535,824	319,628	80,000,177	302,333	55,535,750	231,010
	$ 69,852,766	$ 321,212	$ 80,061,212	$ 302,420	$ 55,858,506	$ 231,092

Accounts/Related Parties	September 30, 2022 Ending Balance	September 30, 2022 Interest Income (Expense)	December 31, 2021 Ending Balance	December 31, 2021 Interest Income (Expense)	September 30, 2021 Ending Balance	September 30, 2021 Interest Income (Expense)
Due from commercial banks						
Other related party						
Vietinbank	$ 77,437	$ 134	$ 53,977	$ 372	$ 36,155	$ 369
Due to commercial banks						
Other related party						
Vietinbank	14,067	(1,069)	17,825	(1)	23,540	-

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 marketable securities (recorded as financial assets at FVTOCI)

Accounts/Related Parties	September 30, 2022	December 31, 2021	September 30, 2021
Bond investment			
Other related party			
Vietinbank	$ 398,614	$ 365,738	$ 367,222
Stock investment			
Other related parties			
Sriward Corporation Public Company Limited	2,293,279	3,210,527	3,618,827
Quantifeed Holdings Limited	69,237	27,720	38,235
Taiwan Asset Management Corporation	914,266	1,647,294	1,561,614
HanTech Venture Capital Corp.	78,563	102,178	92,539
Taipei Forex Inc.	52,239	58,805	52,868
Financial Information Service Co., Ltd.	622,199	866,688	919,215
Development International Investment Co., Ltd.	682,069	880,509	897,761
An Feng Enterprise Co., Ltd.	14,460	19,034	12,198
Yuhua Venture Co., Ltd.	281	855	877

	Interest Revenue			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Accounts/Related Parties	2022	2021	2022	2021
Other related party				
Vietinbank	$ 6,197	$ 5,826	$ 18,140	$ 19,056

3) Guarantees

September 30, 2022

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	$ 57,013	$ 6	0.65%-0.8%	Demand deposits

December 31, 2021

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

September 30, 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	$ 42	0.65%-0.8%	Demand deposits

4) Derivatives

September 30, 2022

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2022.04.08-2023.06.06	$ 135,637,839	$ 6,204,921	Valuation adjustment for FVTPL financial assets	$ 6,074,287
					Valuation adjustment for FVTPL financial liabilities	(75,977)
	SWAP - cross currency exchange between customers (USD)	2021.04.29-2023.05.04	3,174,300	(21,143)	Valuation adjustment for FVTPL financial assets	169,326
					Valuation adjustment for FVTPL financial liabilities	(194,150)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2021.10.13-2023.08.25	3,021,934	265,513	Valuation adjustment for FVTPL financial assets	259,514
					Valuation adjustment for FVTPL financial liabilities	-
	SWAP - exchange between customers (EUR)	2022.02.22-2023.06.06	54,673	(709)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(512)
Taiwan Finance Co., Ltd.	SWAP - exchange between customers (USD)	2022.08.11-2022.11.15	95,229	5,577	Valuation adjustment for FVTPL financial assets	5,577
					Valuation adjustment for FVTPL financial liabilities	-

December 31, 2021

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.09.29-2022.09.28	$ 79,885,650	$ (231,691)	Valuation adjustment for FVTPL financial assets	$ 2,154
					Valuation adjustment for FVTPL financial liabilities	(593,855)
	SWAP - cross currency exchange between customers (USD)	2021.04.29-2023.05.04	2,769,000	1,481	Valuation adjustment for FVTPL financial assets	8,500
					Valuation adjustment for FVTPL financial liabilities	(10,551)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.10.08-2022.07.28	2,636,088	(3,252)	Valuation adjustment for FVTPL financial assets	72
					Valuation adjustment for FVTPL financial liabilities	(19,146)
	SWAP - exchange between customers (EUR)	2021.02.22-2022.02.24	23,495	(2,170)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(2,002)

September 30, 2021

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.09.29-2022.09.28	$ 60,887,210	$ (60,777)	Valuation adjustment for FVTPL financial assets	$ 75,204
					Valuation adjustment for FVTPL financial liabilities	(464,281)
	SWAP - cross currency exchange between customers (USD)	2021.04.29-2023.05.04	2,786,600	5,674	Valuation adjustment for FVTPL financial assets	5,974
					Valuation adjustment for FVTPL financial liabilities	(300)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2020.10.08-2022.07.28	2,652,843	(11,307)	Valuation adjustment for FVTPL financial assets	2,688
					Valuation adjustment for FVTPL financial liabilities	(26,749)
	SWAP - exchange between customers (EUR)	2021.02.22-2022.02.24	24,259	(1,356)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(1,188)

5) Lease agreement - the Company as lessee

Related Parties	Acquisition of Right-of-use Assets For the Nine Months Ended September 30	
	2022	2021
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 690,622	$ 1,973
Cathay Real Estate Development Co., Ltd.	29,491	-

Related Parties	Lease Liabilities September 30, 2022	December 31, 2021	September 30, 2021
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 1,264,906	$ 1,114,777	$ 1,297,482
Cathay Real Estate Development Co., Ltd.	26,217	3,997	6,414

Related Parties	Interest Expense			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Other related parties				
Cathay Life Insurance Co., Ltd.	$ 1,630	$ 1,911	$ 5,463	$ 6,403
Cathay Real Estate Development Co., Ltd.	24	6	33	25

Related Parties	Rental Expense				
	For the Three Months Ended September 30		For the Nine Months Ended September 30		Payment Term
	2022	2021	2022	2021	
Other related party					
Cathay Life Insurance Co., Ltd.	$ -	$ 548	$ -	$ 1,096	Monthly

Related Parties	Refundable Deposits September 30, 2022	December 31, 2021	September 30, 2021
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 191,579	$ 187,202	$ 187,202
Cathay Real Estate Development Co., Ltd.	4,482	4,446	4,446

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.

6) Lease agreement - the Company as lessor

Related Parties	Rental Income: For the Three Months Ended September 30: 2022	2021	For the Nine Months Ended September 30: 2022	2021	Payment Term
Other related parties					
Cathay Life Insurance Co., Ltd.	$ 7,694	$ 10,272	$ 24,222	$ 32,674	Monthly
Cathay Century Insurance Co., Ltd.	2,023	1,653	6,720	5,190	Monthly
Cathay Securities Co., Ltd.	2,338	2,570	6,949	7,654	Monthly

Related Parties	Guarantee Deposits Received: September 30, 2022	December 31, 2021	September 30, 2021
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 7,694	$ 10,087	$ 10,144
Cathay Century Insurance Co., Ltd.	1,994	3,056	1,629
Cathay Securities Co., Ltd.	2,662	2,829	2,829

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

7) Others

Items/Related Parties	For the Three Months Ended September 30: 2022	2021	For the Nine Months Ended September 30: 2022	2021
Service fee income				
Other related parties				
Cathay Life Insurance Co., Ltd.	$ 1,485,663	$ 2,162,120	$ 5,187,628	$ 5,756,684
Cathay Century Insurance Co., Ltd.	34,749	67,271	155,403	147,808
Cathay Securities Co., Ltd.	42,662	87,284	173,649	239,833
Cathay Securities Investment Trust Co., Ltd.	15,991	14,812	46,692	35,699
Cathay Securities Investment Consulting Co., Ltd.	9,044	11,898	28,312	29,048
Cathay Real Estate Development Co., Ltd.	1,108	868	6,132	6,481

(Continued)

Items/Related Parties	For the Three Months Ended September 30 2022	For the Three Months Ended September 30 2021	For the Nine Months Ended September 30 2022	For the Nine Months Ended September 30 2021
<u>Miscellaneous income</u>				
Parent company				
Cathay Financial Holding Co., Ltd.	$ -	$ -	$ -	$ 6,793
Other related party				
Cathay Life Insurance Co., Ltd.	-	40	-	6,834
<u>Service fee expenses</u>				
Other related parties				
Cathay Securities Co., Ltd.	489	1,904	2,838	7,110
Cathay Futures Co., Ltd.	1,058	663	4,724	1,425
<u>Other operating expenses</u>				
Other related parties				
Cathay Life Insurance Co., Ltd.	58,736	34,171	166,112	133,110
Symphox Information Co., Ltd.	139,732	101,572	350,080	367,697
Lin Yuan Property Management Co., Ltd.	16,185	11,631	40,990	32,357
Seaward Card Co., Ltd.	61,517	52,305	167,721	156,451
Cathay Securities Investment Trust Co., Ltd.	1,800	1,800	5,400	5,400
Cathay Securities Co., Ltd.	600	4,313	1,800	6,751
Cathay Healthcare Management Co., Ltd.	4,944	2,397	9,522	3,419
Cathay Real Estate Development Co., Ltd.	1,569	1,569	3,781	3,471
TPIsoftware Corporation	4,514	5,688	38,554	20,468
An Feng Enterprise Co., Ltd.	30,960	41,992	133,395	84,047
Cathay Medical Care Corp.	246	543	652	7,440
<u>Insurance expenses paid</u>				
Other related parties				
Cathay Life Insurance Co., Ltd.	41,825	36,881	110,135	68,100
Cathay Century Insurance Co., Ltd.	24,657	26,257	95,159	95,237

(Concluded)

Item/Related Parties	September 30, 2022	December 31, 2021	September 30, 2021
Related party receivables for allocation of integrated income tax systems account			
Parent company			
Cathay Financial Holding Co., Ltd.	$ -	$ -	$ 342,658
Receivables			
Other related party			
Cathay Securities Investment Trust Co., Ltd.	4,754	3,856	3,413
Related party receivables for commission of collecting insurances			
Other related party			
Cathay Life Insurance Co., Ltd.	401,042	185,415	557,612
Refundable deposit			
Other related party			
Cathay Futures Co., Ltd.	2,005,331	559,180	548,206
Accrued expenses			
Other related party			
Seaward Card Co., Ltd.	19,783	30,880	27,204
Accounts payable			
Parent company			
Cathay Financial Holding Co., Ltd.	-	6,000	-
Other related parties			
Cathay Century Insurance Co., Ltd.	10,317	43,890	20,841
Symphox Information Co., Ltd.	45,895	19,566	78,779
Related party payables for allocation of integrated income tax systems account			
Parent company			
Cathay Financial Holding Co., Ltd.	1,699,687	507,935	-

The Bank paid construction planning and design maintenance service fees to Lin Yuan Property Management Co., Ltd. in the amount of $7,486 thousand and $5,305 thousand and recorded as property and equipment during the nine months ended September 30, 2022 and 2021, respectively.

The Bank purchased bonus points from Symphox Information Co., Ltd. The bonus points can be earned by the Bank's customers and exchanged for merchandise. As of September 30, 2022, December 31, 2021 and September 30, 2021, the unconverted bonus points amounted to $45,586 thousand, $41,965 thousand and $36,116 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 nine months ended September 30, 2022 and 2021 was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employment benefits	$ 136,642	$ 105,760	$ 384,742	$ 302,681
Post-employment benefits	1,337	1,576	4,408	4,246
Other long-term employment benefits	34	-	54	-
	$ 138,013	$ 107,336	$ 389,204	$ 306,927

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

45. PLEDGED ASSETS

The Company's assets had been used as collaterals to apply for loans, Central Bank overdraft and for provisional seizure of certain assets, and the Bank's due from the Central Bank used as collaterals to apply for financing projects of loans to small and medium enterprises affected by Covid-19 pandemic had expired at the end of June 2022. The Company's assets used as collaterals were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Due from the Central Bank (deposit reserves - general accounts)	$ -	$ 6,000,000	$ 6,000,000
Financial assets at FVTOCI	46,800,000	-	12,000,000
Investments in debt instruments at amortised cost	10,996,299	57,689,894	45,684,852

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:

	September 30, 2022	December 31, 2021	September 30, 2021
Trust and security held for safekeeping	$ 985,376,519	$ 912,272,287	$ 891,789,379
Collection and payment on behalf of customers	29,302,750	30,506,950	31,153,803
Book-entry for government bonds and depository for short-term marketable securities under management	435,108,761	388,239,044	375,228,609
Entrusted financial management business	15,207,952	11,589,694	11,462,784
Guarantees on duties and contracts	19,811,202	18,242,569	18,967,392
Unused commercial letters of credit	6,564,542	6,566,178	7,436,618
Irrevocable loan commitments	171,089,271	171,600,838	174,242,300
Unused credit card line commitments	707,932,004	686,086,086	681,981,403
Underwritten securities	3,200,000	-	2,400,000

2) As of September 30, 2022, the Bank's significant lawsuits and proceedings arising due to normal business relationships are as follows:

Lee & Li, Attorneys-at-Law and SanDisk Corporation of USA alleged that the embezzlement case of Liu Wei-Chieh (an employee of Lee & Li), which occurred in October 2003 was caused by the negligence of the Bank in its operation, and the plaintiffs claimed damages from the Bank in the amount of approximately $991,002 thousand. The case has been pending in the court since July 2007, and the Bank won favorable decisions in both the first and second instances. Although the Supreme Court reversed the original second-instance judgements, the Bank again won a favorable decision in the second instance on August 25, 2021. Lee & Li is appealing to the Supreme Court currently. Both the Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of the Bank.

b. Indovina Bank

<u>Entrusted item and guarantees</u>

	September 30, 2022	December 31, 2021	September 30, 2021
Financial guarantee contracts	$ 1,271,953	$ 1,292,761	$ 1,322,375
Unused commercial letters of credit	830,102	994,336	1,158,327
Irrevocable loan commitments	-	-	683

c. CUBC Bank

Entrusted item and guarantees

	September 30, 2022	December 31, 2021	September 30, 2021
Financial guarantee contracts	$ 23,157	$ 20,528	$ 17,635
Credit card line commitments	321,190	269,953	273,549
Irrevocable loan commitments	352,444	338,751	251,727

d. CUBCN Bank

Entrusted item and guarantees

	September 30, 2022	December 31, 2021	September 30, 2021
Financial guarantee contracts	$ 287,606	$ 255,149	$ 334,867
Unused commercial letters of credit	520,453	621,893	655,611
Irrevocable loan commitments	1,042,421	1,016,657	740,957

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

As of September 30, 2022, December 31, 2021 and September 30, 2021, the trust assets (liabilities) were in the amount of $634,656,667 thousand, $569,339,345 thousand and $558,232,403 thousand, respectively.

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

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

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

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

49. FINANCIAL INSTRUMENTS

a. Information on fair value hierarchy

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

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

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

1) Level 1

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

a) All financial instruments in the market are homogeneous.

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

c) The public can access the price information easily.

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

2) Level 2

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

a) Quoted prices of similar products in an active market. This means the fair value can be derived from the current trading prices of similar products, and whether they are similar products should be judged on the characteristics and trading rules. The fair price valuation in this circumstance may be adjusted due to time differences, trading rule differences, transaction prices involving related parties, and the correlation of price between the product itself and similar goods;

b) Quoted prices for identical or similar financial instruments in inactive markets;

c) For the marking-to-model method, the inputs to the model should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be obtained from the market and can reflect the expectation of market participants;

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

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

3) Level 3

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

The products in this level are part of emerging stocks, unlisted shares, complex derivative financial instruments or products with prices that are provided by brokers, such as complex foreign exchange options.

c. Measured at fair value on a recurring basis

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

Item	September 30, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 81,076	$ 61,778	$ -	$ 19,298
Bonds	54,475,935	9,307,974	45,167,961	-
Others	90,247,195	-	90,247,195	-
Financial assets at fair value through other comprehensive income				
Stocks	16,988,035	10,068,133	-	6,919,902
Bonds	206,765,045	100,536,725	106,228,320	-
Others	206,461,507	-	206,461,507	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	39,948,351	-	39,948,351	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	141,056,662	178,074	134,797,163	6,081,425
Liabilities				
Financial liabilities at fair value through profit or loss	130,447,722	17,831	124,348,466	6,081,425

Item	December 31, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 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	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	38,512,412	85,533	34,061,259	4,365,620
Liabilities				
Financial liabilities at fair value through profit or loss	35,297,809	65,062	30,867,127	4,365,620

Item	September 30, 2021			
	Total	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 23,573	$ -	$ -	$ 23,573
Bonds	71,041,294	26,499,080	44,542,214	-
Others	165,992,848	10,390	165,982,458	-
Financial assets at fair value through other comprehensive income				
Stocks	20,971,229	12,039,242	-	8,931,987
Bonds	296,755,468	177,631,298	119,124,170	-
Others	24,446,594	-	24,446,594	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	41,484,266	-	41,484,266	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	40,886,248	155,149	36,362,931	4,368,168
Liabilities				
Financial liabilities at fair value through profit or loss	35,733,649	2,030	31,363,451	4,368,168

2) Financial instruments measured at fair value

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

a) Marking to market

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

i. Ensure the consistency and integrity of market data.

ii. Market data should be obtained from publicly available, easily accessible and independent sources.

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

iv. Evaluation of unlisted securities that lack tradable closing prices should use quoted prices from independent brokers and comply with the rules issued by the authorities.

b) Marking to model

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

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

3) Fair value adjustments

Credit risk valuation adjustments

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

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

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

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

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

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

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

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

Except for the active market adjustments of some bond prices, there were no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2022 and 2021.

5) Reconciliation of Level 3 fair value measurements

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

For the nine months ended September 30, 2022

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3		
Financial assets at fair value through profit or loss									
Stocks	$ 24,943	$ (5,645)	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,298
Derivative financial instruments	4,365,620	2,898,154	-	68,922	-	1,251,271	-	-	6,081,425
Financial assets at fair value through other comprehensive income									
Stocks	9,155,787	-	(2,549,134)	206,768	-	1,329	-	107,810	6,919,902

For the nine months ended September 30, 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	$ 3,270	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,573
Derivative financial instruments	5,361,832	(992,746)	-	294,961	-	295,879	-	-	4,368,168
Financial assets at fair value through other comprehensive income									
Stocks	4,062,859	-	1,368,661	3,502,685	-	2,202	-	(16)	8,931,987

Total gains or losses shown in the tables above that contain unrealized gains and losses related to assets held for the nine months ended September 30, 2022 and 2021 amounted to gains of $2,892,509 thousand and losses of $989,476 thousand, respectively.

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

For the nine months ended September 30, 2022

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	$ 4,365,620	$ 2,898,154	$ -	$ 68,922	$ -	$ 1,251,271	$ -	$ 6,081,425

For the nine months ended September 30, 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	$ (992,746)	$ -	$ 294,961	$ -	$ 295,879	$ -	$ 4,368,168

Total gains or losses shown in the tables above that contain unrealized gains and losses related to liabilities committed for the nine months ended September 30, 2022 and 2021 amounted to losses of $2,898,154 thousand and gains of $992,746 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:

September 30, 2022

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
Financial assets						
Financial assets at fair value through profit or loss	Stock	$ 19,298	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	6,077,241	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
		80,880	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		761,781	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

December 31, 2021

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
Financial assets						
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

September 30, 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						
Financial assets						
Financial assets at fair value through profit or loss	Stock	$ 23,573	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	7,888,659	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
		51,377	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		991,951	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.

	September 30, 2022		December 31, 2021		September 30, 2021	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets						
Investments in debt instruments at amortised cost	$ 478,575,106	$ 447,966,672	$ 571,901,742	$ 569,208,926	$ 558,497,730	$ 557,440,089

2) Information on fair value hierarchy

Item	September 30, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Investments in debt instruments at amortised cost	$ 447,966,672	$ 30,807,866	$ 413,922,540	$ 3,236,266

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

Item	September 30, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Investments in debt instruments at amortised cost	$ 557,440,089	$ 20,462,308	$ 531,620,342	$ 5,357,439

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.

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

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures, and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of the Company is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to the Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

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

CUBC Bank

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

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

Judgment of significant increase in credit risk after initial recognition

The Bank

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

1) Quantitative indicators

   a) Changes in credit rating

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

   b) Information on the overdue status of a contract

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

2) Qualitative indicators

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

   a) Bounced checks are reported.

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

   c) Auditors' opinion - adverse opinion.

   d) Auditors' opinion - disclaimer of opinion.

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

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

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

CUBCN Bank

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

1) Quantitative indicators

   a) Changes in credit rating

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

   b) Information on the overdue status of a contract

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

2) Qualitative indicators

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

   a) Any financial instruments are classified as special mention.

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

Indovina Bank

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

1) Quantitative indicators

   a) Changes in credit rating

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

   b) Low credit risk criteria

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

   c) Information on the overdue status of a contract

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

d) Internal credit assessment indicators

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

2) Qualitative indicators

a) Bounced checks are reported.

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

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

CUBC Bank

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

1) Information on the overdue status of a contract

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

2) Loan classification from National Bank of Cambodia

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

3) Internal credit assessment indicators

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

Default and credit impairment of financial asset

The Bank

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

1) Quantitative indicator

a) Changes in credit rating

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

b) Information on the overdue status of a contract

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

2) Qualitative indicator

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

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

b) Lawsuit action has been taken;

c) Debt settlement, debt negotiation;

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

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

CUBCN Bank

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

1) Quantitative indicator

a) Changes in credit rating

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

b) Information on the overdue status of a contract

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

2) Qualitative indicator

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

a) Any financial instruments are classified as substandard, doubtful or loss.

b) The lowest credit risk is classified as substandard, doubtful or loss.

c) Other internal rating is determined to have fallen into default level.

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

Indovina Bank

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

1) Quantitative indicator

   a) Changes in credit rating

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

   b) Information on the overdue status of a contract

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

2) Qualitative indicator

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

   b) Lawsuit action has been taken;

   c) Debt settlement, debt negotiation;

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

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

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

CUBC Bank

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

1) Information on the overdue status of a contract

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

2) Loan classification from National Bank of Cambodia

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

3) Internal credit assessment indicators

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

Measurement of expected credit loss

The Bank

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

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

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

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

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

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

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

1) The EAD is measured at the amortised cost of a financial asset plus its interest receivable.

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

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

CUBCN Bank

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

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

1) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:

   a) For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.

   b) For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.

   c) For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.

2) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:

   a) The PD is based on the information regularly published by Moody’s, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information.

   b) The LGD is based on LGD regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

   c) The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts exposure using credit conversion factor regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

Indovina Bank

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

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

1) Loan portfolio

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

2) Bond portfolio

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

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

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

CUBC Bank

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

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

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

Write-off policy

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

The indicators for reasonably expected to be unrecoverable include:

1) The recourse procedure has ceased.

2) The debtor's assets or income are evaluated to be insufficient to repay outstanding payments.

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

Consideration of forward-looking information

The Bank

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

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

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

CUBCN Bank

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

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

Indovina Bank

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

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

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

CUBC Bank

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

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

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

The valuation techniques or significant assumptions for assessing the expected credit losses have no significant change as of September 30, 2022.

Credit risk management policy

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

1) Category of credit asset

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

2) Grade of credit quality

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

In order to measure the credit risk of the clients, the Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients' relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and make necessary revision to the parameters to optimize the results.

With respect to consumer credit assets such as mortgages, credit cards, and small-amount credit loans, the Bank also evaluates default risk of clients by using the credit rating scores developed by the Bank and the external due diligence services.

The credit quality of the Bank's corporate borrowers is classified as excellent, good, average, or bad.

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

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

3) Hedge of credit risk and easing policy

a) Collateral

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

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

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

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

c) Net settlement agreement

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

4) Maximum exposures to credit risk

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

a) The Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	September 30, 2022	**December 31, 2021**	**September 30, 2021**
Irrevocable loan commitments	$ 171,089,271	$ 171,600,838	$ 174,242,300
Credit card commitments	794,986,960	770,929,935	758,701,645
Unused commercial letters of credit	6,564,542	6,566,178	7,436,618
Guarantees on duties and contracts	19,811,202	18,242,569	18,967,392

b) Indovina Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	September 30, 2022	**December 31, 2021**	**September 30, 2021**
Financial guarantee contracts	$ 1,271,953	$ 1,292,761	$ 1,322,375
Unused commercial letters of credit	830,102	994,336	1,158,327
Irrevocable loan commitments	-	-	683

c) CUBC Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	September 30, 2022	**December 31, 2021**	**September 30, 2021**
Financial guarantee contracts	$ 23,157	$ 20,528	$ 17,635
Credit card commitments	321,190	269,953	273,549
Irrevocable loan commitments	352,444	338,751	251,727

d) CUBCN Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	September 30, 2022	**December 31, 2021**	**September 30, 2021**
Financial guarantee contracts	$ 287,606	$ 255,149	$ 334,867
Unused commercial letters of credit	520,453	621,893	655,611
Irrevocable loan commitments	1,042,421	1,016,657	740,957

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:

September 30, 2022

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	$ 1,955,323,216	$ 65,025,376	$ 15,688,116	$ -	$ 2,036,036,708
Less: Allowance for impairment	(3,170,039)	(2,023,894)	(5,731,903)	-	(10,925,836)
Less: Differences of impairment loss under regulations	-	-	-	(22,474,479)	(22,474,479)
	$ 1,952,153,177	$ 63,001,482	$ 9,956,213	$ (22,474,479)	$ 2,002,636,393

	Receivables				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	$ 105,541,053	$ 1,052,982	$ 2,021,303	$ -	$ 108,615,338
Less: Allowance for impairment	(479,253)	(338,997)	(1,595,761)	-	(2,414,011)
Less: Differences of impairment loss under regulations	-	-	-	(54,325)	(54,325)
	$ 105,061,800	$ 713,985	$ 425,542	$ (54,325)	$ 106,147,002

December 31, 2021

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	$ 1,763,964,944	$ 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)
	$ 1,760,522,064	$ 58,974,809	$ 7,118,597	$ (19,538,811)	$ 1,807,076,659

	Receivables				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	$ 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)
	$ 101,113,968	$ 2,404,195	$ 446,185	$ (69,669)	$ 103,894,679

September 30, 2021

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	$ 1,762,693,124	$ 54,856,901	$ 13,062,427	$ -	$ 1,830,612,452
Less: Allowance for impairment	(3,237,428)	(1,465,752)	(5,379,942)	-	(10,083,122)
Less: Differences of impairment loss under regulations	-	-	-	(20,113,578)	(20,113,578)
	$ 1,759,455,696	$ 53,391,149	$ 7,682,485	$ (20,113,578)	$ 1,800,415,752

	Receivables				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	Total
Total carrying amount	$ 92,579,760	$ 1,675,703	$ 2,157,980	$ -	$ 96,413,443
Less: Allowance for impairment	(410,245)	(225,997)	(1,712,015)	-	(2,348,257)
Less: Differences of impairment loss under regulations	-	-	-	(68,654)	(68,654)
	$ 92,169,515	$ 1,449,706	$ 445,965	$ (68,654)	$ 93,996,532

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-credit 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:

a) Industry Type

	September 30, 2022		December 31, 2021		September 30, 2021	
Industry Type	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Manufacturing	$ 183,102,147	8.89	$ 157,020,976	8.45	$ 148,288,475	8.00
Financial institutions and insurance	76,981,702	3.74	85,199,467	4.58	77,866,945	4.20
Leasing and real estate	204,529,746	9.93	177,239,865	9.53	169,871,620	9.16
Individuals	1,290,060,529	62.63	1,169,015,836	62.89	1,120,862,860	60.47
Others	305,015,414	14.81	270,414,254	14.55	336,704,310	18.17
Total	$ 2,059,689,538	100.00	$ 1,858,890,398	100.00	$ 1,853,594,210	100.00

b) Geographic Region

	September 30, 2022		December 31, 2021		September 30, 2021	
Geographic Region	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Domestic	$ 1,778,764,218	86.36	$ 1,603,854,334	86.28	$ 1,596,084,242	86.11
Asia	220,112,334	10.69	197,945,764	10.65	198,476,433	10.71
America	44,731,958	2.17	41,734,650	2.25	41,727,209	2.25
Others	16,081,028	0.78	15,355,650	0.82	17,306,326	0.93
Total	$ 2,059,689,538	100.00	$ 1,858,890,398	100.00	$ 1,853,594,210	100.00

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.

	September 30, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 38,119,076	$ 30,873,516	$ 15,505,639	$ 256,274	$ 84,754,505
Non-derivative financial liabilities at fair value through profit or loss	410,860	-	267,118	40,948,470	41,626,448
Securities sold under repurchase agreements	35,337,056	1,151,554	-	-	36,488,610
Payables	11,138,032	8,027,436	1,101,125	399,532	20,666,125
Deposits and remittances	558,693,100	1,204,357,603	1,151,897,437	160,763,658	3,075,711,798
Financial debentures payable	-	-	10,179,112	27,100,000	37,279,112
Lease liabilities	139,258	553,317	684,286	2,024,359	3,401,220
Other capital outflow at maturity	14,885,079	21,167,919	5,615,818	1,143,756	42,812,572

	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

	September 30, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 51,004,362	$ 14,744,552	$ 7,965,043	$ 114,737	$ 73,828,694
Due to the Central Bank and banks	-	1,076,000	-	-	1,076,000
Non-derivative financial liabilities at fair value through profit or loss	363,284	-	231,887	35,947,140	36,542,311
Securities sold under repurchase agreements	10,910,021	3,388,448	-	-	14,298,469
Payables	26,992,955	7,796,010	987,237	400,209	36,176,411
Deposits and remittances	381,212,182	1,203,216,186	1,035,514,417	150,706,817	2,770,649,602
Financial debentures payable	-	-	10,115,249	37,000,000	47,115,249
Lease liabilities	128,787	476,901	563,730	1,976,209	3,145,627
Other capital outflow at maturity	8,439,796	13,839,577	4,642,916	1,318,393	28,240,682

Additional information about the maturity analysis of lease liabilities:

	September 30, 2022	December 31, 2021	September 30, 2021
Less than 1 year	$ 1,376,861	$ 1,137,025	$ 1,169,418
1-5 years	1,777,750	1,714,563	1,719,644
5-10 years	246,609	314,618	256,565
	$ 3,401,220	$ 3,166,206	$ 3,145,627

c) Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by the Bank include:

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

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

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

	September 30, 2022				
	0-30 Days	**31-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	$ 494,567	$ 27,821	$ 6,486	$ 28	$ 528,902
Interest rate derivative instruments	745,439	548,152	1,026,801	26,519,479	28,839,871
Total	$ 1,240,006	$ 575,973	$ 1,033,287	$ 26,519,507	$ 29,368,773

	December 31, 2021				
	0-30 Days	**31-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	$ 24,880	$ 37,114	$ 4,574	$ 242	$ 66,810
Interest rate derivative instruments	33,714	860,300	585,840	13,799,055	15,278,909
Total	$ 58,594	$ 897,414	$ 590,414	$ 13,799,297	$ 15,345,719

	September 30, 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	$ 222,866	$ 26,270	$ 899	$ 8	$ 250,043
Interest rate derivative instruments	16,255	404,687	210,311	16,535,244	17,166,497
Total	$ 239,121	$ 430,957	$ 211,210	$ 16,535,252	$ 17,416,540

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 amount pay a periodic fee in return for a payment by the protection seller on credit event if any occurs.

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

	September 30, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	$ (11,906,090)	$ (32,812,726)	$ (12,466,337)	$ (493,950)	$ (57,679,103)
Cash inflow	3,704	29,830	6,064	-	39,598
Interest rate derivative instruments					
Cash outflow	(40,140)	(968,078)	(1,371,745)	(661,823)	(3,041,786)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(11,946,230)	(33,780,804)	(13,838,082)	(1,155,773)	(60,720,889)
Cash inflow subtotal	3,704	29,830	6,064	-	39,598
Net cash flow	$ (11,942,526)	$ (33,750,974)	$ (13,832,018)	$ (1,155,773)	$ (60,681,291)

	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	$ (1,284,151)	$ (1,127,318)	$ (916,689)	$ (4,993,595)	$ (8,321,753)

	September 30, 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	$ (2,300,897)	$ (3,108,147)	$ (811,506)	$ (579,404)	$ (6,799,954)
Cash inflow	7,010	17,027	641	3	24,681
Interest rate derivative instruments					
Cash outflow	(249)	(48,709)	(198,976)	(407,660)	(655,594)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(2,301,146)	(3,156,856)	(1,010,482)	(987,064)	(7,455,548)
Cash inflow subtotal	7,010	17,027	641	3	24,681
Net cash flow	$ (2,294,136)	$ (3,139,829)	$ (1,009,841)	$ (987,061)	$ (7,430,867)

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:

	September 30, 2022			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 142,317,474	$ 23,323,475	$ 5,448,322	$ 171,089,271
Credit card commitments	36,045,458	205,431,995	553,509,507	794,986,960
Financial guarantee contracts	20,446,563	5,899,662	29,519	26,375,744

	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

	September 30, 2021			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 144,752,517	$ 25,909,994	$ 3,579,789	$ 174,242,300
Credit card commitments	35,294,426	205,343,016	518,064,203	758,701,645
Financial guarantee contracts	18,137,523	8,237,181	29,306	26,404,010

c. Market risk

1) Source and definition of market risk

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

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

2) Market risk management strategy and process

Market risk management process

a) Identification and measurement

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

b) Monitoring and reporting

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

3) Risk management policy of the trading book

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

a) Strategy

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

b) Policy and procedure

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

c) Valuation policy

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

d) Method of measurement

i. The assumptions and calculation method are described in the VaR section.

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

4) Interest risk management of trading book

a) Definition of interest risk

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

b) Interest risk management procedure of trading book

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

c) Method of measurement

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

5) Interest risk management of banking book

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

a) Strategy

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

b) Management procedure

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

c) Method of measurement

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

6) Foreign exchange risk management

a) Definition of foreign exchange risk

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

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

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

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

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

Unit: In Thousands of Foreign Currency

	September 30, 2022		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 18,318,613	31.7430	$ 581,487,732
AUD	2,833,553	20.6536	58,523,070
HKD	7,395,484	4.0438	29,905,858
Non-monetary items			
USD	1,040,869	31.7430	33,040,305
HKD	5,606,928	4.0438	22,673,295
THB	3,473,375	0.8400	2,917,635
Financial liabilities			
Monetary items			
USD	19,998,154	31.7430	634,801,402
CNY	8,358,754	4.4744	37,400,409
AUD	1,166,463	20.6536	24,091,660
Non-monetary items			
USD	1,008,910	31.7430	32,025,830
HKD	6,074,395	4.0438	24,563,639
CNY	2,288	4.4744	10,237

	December 31, 2021		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
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
Financial liabilities			
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

	September 30, 2021		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 15,585,636	27.8660	$ 434,309,333
AUD	1,687,983	20.0984	33,925,758
CNY	15,025,999	4.3083	64,736,511
Non-monetary items			
USD	739,012	27.8660	20,593,308
HKD	1,367,206	3.5783	4,892,273
THB	3,473,375	0.8241	2,862,408
Financial liabilities			
Monetary items			
USD	18,252,897	27.8660	508,635,228
CNY	8,996,173	4.3083	38,758,212
AUD	1,291,713	20.0984	25,961,365
Non-monetary items			
USD	572,130	27.8660	15,942,975
HKD	1,410,127	3.5783	5,045,857
CNY	2,614	4.3083	11,262

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 $1,794,919 thousand and $804,369 thousand for the nine months ended September 30, 2022 and 2021, respectively.

7) Risk management of equity securities price

a) Definition of risk of equity securities price

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

b) Purpose of risk management of equity securities price

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

c) Procedure of risk management of equity securities price

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

d) Measurement method

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

8) Value-at-risk of the trading books

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

September 30, 2022				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 235,997	$ 292,247	$ 180,917	$ 253,229
Foreign exchange	137,897	227,124	66,109	99,901
Equity securities price	175,836	365,415	91,597	98,791

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

September 30, 2021				
Factors of Market Risk	**Average**	**Maximum**	**Minimum**	**Ending**
Interest rate	$ 103,458	$ 193,477	$ 43,133	$ 193,477
Foreign exchange	110,427	207,113	65,675	70,541
Equity securities price	365,690	629,009	120,573	120,573

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

9) Market risk stress testing

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

Stress Testing				
Market/Product	**Scenarios**	**September 30, 2022**	**December 31, 2021**	**September 30, 2021**
Stock market	Major domestic stock exchanges + 15%	$ 295,706	$ 2,542,569	$ 843,289
	Major domestic stock exchanges - 15%	(295,706)	(2,542,569)	(843,289)
	Major foreign stock exchanges + 20%	-	296,279	22,190
	Major foreign stock exchanges - 20%	-	(296,279)	(22,190)
Interest rate/bond market	Major interest rate + 150bp	(3,128,340)	(627,223)	(990,646)
	Major interest rate - 150bp	1,521,406	1,472,050	1,175,185
Foreign exchange market	Major currencies +5%	537,852	498,076	718,834
	Major currencies - 5%	(537,852)	(498,076)	(691,736)

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

10) Market risk sensitivity analysis

a) Interest rate risk

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

b) Foreign exchange risk

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

c) Equity securities price risk

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

		September 30, 2022	
Risk Factors	**Changes (+/-)**	**Sensitivity of Profit or Loss**	**Sensitivity of Equity**
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	$ 107,570	$ -
	Exchange rate of each currency - 1%	(107,570)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(20,856)	-
	Yield curves parallel shift - 1bp	10,143	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	(20,676)	40,390
	Equity securities price - 1%	20,676	(40,390)

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

		September 30, 2021	
Risk Factors	**Changes (+/-)**	**Sensitivity of Profit or Loss**	**Sensitivity of Equity**
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	$ 143,767	$ -
	Exchange rate of each currency - 1%	(138,347)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(6,604)	-
	Yield curves parallel shift - 1bp	7,835	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	(1,015)	58,344
	Equity securities price - 1%	1,015	(58,344)

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

11) Effect of interest rate benchmark reform

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

The Bank established a USD LIBOR transition project plan to handle risk management policies changes, internal processes adjustments, IT systems updates and valuation models adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. As of September 30, 2022, changes required to IT systems and internal processes have been identified and have been partially implemented.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Bank’s counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transited 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 September 30, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
Non-derivative financial assets which are subject to the reform	
Financial assets at FVTOCI	
Financial assets linked to USD LIBOR	$ 2,230,612
Investments in debt instruments at amortised cost	
Financial assets linked to USD LIBOR	$ 1,235,876
Discounts and loans	
Financial assets linked to USD LIBOR	$ 60,372,825
Financial assets linked to EUR LIBOR	4,343
Financial assets linked to SGD SOR	2,491,162
	$ 62,868,330

The following table contains details of derivative financial instruments held by the Bank as of September 30, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Nominal Amount	Carrying Amount Financial Assets	Carrying Amount Financial Liabilities
Derivative financial assets which are subject to the reform			
Interest rate swaps			
Financial assets linked to USD LIBOR	$ 37,934,071	$ 5,723,797	$ 1,140,934

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:

September 30, 2022					
Category of Financial Assets	**Transferred Financial Assets Carrying Value**	**Related Financial Liabilities Carrying Value**	**Transferred Financial Assets Fair Value**	**Related Financial Liabilities Fair Value**	**Net Fair Value**
Financial assets at fair value through other comprehensive income					
Repurchase agreements	$ 25,465,662	$ 26,143,114	$ 25,465,662	$ 26,143,114	$ (677,452)
Investments in debt instruments measured at amortised cost					
Repurchase agreements	13,404,696	10,684,327	10,889,805	10,684,327	205,478

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)

September 30, 2021					
Category of Financial Assets	**Transferred Financial Assets Carrying Value**	**Related Financial Liabilities Carrying Value**	**Transferred Financial Assets Fair Value**	**Related Financial Liabilities Fair Value**	**Net Fair Value**
Financial assets at fair value through other comprehensive income					
Repurchase agreements	$ 20,475,506	$ 20,015,425	$ 20,475,506	$ 20,015,425	$ 460,081
Investments in debt instruments measured at amortised cost					
Repurchase agreements	1,312,363	1,284,873	1,364,999	1,284,873	80,126

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:

<u>September 30, 2022</u>

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	**Gross Amount of Recognized Financial Assets (a)**	**Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)**	**Amount Presented in the Balance Sheets (c)= (a)-(b)**	**Amount Not Offset in the Balance Sheets (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received/Pledged**	
Derivative financial instruments	$ 141,056,662	$ -	$ 141,056,662	$ 130,447,722	$ 5,939,130	$ 4,669,810

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	**Gross Amount of Recognized Financial Liabilities (a)**	**Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)**	**Amount Presented in the Balance Sheets (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	$ 130,447,722	$ -	$ 130,447,722	$ 130,447,722	$ -	$ -
Repurchase agreements	36,827,441	-	36,827,441	32,031,110	4,796,331	-

<u>December 31, 2021</u>

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	**Gross Amount of Recognized Financial Assets (a)**	**Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)**	**Amount Presented in the Balance Sheets (c)= (a)-(b)**	**Amount Not Offset in the Balance Sheets (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received/Pledged**	
Derivative financial instruments	$ 38,512,412	$ -	$ 38,512,412	$ 35,297,809	$ 3,214,603	$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (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	-

September 30, 2021

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 40,886,248	$ -	$ 40,886,248	$ 35,733,649	$ 4,164,974	$ 987,625

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 35,733,649	$ -	$ 35,733,649	$ 35,733,649	$ -	$ -
Repurchase agreements	21,300,298	-	21,300,298	20,844,379	455,919	-

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

51. CAPITAL MANAGEMENT

a. Capital adequacy maintain strategy

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

b. Capital assessment procedure

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

52. UNCONSOLIDATED STRUCTURED ENTITIES

The Company does not provide financial support or other support to the unconsolidated structured entities as of September 30, 2022 and 2021. The Company's maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets the Company recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

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

The carrying amounts of assets recognized by the Company as of September 30, 2022, December 31, 2021 and September 30, 2021 relating to its interests in unconsolidated structured entities are disclosed as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets at FVTOCI	$ 8,143,749	$ 10,163,330	$ 10,111,570
Investments in debt instruments measured at amortised cost	65,553,783	40,400,178	49,658,067
	$ 73,697,532	$ 50,563,508	$ 59,769,637

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 4.

2) Concentration of credit extensions

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

September 30, 2022			
Rank	**Industry Category of Company or Group**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group A - other financial intermediation not elsewhere classified	$ 27,730,678	11.97
2	Group B - packaging and testing of semi-conductors	7,252,007	3.13
3	Group C - other financial intermediation not elsewhere classified	6,946,873	3.00
4	Group D - real estate development activities	6,590,200	2.84
5	Group E - manufacture of computers	6,500,051	2.81
6	Group F - real estate activities for sale and rental with own or leased property	6,392,000	2.76
7	Group G - manufacture of computers	6,160,354	2.66
8	Group H - wired telecommunications activities	5,992,251	2.59
9	Group I - manufacture of computers	5,427,419	2.34
10	Group J - real estate development activities	5,339,257	2.30

September 30, 2021			
Rank	**Industry Category of Company or Group**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group A - other financial intermediation not elsewhere classified	$ 29,660,819	12.26
2	Group B - packaging and testing of semi-conductors	12,826,230	5.30
3	Group C - other financial intermediation not elsewhere classified	6,870,332	2.84
4	Group D - wired telecommunications activities	6,309,642	2.61
5	Group E - real estate activities for sale and rental with own or leased property	6,000,000	2.48
6	Group F - real estate development activities	5,708,000	2.36
7	Group G - manufacture of computers	5,510,942	2.28
8	Group H - manufacture of computers	4,665,975	1.93
9	Group I - manufacture of computers	4,579,717	1.89
10	Group J - air transportation	4,460,222	1.84

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollars)

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

September 30, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,169,868,150	$ 59,929,544	$ 137,275,831	$ 151,553,055	$ 2,518,626,580
Interest rate-sensitive liabilities	173,205,681	1,848,968,152	271,271,539	67,905,004	2,361,350,376
Interest rate sensitivity gap	1,996,662,469	(1,789,038,608)	(133,995,708)	83,648,051	157,276,204
Net worth					231,707,926
Ratio of interest rate-sensitive assets to liabilities					106.66%
Ratio of interest rate sensitivity gap to net worth					67.88%

September 30, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,077,904,147	$ 20,652,107	$ 139,650,687	$ 167,401,673	$ 2,405,608,614
Interest rate-sensitive liabilities	174,456,921	1,747,442,642	231,839,055	73,106,532	2,226,845,150
Interest rate sensitivity gap	1,903,447,226	(1,726,790,535)	(92,188,368)	94,295,141	178,763,464
Net worth					242,001,591
Ratio of interest rate-sensitive assets to liabilities					108.03%
Ratio of interest rate sensitivity gap to net worth					73.87%

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, %)

September 30, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 12,028,693	$ 1,898,805	$ 1,712,035	$ 8,960,077	$ 24,599,610
Interest rate-sensitive liabilities	13,301,484	4,484,765	4,286,199	5,319,857	27,392,305
Interest rate sensitivity gap	(1,272,791)	(2,585,960)	(2,574,164)	3,640,220	(2,792,695)
Net worth					7,299,497
Ratio of interest rate-sensitive assets to liabilities					89.80%
Ratio of interest rate sensitivity gap to net worth					(38.26%)

September 30, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 7,921,059	$ 1,395,157	$ 1,298,211	$ 8,276,993	$ 18,891,420
Interest rate-sensitive liabilities	12,396,814	3,883,464	3,859,669	4,593,364	24,733,311
Interest rate sensitivity gap	(4,475,755)	(2,488,307)	(2,561,458)	3,683,629	(5,841,891)
Net worth					8,684,475
Ratio of interest rate-sensitive assets to liabilities					76.38%
Ratio of interest rate sensitivity gap to net worth					(67.27%)

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 Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Return on total assets	Before income tax	0.69	0.65
	After income tax	0.57	0.57
Return on equity	Before income tax	10.36	8.81
	After income tax	8.59	7.65
Net income ratio		37.87	38.48

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 nine months ended September 30, 2022 and 2021.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(Unit: In Thousands of New Taiwan Dollars)

September 30, 2022

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,346,823,110	$ 337,454,548	$ 379,912,219	$ 386,170,187	$ 367,511,245	$ 473,769,410	$ 1,402,005,501
Main capital outflow on maturity	4,028,622,032	132,435,712	317,914,252	562,728,812	628,960,148	746,422,776	1,640,160,332
Gap	(681,798,922)	205,018,836	61,997,967	(176,558,625)	(261,448,903)	(272,653,366)	(238,154,831)

September 30, 2021

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,097,936,353	$ 469,242,206	$ 347,352,022	$ 310,274,574	$ 249,128,488	$ 438,663,700	$ 1,283,275,363
Main capital outflow on maturity	3,694,946,052	145,147,631	239,838,580	487,610,776	600,577,223	700,407,643	1,521,364,199
Gap	(597,009,699)	324,094,575	107,513,442	(177,336,202)	(351,448,735)	(261,743,943)	(238,088,836)

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)

September 30, 2022

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 92,173,444	$ 29,637,500	$ 21,955,566	$ 14,072,097	$ 14,887,268	$ 11,621,013
Main capital outflow on maturity	95,997,004	24,934,848	23,902,011	18,574,505	19,861,780	8,723,860
Gap	(3,823,560)	4,702,652	(1,946,445)	(4,502,408)	(4,974,512)	2,897,153

September 30, 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	$ 72,957,700	$ 23,362,075	$ 16,824,437	$ 10,274,083	$ 10,565,668	$ 11,931,437
Main capital outflow on maturity	77,762,811	25,294,802	16,948,220	12,486,317	14,198,982	8,834,490
Gap	(4,805,111)	(1,932,727)	(123,783)	(2,212,234)	(3,633,314)	3,096,947

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 Company’s assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operating segments.

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

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

	For the Nine Months Ended September 30, 2022				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (externally)	$ 7,283,760	$ 15,836,469	$ 5,014,382	$ 6,778,814	$ 34,913,425
Segment revenue (expense)	$ (1,841,493)	$ 9,938,128	$ 673,341	$ (8,769,976)	$ -
Segment net income	$ 4,769,474	$ 21,532,445	$ 3,494,604	$ (4,571,770)	$ 25,224,753
Income tax expense					(4,312,004)
Income after income tax					$ 20,912,749

	For the Nine Months Ended September 30, 2021				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (externally)	$ 5,463,830	$ 13,875,270	$ 4,271,137	$ 4,878,208	$ 28,488,445
Segment revenue (expense)	$ (952,117)	$ 3,964,385	$ (69,304)	$ (2,942,964)	$ -
Segment net income	$ 3,918,637	$ 15,112,616	$ 1,168,714	$ 1,506,011	$ 21,705,978
Income tax expense					(2,866,657)
Income after income tax					$ 18,839,321

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 nine months ended September 30, 2022

	Opening Balance	Cash Flows	Non-cash Changes: New Leases	Non-cash Changes: Fair Value Adjustments	Non-cash Changes: Others	Closing Balance
Due to the Central Bank and banks	$ 1,076,000	$ (1,076,000)	$ -	$ -	$ -	$ -
Financial debentures payable	46,800,000	(9,838,576)	-	-	38,576	37,000,000
Financial liabilities designated as at fair value through profit or loss - financial debentures	40,587,123	-	-	(5,867,142)	5,228,370	39,948,351
Guarantee deposits received	4,468,668	2,948,072	-	-	-	7,416,740
Lease liabilities	3,679,114	(1,173,388)	1,369,223	-	70,437	3,945,386

For the nine months ended September 30, 2021

	Opening Balance	Cash Flows	Non-cash Changes: New Leases	Non-cash Changes: Fair Value Adjustments	Non-cash Changes: Others	Closing Balance
Due to the Central Bank 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	-	-	(1,892,136)	(828,180)	41,484,266
Guarantee deposits received	7,357,957	(2,194,993)	-	-	-	5,162,964
Lease liabilities	4,293,299	(1,189,974)	580,157	-	26,953	3,710,435

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:

1) Financing provided: The Bank - not applicable; subsidiaries: not applicable

2) Endorsement/guarantee provided: The Bank - not applicable; subsidiaries: not applicable

3) Marketable securities held: The Bank - not applicable; subsidiaries: not applicable

4) Investee's securities acquired or disposed of at costs or prices of at least $300 million or 10% of the paid-in capital: The Bank - none; subsidiaries: None

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

6) Disposal of individual real estate at prices of at least $300 million or 10% of the paid-in capital: Table 1 (attached)

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

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: Table 2 (attached)

9) Sale of nonperforming loans: Table 3 (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 4 (attached)

12) Derivative transactions: Note 8

b. Related information and proportionate share in investees: Quarterly report is exempt from disclosure.

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.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Date of Occurrence (Note 3)	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Determination and Supporting Reference Materials (Note 1)	Other Terms
Cathay United Bank Co., Ltd.	Land located at No. 11-9, 11-10, 11-11, 11-18, 11-19, 11-20, 11-26, 12-4, 12-67, Sec. PingHe, West Dist., Taichung City	January 26, 2022 (dates of board of directors' resolutions)	Acquired in succession from 1982 to 1999	$ 271,823	$ 700,000	Price according to the contract	$ 428,177	Save & Safe Corporation	None	Revitalization of assets	NT$632,121 thousand, appraised by REPro Knight Frank Real Estate Appraiser Firm	None

Note 1: The appraisal result of assets disposed of in accordance with the regulations is indicated in the "Price Determination and Supporting Reference Materials" column.

Note 2: The paid-in capital refers to the paid-in capital of the Bank. If the issued stock has no par value or the par value is not NT$10, the transaction amount requirement of 10% of the paid-in capital is calculated based on 10% of the equity attributable to the owner of the parent company on the balance sheet.

Note 3: Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of board of directors' resolution, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
AS OF SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Cathay United Bank Co., Ltd.	Cathay Life Insurance Co., Ltd. (Note)	Other related party	$ 401,042	-	$ -	-	$ -	$ -

Note: Receivables for commission of collecting insurances.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars)

1. Summary statement:

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

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

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

CATHAY UNITED BANK CO., LTD.

ASSET QUALITY - NONPERFORMING LOANS
AS OF SEPTEMBER 30, 2022 AND 2021
(In Thousands of New Taiwan Dollars, %)

Period			September 30, 2022					September 30, 2021				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 193,197	$ 339,999,723	0.06%	$ 1,405,759	727.63%	$ 808,673	$ 293,616,244	0.28%	$ 1,520,018	187.96%
	Unsecured		356,708	328,626,475	0.11%	9,104,691	2552.43%	1,047,698	334,601,925	0.31%	8,719,621	832.27%
Consumer banking	Housing mortgage (Note 4)		240,450	526,258,150	0.05%	8,188,766	3405.60%	237,067	467,037,024	0.05%	7,244,664	3055.96%
	Cash cards		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		305,303	132,478,253	0.23%	4,783,745	1566.89%	245,768	111,323,530	0.22%	4,386,602	1784.85%
	Other (Note 6)	Secured	523,794	600,516,711	0.09%	7,034,852	1343.06%	716,806	525,981,637	0.14%	6,093,518	850.09%
		Unsecured	44,208	23,620,899	0.19%	337,131	765.72%	47,889	22,775,313	0.21%	317,694	663.40%
Loans			$ 1,663,480	$ 1,951,500,211	0.09%	$ 30,854,944	1854.84%	$ 3,103,901	$ 1,755,335,673	0.18%	$ 28,282,117	911.18%
			Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio
Credit cards			$ 99,416	$ 89,029,139	0.11%	$ 2,140,453	2153.03%	$ 81,554	$ 79,075,786	0.10%	$ 2,000,088	2452.48%
Accounts receivable factored without recourse (Note 7)			-	4,614,033	-	46,745	-	-	4,918,618	-	106,817	-

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	September 30, 2022		September 30, 2021	
	Not Reported as Nonperforming Loans	**Not Reported as Nonperforming Receivables**	**Not Reported as Nonperforming Loans**	**Not Reported as Nonperforming Receivables**
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 760	$ 26,659	$ 1,099	$ 38,515
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	113,041	1,122,273	89,807	1,183,534
Total	$ 113,801	$ 1,148,932	$ 90,906	$ 1,222,049

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau’s letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau’s letter dated September 15, 2008 and September 20, 2016 (Ref. No. 09700318940 and No. 10500134790).

(Concluded)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2022	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of September 30, 2022	Accumulated Inward Remittance of Earnings as of September 30, 2022	Note
					Outflow	Inflow							
Cathay United Bank (China) Limited	Local government approved banking	$ 14,377,562 (CNY 3,000,000 thousand)	Direct	$ 14,377,562 (CNY 3,000,000 thousand)	$ -	$ -	$ 14,377,562 (CNY 3,000,000 thousand)	$ 200,946	100	$ 200,946	$ 17,105,591	$ -	

Accumulated Investment in Mainland China as of September 30, 2022	Investment Amount Approved by the Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 1)
$14,377,562 (CNY3,000,000 thousand)	$14,377,562 (CNY3,000,000 thousand)	$141,605,579

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$60,708,160.70 (CNY400,000,000) on January 5, 2015, and was authorized by MOEAIC on December 22, 2016.

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amounts	Terms of Transaction	Percentage of Total Revenue or Total Assets (Note 3)
0	Cathay United Bank	Indovina Bank	a	Due from banks - interest revenue	$ 5	Note 4	0.00
		Indovina Bank	a	Call loans to banks - interest revenue	312	Note 4	0.00
		Indovina Bank	a	Due to banks	38,016	Note 4	0.00
		Indovina Bank	a	Due from banks	128,281	Note 4	0.00
1	Indovina Bank	Cathay United Bank	b	Due to banks - interest expense	5	Note 4	0.00
		Cathay United Bank	b	Call loans from banks - interest expense	312	Note 4	0.00
		Cathay United Bank	b	Due from banks	38,016	Note 4	0.00
		Cathay United Bank	b	Due to banks	128,281	Note 4	0.00
0	Cathay United Bank	CUBC Bank	a	Call loans from banks - interest expense	104	Note 4	0.00
		CUBC Bank	a	Call loans to banks - interest revenue	18,928	Note 4	0.03
		CUBC Bank	a	Due from banks - interest revenue	11,323	Note 4	0.02
		CUBC Bank	a	Due to banks	13,739	Note 4	0.00
		CUBC Bank	a	Call loans to banks	2,507,697	Note 4	0.07
		CUBC Bank	a	Due from banks	540,581	Note 4	0.01
		CUBC Bank	a	Interest receivable	14,002	Note 4	0.00
		CUBC Bank	a	Dividends receivable	187,116	Note 4	0.00
		CUBC Bank	a	Net other revenue other than interest income	8,796	Note 4	0.02
2	CUBC Bank	Cathay United Bank	b	Call loans to banks - interest revenue	104	Note 4	0.00
		Cathay United Bank	b	Call loans from banks - interest expense	18,928	Note 4	0.03
		Cathay United Bank	b	Due to banks - interest expense	11,323	Note 4	0.02
		Cathay United Bank	b	Due from banks	13,739	Note 4	0.00
		Cathay United Bank	b	Call loans from banks	2,507,697	Note 4	0.07
		Cathay United Bank	b	Due to banks	540,581	Note 4	0.01
		Cathay United Bank	b	Interest payable	14,002	Note 4	0.00
		Cathay United Bank	b	Dividends payable	187,116	Note 4	0.00
		Cathay United Bank	b	Other general and administrative expense	8,796	Note 4	0.02

(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)
0	Cathay United Bank	CUBCN Bank	a	Call loans to banks - interest revenue	$ 114,090	Note 4	0.21
		CUBCN Bank	a	Due from banks - interest revenue	85,799	Note 4	0.16
		CUBCN Bank	a	Due to banks	67,171	Note 4	0.00
		CUBCN Bank	a	Due from banks	5,350	Note 4	0.00
		CUBCN Bank	a	Other financial assets	4,474,437	Note 4	0.12
		CUBCN Bank	a	Call loans to banks	4,474,437	Note 4	0.12
		CUBCN Bank	a	Interest receivable	183,280	Note 4	0.00
		CUBCN Bank	a	Other receivables	25,037	Note 4	0.00
3	CUBCN Bank	Cathay United Bank	b	Call loans from banks - interest expense	114,090	Note 4	0.21
		Cathay United Bank	b	Due to banks - interest expense	85,799	Note 4	0.16
		Cathay United Bank	b	Due from banks	67,171	Note 4	0.00
		Cathay United Bank	b	Due to banks	4,479,787	Note 4	0.12
		Cathay United Bank	b	Call loans from banks	4,474,437	Note 4	0.12
		Cathay United Bank	b	Interest payable	183,280	Note 4	0.00
		Cathay United Bank	b	Other payables	25,037	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)