

Cathay United Bank and Its Subsidiaries
Consolidated Financial Statements
For The Nine-Month Periods Ended
30 September 2013 and 2012
With Independent Auditors' Report

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. These consolidated financial statements do not include additional disclosure information that is required for Chinese-language reports under the “Regulations Governing the Preparation of Financial Reports by Public Banks” by the Financial Supervisory Commission, Republic of China. If there is any conflict between these consolidated financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language consolidated financial statements shall prevail.

Review Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

The Board of Directors
Cathay United Bank

We have reviewed the accompanying consolidated balance sheets of Cathay United Bank and its subsidiaries as of 30 September 2013, 31 December 2012, 30 September 2012, and 1 January 2012, and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended 30 September 2013 and 2012, and changes in equity and cash flows for the nine-month periods ended 30 September 2013 and 2012. These consolidated financial statements are the responsibility of the Bank's management.

Except as described in the following paragraphs, we conducted our review in accordance with Statements of Auditing Standards No.36 "Review of Financial statements" of the Republic of China. A review consists principally of inquiries, comparison and analytical procedures. A review was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with "Regulations Governing the Preparation of Financial Reports by Public Bank", "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Securities Firms", IAS 34 "Interim Financial Reporting" and IFRS 1 "First-time Adoption of International Financial Reporting Standards" as recognized by Financial Supervisory Commission.



ERNST & YOUNG
Taipei, Taiwan
The Republic of China
29 October 2013

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position and results of operations and cash flows in accordance with IFRSs recognized by Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated balance sheets

30 September 2013 and 31 December 2012

(Expressed in thousands of dollars)

Assets	Notes	2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Cash and cash equivalents	IV, VI and VII	\$47,799,006	\$1,617,016	\$34,974,286	\$1,203,934
Due from the Central Bank and call loans to banks	VI and VII	132,346,377	4,477,212	109,003,762	3,752,281
Financial assets at fair value through profit or loss	IV, V and VI	146,594,955	4,959,234	67,937,886	2,338,654
Derivative financial assets for hedging	IV and VI	1,027,014	34,743	1,203,138	41,416
Securities purchased under agreements to resell	IV	4,425,564	149,715	-	-
Receivables, net	IV, V, VI and VII	83,247,504	2,816,221	50,742,276	1,746,722
Discounts and loans, net	IV, V, VI and VII	972,350,368	32,894,126	1,003,183,193	34,532,984
Available-for-sale financial assets, net	IV, V and VI	64,672,288	2,187,831	63,955,328	2,201,560
Held-to-maturity financial assets, net	IV, V and VI	49,267,181	1,666,684	21,668,974	745,920
Investments accounted for using equity method, net	IV and VI	1,511,340	51,128	1,565,227	53,881
Other financial assets, net	IV and V	6,903	234	13,821	476
Investments in debt securities with no active market, net	IV, V and VI	393,105,515	13,298,563	424,043,663	14,597,028
Property and equipment, net	IV, VI and VII	22,930,080	775,713	22,733,080	782,550
Investment property, net	IV, V and VI	2,847,113	96,316	2,869,040	98,762
Intangible assets, net	IV, V and VI	7,399,673	250,327	7,488,272	257,772
Deferred tax assets	IV and V	1,437,178	48,619	1,463,224	50,369
Other assets, net	IV, VI and VII	5,959,959	201,623	4,922,516	169,450
Total assets		\$1,936,928,018	\$65,525,305	\$1,817,767,686	\$62,573,759

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated balance sheets (continued)

30 September 2012 and 1 January 2012

(Expressed in thousands of dollars)

Assets	Notes	2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Cash and cash equivalents	IV, VI and VII	\$30,924,905	\$1,055,818	\$30,125,121	\$995,214
Due from the Central Bank and call loans to banks	VI and VII	160,152,473	5,467,821	100,101,541	3,306,955
Financial assets at fair value through profit or loss	IV, V and VI	21,257,872	725,772	21,914,109	723,955
Derivative financial assets for hedging	IV and VI	1,410,138	48,144	1,438,773	47,531
Securities purchased under agreements to resell	IV	1,472,618	50,277	2,308,788	76,273
Receivables, net	IV, V, VI and VII	48,346,775	1,650,624	45,910,753	1,516,708
Discounts and loans, net	IV, V, VI and VII	984,041,867	33,596,513	1,001,925,794	33,099,630
Available-for-sale financial assets, net	IV, V and VI	62,828,634	2,145,054	47,839,435	1,580,424
Held-to-maturity financial assets, net	IV, V and VI	21,894,821	747,519	19,346,851	639,143
Investments accounted for using equity method, net	IV and VI	1,555,281	53,099	1,547,828	51,134
Other financial assets, net	IV and V	1,723	59	3,402,027	112,389
Investments in debt securities with no active market, net	IV, V and VI	453,748,431	15,491,582	425,140,266	14,044,938
Property and equipment, net	IV, VI and VII	22,961,316	783,930	23,459,353	775,003
Investment property, net	IV, V and VI	2,876,349	98,203	3,178,706	105,012
Intangible assets, net	IV, V and VI	7,214,870	246,325	7,292,648	240,920
Deferred tax assets	IV and V	1,158,952	39,568	914,712	30,219
Other assets, net	IV, VI and VII	3,816,645	130,306	3,136,428	103,615
Total assets		\$1,825,663,670	\$62,330,614	\$1,738,983,133	\$57,449,063

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated balance sheets (continued)

30 September 2013 and 31 December 2012

(Expressed in thousands of dollars)

Liabilities and equity	Notes	2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Liabilities					
Due to the Central Bank and call loans from banks	VI and VII	\$50,893,236	\$1,721,693	\$56,931,773	\$1,959,786
Funds borrowed from the Central Bank and other banks		1,483,500	50,186	1,456,800	50,148
Financial liabilities at fair value through profit or loss	IV, V and VI	6,902,171	233,497	4,967,738	171,006
Securities sold under agreements to repurchase	IV, VI and VII	55,899,348	1,891,047	20,369,249	701,179
Payables	VI and VII	15,094,326	510,633	22,153,186	762,588
Deposits and remittances	VI and VII	1,589,789,924	53,781,797	1,539,774,066	53,004,271
Financial debentures payable	IV and VI	52,420,588	1,773,362	42,518,631	1,463,636
Other financial liabilities	VI	28,509,455	964,461	17,426,191	599,869
Provisions	IV, V and VI	2,008,396	67,943	2,009,384	69,170
Deferred tax liabilities	IV and V	551,054	18,642	538,050	18,522
Other liabilities	VI and VII	4,435,681	150,057	4,219,338	145,244
Total liabilities		<u>1,807,987,679</u>	<u>61,163,318</u>	<u>1,712,364,406</u>	<u>58,945,419</u>
Equity					
Equity attribute to equity holders of parent					
Capital stock	VI	64,668,494	2,187,703	52,277,026	1,799,554
Capital reserves	VI	23,971,498	810,944	15,213,292	523,693
Retained earnings	VI				
Legal reserves		26,281,089	889,076	22,360,652	769,730
Special reserves		271,009	9,168	271,009	9,329
Undistributed earnings		9,244,383	312,733	10,910,914	375,590
Other equity		1,156,451	39,122	1,403,373	48,309
Subtotal		<u>125,592,924</u>	<u>4,248,746</u>	<u>102,436,266</u>	<u>3,526,205</u>
Non-controlling interests	VI	3,347,415	113,241	2,967,014	102,135
Total equity		<u>128,940,339</u>	<u>4,361,987</u>	<u>105,403,280</u>	<u>3,628,340</u>
Total liabilities and equity		<u>\$1,936,928,018</u>	<u>\$65,525,305</u>	<u>\$1,817,767,686</u>	<u>\$62,573,759</u>

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated balance sheets (continued)

30 September 2012 and 1 January 2012

(Expressed in thousands of dollars)

Liabilities and equity	Notes	2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Liabilities					
Due to the Central Bank and call loans from banks	VI and VII	\$70,215,820	\$2,397,262	\$62,275,073	\$2,057,320
Funds borrowed from the Central Bank and other banks		1,467,100	50,089	1,514,500	50,033
Financial liabilities at fair value through profit or loss	IV, V and VI	6,786,999	231,717	4,835,152	159,734
Securities sold under agreements to repurchase	IV, VI and VII	20,137,644	687,526	13,546,462	447,521
Payables	VI and VII	22,645,700	773,155	20,377,945	673,206
Deposits and remittances	VI and VII	1,533,089,271	52,341,730	1,484,029,187	49,026,402
Financial debentures payable	IV and VI	42,691,599	1,457,549	36,023,825	1,190,083
Other financial liabilities	VI	19,622,464	669,937	10,611,073	350,548
Provisions	IV, V and VI	1,948,213	66,515	2,075,802	68,576
Deferred tax liabilities	IV and V	582,776	19,897	513,965	16,980
Other liabilities	VI and VII	3,949,016	134,825	3,246,252	107,243
Total liabilities		<u>1,723,136,602</u>	<u>58,830,202</u>	<u>1,639,049,236</u>	<u>54,147,646</u>
Equity					
Equity attribute to equity holders of parent					
Capital stock	VI	52,277,026	1,784,808	52,277,026	1,727,025
Capital reserves	VI	15,213,292	519,402	15,213,292	502,586
Retained earnings	VI				
Legal reserves		22,360,652	763,423	19,009,053	627,983
Special reserves		271,009	9,253	271,009	8,953
Undistributed earnings		8,318,020	283,988	8,977,468	296,580
Other equity		1,310,444	44,740	1,036,878	34,254
Subtotal		<u>99,750,443</u>	<u>3,405,614</u>	<u>96,784,726</u>	<u>3,197,381</u>
Non-controlling interests	VI	2,776,625	94,798	3,149,171	104,036
Total equity		<u>102,527,068</u>	<u>3,500,412</u>	<u>99,933,897</u>	<u>3,301,417</u>
Total liabilities and equity		<u>\$1,825,663,670</u>	<u>\$62,330,614</u>	<u>\$1,738,983,133</u>	<u>\$57,449,063</u>

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated statements of comprehensive income

For the three-month periods ended 30 September 2013 and 2012

(Expressed in thousands of dollars, except per share information)

Items	Notes	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
		NT\$	US\$	NT\$	US\$
Interest income	IV, VI and VII	\$8,917,943	\$301,689	\$8,649,462	\$295,304
Interest expense	VI and VII	(3,392,633)	(114,771)	(3,156,360)	(107,762)
Net interest income		5,525,310	186,918	5,493,102	187,542
Noninterest income					
Net fee income	IV, VI and VII	2,387,056	80,753	1,890,646	64,549
Gain on financial assets and liabilities at fair value through profit or loss	VI and VII	1,072,515	36,283	362,148	12,364
Realized gain on available-for-sale financial assets		318,355	10,770	774,820	26,454
Gain on foreign currency exchange, net	IV	210,626	7,125	252,223	8,611
Impairment loss of assets		-	-	(90,300)	(3,083)
Investment income recognized by the equity method		16,897	572	8,022	274
Gain on investment in debt securities with no active market		(318)	(11)	8,534	291
Others	IV, VI and VII	228,246	7,721	389,244	13,289
Net noninterest income		4,233,377	143,213	3,595,337	122,749
Net operating income		9,758,687	330,131	9,088,439	310,291
Bad debt expense and losses on guarantees		(223,650)	(7,566)	(369,587)	(12,618)
Operating expenses					
Employee benefits expenses	IV, V and VI	(2,290,921)	(77,501)	(2,130,170)	(72,727)
Depreciation and amortization expenses	VI	(294,675)	(9,969)	(286,218)	(9,772)
Other general and administrative expenses	IV, VI and VII	(2,437,690)	(82,465)	(1,927,467)	(65,806)
Total operating expenses		(5,023,286)	(169,935)	(4,343,855)	(148,305)
Income from continuing operations before income taxes		4,511,751	152,630	4,374,997	149,368
Income tax expense	IV and VI	(554,235)	(18,749)	(533,868)	(18,227)
Net income		3,957,516	133,881	3,841,129	131,141
Other comprehensive income					
Exchange differences on translation of foreign operations	VI	(233,517)	(7,900)	(308,530)	(10,534)
Net gains(losses) on available-for-sale financial assets		123,852	4,190	457,802	15,630
Share of other comprehensive profit of associates		(26,503)	(896)	4,005	137
Income tax relating to components of other comprehensive income		18,928	640	20,640	705
Other comprehensive income		(117,240)	(3,966)	173,917	5,938
Total comprehensive income		\$3,840,276	\$129,915	\$4,015,046	\$137,079
Net income attributable to:					
Equity holders of the parent		\$3,889,965	\$131,596	\$3,809,173	\$130,050
Non-controlling interests		67,551	2,285	31,956	1,091
Net income		\$3,957,516	\$133,881	\$3,841,129	\$131,141
Net comprehensive income attributable to:					
Equity holders of the parent		\$3,802,298	\$128,630	\$4,035,784	\$137,787
Non-controlling interests		37,978	1,285	(20,738)	(708)
Total comprehensive income		\$3,840,276	\$129,915	\$4,015,046	\$137,079
Earnings per share (In dollars)					
Net income from continuing operations	VI	\$0.63	\$0.0213	\$0.62	\$0.0212

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated statements of comprehensive income (continued)

For the nine-month periods ended 30 September 2013 and 2012

(Expressed in thousands of dollars, except per share information)

Items	Notes	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
		NT\$	US\$	NT\$	US\$
Interest income	IV, VI and VII	\$26,124,994	\$883,796	\$25,590,460	\$873,693
Interest expense	VI and VII	(9,824,785)	(332,368)	(9,594,040)	(327,554)
Net interest income		16,300,209	551,428	15,996,420	546,139
Noninterest income					
Net fee income	IV, VI and VII	6,798,915	230,004	5,418,961	185,011
Gain on financial assets and liabilities at fair value through profit or loss	VI and VII	2,274,700	76,952	1,007,795	34,408
Realized gain on available-for-sale financial assets		846,430	28,634	1,313,288	44,837
Gain on foreign currency exchange, net	IV	742,320	25,112	792,992	27,074
Impairment loss of assets		-	-	(90,300)	(3,083)
Investment income recognized by the equity method		28,146	952	26,898	918
Gain on investment in debt securities with no active market		229,309	7,758	12,330	421
Others	IV, VI and VII	665,052	22,498	761,563	26,001
Net noninterest income		11,584,872	391,910	9,243,527	315,587
Net operating income		27,885,081	943,338	25,239,947	861,726
Bad debt expense and losses on guarantees		(189,554)	(6,413)	(41,133)	(1,404)
Operating expenses					
Employee benefits expenses	IV, V and VI	(6,793,662)	(229,826)	(6,261,765)	(213,785)
Depreciation and amortization expenses	VI	(871,768)	(29,491)	(877,615)	(29,963)
Other general and administrative expenses	IV, VI and VII	(6,499,437)	(219,873)	(5,933,354)	(202,573)
Total operating expenses		(14,164,867)	(479,190)	(13,072,734)	(446,321)
Income from continuing operations before income taxes		13,530,660	457,735	12,126,080	414,001
Income tax expense	IV and VI	(1,750,186)	(59,208)	(1,474,980)	(50,358)
Net income		11,780,474	398,527	10,651,100	363,643
Other comprehensive income					
Exchange differences on translation of foreign operations	VI	242,065	8,189	(705,107)	(24,073)
Net gains(losses) on available-for-sale financial assets		(362,055)	(12,248)	824,264	28,141
Share of other comprehensive profit of associates		(44,538)	(1,507)	8,288	283
Income tax relating to components of other comprehensive income		(7,962)	(269)	45,671	1,559
Other comprehensive income		(172,490)	(5,835)	173,116	5,910
Total comprehensive income		\$11,607,984	\$392,692	\$10,824,216	\$369,553
Net income attributable to:					
Equity holders of the parent		\$11,594,236	\$392,227	\$10,512,548	\$358,913
Non-controlling interests		186,238	6,300	138,552	4,730
Net income		\$11,780,474	\$398,527	\$10,651,100	\$363,643
Net comprehensive income attributable to:					
Equity holders of the parent		\$11,347,314	\$383,874	\$10,786,114	\$368,253
Non-controlling interests		260,670	8,818	38,102	1,300
Total comprehensive income		\$11,607,984	\$392,692	\$10,824,216	\$369,553
Earnings per share (In dollars)					
Net income from continuing operations	VI	\$1.89	\$0.0639	\$1.71	\$0.0584

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated statements of changes in equity

For the nine-month periods ended 30 September 2013 and 2012

(Expressed in thousands of dollars)

Items	Equity attributable to equity holders of the parent																							
	Retained earnings										Equity adjustment										Non-controlling interests		Total Equity	
	Capital stock		Capital reserves		Legal reserves		Special reserves		Undistributed earnings		Foreign currency translation adjustment		Unrealized gains or losses on available-for-sale financial assets		Others		Total							
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$		
Balance, 1 January 2012	\$52,277,026	\$1,784,808	\$15,213,292	\$519,402	\$19,009,053	\$648,995	\$271,009	\$9,253	\$8,977,468	\$306,502	\$(51,219)	\$(1,749)	\$1,089,282	\$37,190	\$(1,185)	\$(41)	\$96,784,726	\$3,304,360	\$3,149,171	\$107,517	\$99,933,897	\$3,411,877		
Earning appropriation and distribution (Note)																								
Legal reserves	-	-	-	-	3,351,599	114,428	-	-	(3,351,599)	(114,428)	-	-	-	-	-	-	-	-	-	-	-	-		
Cash dividends	-	-	-	-	-	-	-	-	(7,820,397)	(266,999)	-	-	-	-	-	-	(7,820,397)	(266,999)	-	-	(7,820,397)	(266,999)		
Net income for nine-month period ended 30 September 2012	-	-	-	-	-	-	-	-	10,512,548	358,913	-	-	-	-	-	-	10,512,548	358,913	138,552	4,730	10,651,100	363,643		
Other comprehensive income for the nine-month period ended 30 September 2012	-	-	-	-	-	-	-	-	-	-	(501,866)	(17,134)	775,432	26,474	-	-	273,566	9,340	(100,450)	(3,429)	173,116	5,911		
Total comprehensive income for the nine-month period ended 30 September 2012	-	-	-	-	-	-	-	-	10,512,548	358,913	(501,866)	(17,134)	775,432	26,474	-	-	10,786,114	368,253	38,102	1,301	10,824,216	369,554		
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(410,648)	(14,020)	(410,648)	(14,020)		
Balance, 30 September 2012	\$52,277,026	\$1,784,808	\$15,213,292	\$519,402	\$22,360,652	\$763,423	\$271,009	\$9,253	\$8,318,020	\$283,988	\$(553,085)	\$(18,883)	\$1,864,714	\$63,664	\$(1,185)	\$(41)	\$99,750,443	\$3,405,614	\$2,776,625	\$94,798	\$102,527,068	\$3,500,412		
Balance, 1 January 2013	\$52,277,026	\$1,768,506	\$15,213,292	\$514,658	\$22,360,652	\$756,450	\$271,009	\$9,168	\$10,910,914	\$369,111	\$(601,247)	\$(20,340)	\$2,005,850	\$67,857	\$(1,230)	\$(42)	\$102,436,266	\$3,465,368	\$2,967,014	\$100,373	\$105,403,280	\$3,565,741		
Earning appropriation and distribution (Note)																								
Legal reserves	-	-	-	-	3,920,437	132,626	-	-	(3,920,437)	(132,626)	-	-	-	-	-	-	-	-	-	-	-	-		
Stock dividends	9,147,688	309,462	-	-	-	-	-	-	(9,147,688)	(309,462)	-	-	-	-	-	-	-	-	-	-	-	-		
Net income for nine-month period ended 30 September 2013	-	-	-	-	-	-	-	-	11,594,236	392,227	-	-	-	-	-	-	11,594,236	392,227	186,238	6,300	11,780,474	398,527		
Other comprehensive income for the nine-month period ended 30 September 2013	-	-	-	-	-	-	-	-	-	-	155,621	5,265	(402,543)	(13,618)	-	-	(246,922)	(8,353)	74,432	2,518	(172,490)	(5,835)		
Total comprehensive income for the nine-month period ended 30 September 2013	-	-	-	-	-	-	-	-	11,594,236	392,227	155,621	5,265	(402,543)	(13,618)	-	-	11,347,314	383,874	260,670	8,818	11,607,984	392,692		
Capital addition	3,243,780	109,735	8,758,206	296,286	-	-	-	-	-	-	-	-	-	-	-	-	12,001,986	406,021	-	-	12,001,986	406,021		
Price difference between book value and fair value on purchase of subsidiary equity	-	-	-	-	-	-	-	-	(192,642)	(6,517)	-	-	-	-	-	-	(192,642)	(6,517)	-	-	(192,642)	(6,517)		
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119,731	4,050	119,731	4,050		
Balance, 30 September 2013	\$64,668,494	\$2,187,703	\$23,971,498	\$810,944	\$26,281,089	\$889,076	\$271,009	\$9,168	\$9,244,383	\$312,733	\$(445,626)	\$(15,075)	\$1,603,307	\$54,239	\$(1,230)	\$(42)	\$125,592,924	\$4,248,746	\$3,347,415	\$113,241	\$128,940,339	\$4,361,987		

Notes: Bonus to employees NTS1,500 thousands deducted from consolidated statements of comprehensive income.

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

English Translation of Financial Statements Originally Issued in Chinese
Cathay United Bank and Its Subsidiaries
Consolidated statements of cash flows
For the nine-month periods ended 30 September 2013 and 2012
(Expressed in thousands of dollars)

Items	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Operating activities				
Net income before tax from continuing operations	\$13,530,660	\$457,735	\$12,126,080	\$414,001
Adjustment items:				
Non-cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation and amortization expenses	871,768	29,491	877,615	29,963
Bad debt expenses	189,554	6,413	41,133	1,404
Impairment losses on financial assets	-	-	90,300	3,083
Interest income	(26,124,994)	(883,796)	(25,590,460)	(873,693)
Interest expense	9,824,785	332,368	9,594,040	327,554
Dividends income	(536,866)	(18,162)	(576,632)	(19,687)
Proportionate share of gains from associates or joint venture under equity method	(28,146)	(952)	(26,898)	(918)
Gains on sale of foreclosed collaterals	-	-	(1,000)	(34)
Loss on disposal of property and equipments	7,789	264	5,636	192
Gain on disposal of foreclosed properties	-	-	(205,864)	(7,028)
Foreign currency translation adjustment	(8,129)	(275)	50,658	1,729
Change in operating assets and liabilities				
Increase in due from the Central Bank and call loans to banks	(1,633,075)	(55,246)	(1,117,750)	(38,162)
(Increase) decrease in financial assets at fair value through profit or loss	(78,798,375)	(2,665,710)	652,584	22,280
Decrease in derivative financial assets for hedging	176,124	5,958	28,635	978
Increase in receivables	(33,134,539)	(1,120,925)	(2,510,760)	(85,721)
Decrease in discounts and loans	30,805,085	1,042,121	16,398,548	559,868
Increase in available-for-sale financial assets	(1,097,843)	(37,139)	(10,810,314)	(369,079)
Increase in held-to-maturity financial assets	(27,577,657)	(932,938)	(2,584,610)	(88,242)
Decrease in other financial assets	6,922	234	29,509	1,007
(Increase) decrease in investments in debt securities with no active market	30,938,148	1,046,622	(28,698,465)	(979,804)
(Increase) decrease in other assets	40,599	1,373	(169,602)	(5,790)
Increase (decrease) in funds borrowed from the Central Bank and other banks	(6,187,406)	(209,317)	8,214,558	280,456
Increase in financial liabilities at fair value through profit or loss	1,934,432	65,441	1,951,846	66,639
Increase in securities sold under agreements to repurchase	35,530,099	1,201,965	6,591,182	225,032
Increase (decrease) in payables	(7,760,517)	(262,534)	1,318,953	45,031
Increase in deposits and remittances	49,688,921	1,680,951	49,553,371	1,691,819
Increase in other financial liabilities	11,083,264	374,941	9,011,391	307,661
Decrease in provisions	(988)	(33)	(127,589)	(4,356)
Increase in other liabilities	265,526	8,983	529,112	18,065
Cash flows from operating activities	2,005,141	67,833	44,645,207	1,524,248
Interest received	25,834,034	873,953	25,174,174	859,480
Cash dividends received	536,866	18,162	576,632	19,687
Interest paid	(9,129,081)	(308,832)	(9,099,890)	(310,682)
Income tax paid	(426,899)	(14,442)	(374,194)	(12,776)
Net cash flows from operating activities	18,820,061	636,674	60,921,929	2,079,957
Investing activities				
Investing in a Subsidiary	(338,612)	(11,455)	-	-
Capital return due to capital decrease in equity-accounted investee	-	-	1,990	68
Purchase of property and equipment	(888,363)	(30,053)	(377,869)	(12,901)
Proceeds from sale of property and equipments	964	33	536	18
Purchase of intangible assets	(42,420)	(1,435)	(40,811)	(1,393)
Proceeds from sale of foreclosed properties	-	-	1,000	34
Proceeds from sale of investment property	-	-	651,948	22,259
Increase in other assets	(701,551)	(23,733)	(291,982)	(9,969)
Cash dividends received	37,496	1,268	25,744	879
Net cash flows used in investing activities	(1,932,486)	(65,375)	(29,444)	(1,005)
Financing activities				
Increase (decrease) in due to the Central Bank and call loans from banks	26,700	903	(47,400)	(1,618)
Increase in financial debentures payable	9,901,957	334,978	6,722,796	229,525
Increase (decrease) in other liabilities	(265,605)	(8,985)	143,063	4,884
Capital addition	12,001,986	406,021	-	-
Distribution of cash dividends	-	-	(7,820,397)	(266,999)
Net cash flows from (used in) financing activities	21,665,038	732,917	(1,001,938)	(34,208)
Effects of foreign exchange rate changes	389,399	13,173	(982,029)	(33,528)
Net increase in cash and cash equivalents	38,942,012	1,317,389	58,908,518	2,011,216
Cash and cash equivalents at beginning of the period	102,950,210	3,482,754	92,486,585	3,157,616
Cash and cash equivalents at end of the period	\$141,892,222	\$4,800,143	\$151,395,103	\$5,168,832
The components of cash and cash equivalents				
Cash and cash equivalents in balance sheet	\$47,799,006	\$1,617,016	\$30,924,905	\$1,055,818
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	89,667,652	3,033,412	118,997,580	4,062,737
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	4,425,564	149,715	1,472,618	50,277
Cash and cash equivalents at end of the period	\$141,892,222	\$4,800,143	\$151,395,103	\$5,168,832

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

English Translation of Financial Statements Originally Issued in Chinese
Cathay United Bank and Its Subsidiaries
Notes to consolidated financial statements
For the nine-month periods ended 30 September 2013 and 2012
(Amounts in thousands except for share and per share data and unless otherwise stated)

I. Business

Cathay United Bank (the “Bank”), originally named United World Chinese Commercial Bank (“UWCCB”), was enfranchised by the government of the Republic of China (“ROC”) in January 1975. The Bank started its operations on 20 May 1975 and is engaged in the following operations: (1) all commercial banking operations authorized by the ROC Banking Act (“Banking Act”); (2) international banking business and related operations; (3) trust business; (4) off-shore banking business; and (5) other financial operations related to the promotion of investments by overseas Chinese. The Bank’s registered office and the main business location is at No.7, Songren Rd., Taipei City, Republic of China (R.O.C.).

The Bank’s stock was traded on the Taiwan Stock Exchange (the “TWSE”) until 18 December 2002. On 18 December 2002, the Bank became a wholly-owned subsidiary of Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”) through a conversion transaction and delisted from TWSE. Under the Financial Institutions Merger Act, the Bank engaged in a merger with the former Cathay United Bank, a wholly-owned subsidiary of Cathay Financial Holdings. The record date for such merger was 27 October 2003 and UWCCB survived and was renamed Cathay United Bank.

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 29 December 2007.

As of 30 September 2013 and 2012, the Bank and its subsidiaries employed 8,781 and 7,351 employees, respectively.

Cathay Financial Holding Co., Ltd. is the Bank’s parent.

II. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Bank and its subsidiaries (“the Group”) for the nine-month periods ended 30 September 2013 and 2012 were authorized for issue in accordance with the Board of Directors’ resolution on 29 October 2013.

III. Newly issued or revised standards and interpretations

1. Standards or interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission (“FSC”), but not yet adopted by the Group at the date of issuance of the Group’s financial statements are listed below.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* which is divided in three distinct phases is designed by the International Accounting Standards Board (“IASB”) to eventually replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The first phase relates to the classification and measurement of financial assets and liabilities that must be applied for annual periods beginning on or after 1 January 2015. The IASB will work on the remaining phases relate to impairment methodology and hedge accounting. However companies adopting International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as recognized by the FSC (collectively referred to as “TIFRS”) may not early adopt IFRS 9. FSC will announce the local effective date for IFRS 9 in the future. Adopting the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets. The impact of adopting the remaining two phases of IFRS 9 on the Group could not be determined at this stage.

2. Standards issued by the IASB but not yet recognized by the FSC are listed below.

Standards or interpretations	Effective date
Improvements to IFRSs 2010:	
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Annual periods beginning on or after 1 January 2011
IFRS 3 <i>Business Combinations</i>	Annual periods beginning on or after 1 July 2010
IFRS 7 <i>Financial Instruments: Disclosures</i>	Annual periods beginning on or after 1 January 2011
IAS 1 <i>Presentation of Financial Statements</i>	Annual periods beginning on or after 1 January 2011
IAS 34 <i>Interim Financial Reporting</i>	Annual periods beginning on or after 1 January 2011
IFRIC 13 <i>Customer Loyalty Programmes</i>	Annual periods beginning on or after 1 January 2011
Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendments to IFRS 1)	
	Annual periods beginning on or after 1 July 2010
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)	
	Annual periods beginning on or after 1 July 2011

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Standards or interpretations	Effective date
Amendments to IFRS 7	Annual periods beginning on or after 1 July 2011
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 <i>Income Taxes</i>)	Annual periods beginning on or after 1 January 2012
IFRS 10 <i>Consolidated Financial Statements</i>	Annual periods beginning on or after 1 January 2013
IAS 27 <i>Separate Financial Statements</i>	Annual periods beginning on or after 1 January 2013
IFRS 11 <i>Joint Arrangements</i>	Annual periods beginning on or after 1 January 2013
IAS 28 <i>Investments in Associates and Joint Ventures</i>	Annual periods beginning on or after 1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	Annual periods beginning on or after 1 January 2013
IFRS 13 <i>Fair Value Measurement</i>	Annual periods beginning on or after 1 January 2013
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	Annual periods beginning on or after 1 July 2012
Amendments to IAS 19 <i>Employee Benefits</i>	Annual periods beginning on or after 1 January 2013
Government Loans (Amendments to IFRS 1)	Annual periods beginning on or after 1 January 2013
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	Annual periods beginning on or after 1 January 2013
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 <i>Financial Instruments: Presentation</i>)	Annual periods beginning on or after 1 January 2014
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	Annual periods beginning on or after 1 January 2013
Annual Improvements 2009-2011 Cycle:	
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Annual periods beginning on or after 1 January 2013
IAS 1 <i>Presentation of Financial Statements</i>	Annual periods beginning on or after 1 January 2013
IAS 16 <i>Property, Plant and Equipment</i>	Annual periods beginning on or after 1 January 2013
IAS 32 <i>Financial Instruments: Presentation</i>	Annual periods beginning on or after 1 January 2013
IAS 34 <i>Interim Financial Reporting</i>	Annual periods beginning on or after 1 January 2013
Amendments to IFRS 10 <i>Consolidated Financial Statements</i>	Annual periods beginning on or after 1 January 2014
Amendments to IAS 36 <i>Impairment of Assets</i>	Annual periods beginning on or after 1 January 2014
IFRIC 21 <i>Levies</i>	Annual periods beginning on or after 1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 <i>Financial Instruments :Recognition and measurement and IFRIC 9 Derivatives</i>)	Annual periods beginning on or after 1 January 2014

The adoption of the following standards or interpretations could have a material impact on the Group's financial statements in the period of initial application.

Improvements to IFRSs 2010

IFRS 7 Financial Instruments: Disclosures

The amendment emphasizes the interaction between qualitative and quantitative disclosures to and the nature and extent of risks associated with financial instruments.

Amendments to IFRS 7 “Financial Instruments: Disclosures”

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when financial assets are derecognized in their entirety, but the entity has a continuing involvement in them, or financial assets are not derecognized in their entirety.

IFRS 12 “Disclosures of Interests in Other Entities”

IFRS 12 primarily integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities and presents those requirements in a single standard. The standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 “Fair Value Measurement”

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosure is required.

IAS 1 “Presentation of Financial Statements” – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified.

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IAS 19 “Employee Benefits” (Revised)

The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in Other Comprehensive Income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, etc..

Improvements to International Financial Reporting Standards (2009-2011 cycles):

IAS 1 “Presentation of Financial Statements”

The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. The opening statement of financial position (known as ‘the third balance sheet’) must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the third balance sheet. The amendment is effective for annual periods beginning on or after 1 January 2013.

The amendments are effective for annual periods beginning on or after 1 January 2013.

The above-mentioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Group’s financial statements. Since the local effective dates are not to be determined by FSC, it is not practicable to estimate their impact on the Group at this point in time.

IV. Summary of significant accounting policies

1. Statement of compliance

The consolidated financial statements of the Group for the nine-month periods ended 30 September 2013 and 2012 have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Public Banks”, the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and IAS 34 “*Interim Financial Reporting*” and IFRS 1 “*First-time Adoption of International Financial Reporting Standards*” as recognized by the FSC.

2. Basis of preparation

The consolidated financial reports comprise the consolidated balance sheet, consolidated statements of comprehensive income, the consolidated statements of change in equity, the consolidated statements of cash flows and related notes.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

The Bank and its subsidiaries classify their economic activities as operating, investing and financing activities in accordance with management’s judgment. The consolidated statements of cash flows presented the changes in cash and cash equivalents during the reporting period from operating, investing and financing activities. The components of cash and cash equivalents are disclosed in Notes VI.

3. Basis of consolidation

Preparation principle of consolidated financial statement

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Bank obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

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A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Bank loses control of a subsidiary, it:

- (1) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (2) Derecognizes the carrying amount of any non-controlling interest;
- (3) Recognizes the fair value of the consideration received;
- (4) Recognizes the fair value of any investment retained;
- (5) Recognizes any surplus or deficit in profit or loss; and
- (6) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of ownership (%)			
			2013.9.30	2012.12.31	2012.9.30	2012.1.1
The Bank	Indovina Bank Limited ("Indovina Bank") Indovina Bank was incorporated in Vietnam on 29 October 1992.	Wholesale banking	50%	50%	50%	50%

Investor	Subsidiary	Business nature	Percentage of ownership (%)			
			2013.9.30	2012.12.31	2012.9.30	2012.1.1
The Bank	Singapore Banking Corporation ("SBC Bank") SBC Bank was incorporated in Cambodia on 5 July 1993.	Wholesale banking	100%	70%	-	-

The Bank acquired 70% of the voting shares of SBC Bank for US\$22,500 on 13 December 2012, and acquired remaining 30% of the voting shares for US\$11,418 on 30 September 2013, SBC Bank subsequently became a wholly-owned subsidiary of the Bank.

As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012 and for the nine-month periods ended 30 September 2013 and 2012, respectively, the consolidated financial statements excluded the following subsidiaries because their total assets and operating revenues had immaterial impact to the Bank.

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Investor	Subsidiary	Business nature	Percentage of ownership (%)			
			2013.9.30	2012.12.31	2012.9.30	2012.1.1
The Bank	Seaward Card Co., Ltd. ("Seaward Card") Seaward Card was incorporated on 9 April 1999.	Dispatched work	100%	100%	100%	100%

Subsidiaries that does not include in consolidated financial statements are recognized as investments accounted for using equity method according to accounting treatment of subsidiaries above.

4. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Bank's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

5. Investments in the associates

The Bank's investment in its associate is accounted for using the equity method. An associate is an entity over which the Bank has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Bank's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the Bank's related interest in the associate.

When changes in the net assets of an associate occur and are not those recognized in profit or loss or other comprehensive income and do not affect the Bank's percentage of ownership interests in the associate, the Bank recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When an associate issues new stock and the Bank's interest in the associate is reduced or increased as the Bank fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid-in capital and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Bank disposes the associate.

The financial statements of the associates are prepared for the same reporting period as the Bank. Where necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, the Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income as required by IAS 36 *Impairment of Assets*. If using the investment's value in use as the recoverable amount, the Bank determines the value in use based on the following estimates:

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- (1) Future cash flows the Bank expects to derive from the investment in the associate, including cash flows from the operation of the associate and from the ultimate disposal of such investment, or
- (2) present value of the future cash flows from dividends expected to be received from the associate and from the disposal of the investment.

Because goodwill included as part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate, the Bank measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

6. Foreign currency transactions

The consolidated financial statements are presented in NT dollars, which is also the Bank's functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

7. Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

8. Cash and cash equivalents

Cash and cash equivalents in consolidated balance sheet comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Bank and its subsidiaries classified time deposits that are within twelve months' readily convertible to known amounts of cash and be subject to an insignificant risk of changes in value as cash equivalents. The consolidated statements of cash flows consist of cash and cash equivalents in consolidated balance sheet, due from the Central Bank and call loans to the banks and securities purchased under agreements to resell that conformed to the definition of cash and cash equivalents in IAS 7.

9. Bills and bonds under repurchase or resell agreements

Bills and bonds under repurchase or resell agreements are accounted for under the financing method. Bills and bonds sold under repurchase agreements are presented as "Securities sold under agreements to repurchase" at the sale date. Bills and bonds invested under resell agreements are presented as "Securities purchased under agreements to resell" at the purchase date. The difference between the purchase or the selling price and the contracted resell or repurchase price is recorded as interest income or interest expense, respectively.

10. Financial assets and financial liabilities

The Bank and its subsidiaries classify its financial assets as either financial assets at fair value through profit or loss, held-to-maturity financial assets, investment in debt securities with no active market, financial assets carried at cost, available-for-sale financial assets, derivative financial assets for hedging and loans and receivables where appropriate. Financial liabilities are classified as either financial liabilities at fair value through profit or loss and financial liabilities carried at amortized cost. When financial assets or liabilities are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Bank and its subsidiaries account for regular way purchase or sales of financial assets on the trade date (i.e. the date that the Bank and its subsidiaries commit to purchase or sell the asset).

(1) Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities include held for trading and designated by the Bank and its subsidiaries at fair value through profit or loss are classified as financial assets or liabilities at fair value through profit or loss. Subsequently, these investments are reviewed on a monthly basis and changes in fair value are recognized in income.

(2) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable collections and fixed maturity which management has the intent and ability to hold to maturity are classified as held-to-maturity financial assets and reported at amortized cost. Such gains and losses are recognized when the investments are derecognized or impaired, as well as through the amortization process.

(3) Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity except for impairment loss and foreign currency exchange related gains or losses, until the investment is derecognized at which time the cumulative gain or loss previously reported in equity is transferred to income statement.

However, any difference between the initial amount and the maturity amount of available-for-sale financial assets shall be amortized by effective interest method as interest income or expense over the relevant periods.

(4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- ① Those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading;
- ② Those that the entity upon initial recognition designates as at fair value through profit or loss;
- ③ Those that the entity upon initial recognition designates as available-for-sale; or
- ④ Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Gains and losses are recognized when the investments are derecognized or impaired, as well as through the amortization process.

(5) Other financial assets

A. Investments in debt securities with no active market

Investment in debt securities with no active market are non-derivative financial assets with fixed or determinable collections that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized when these investments are derecognized or impaired, as well as through the amortization process.

B. Financial assets carried at cost

Investments in equity instruments without quoted market price and derivative instruments linked to or settled by delivery of such unquoted equity investments shall be measured at cost.

(6) Financial liabilities

After initial recognition, all financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss and derivative financial liabilities for hedging purposes. Such liabilities are measured at fair value.

The fair value of investments is determined by reference to the closing price at the balance sheet date for listed shares and derivatives, the net asset value for open-ended funds, and the closing or quoted price at the balance sheet date for bond and valuation techniques for debt securities with no active market, hybrid instruments and derivative instruments.

This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

11. Derivative financial instruments

The Bank and its subsidiaries entered into various derivative contracts, including forward currency contracts, cross-currency swaps, options, futures and interest rate swaps. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to income if a derivative instrument in a fair value hedge is terminated or the hedge designation is removed for the period.

12. Derecognition of financial assets and liabilities

(1) Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial asset) is derecognized when:

- ① The rights to receive cash flows from the asset have expired
- ② The Bank and its subsidiaries have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the Group allocates the previous carrying amount of the larger financial asset between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(2) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in income.

13. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

14. Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired when, and only when, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

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Objective evidence may include:

- (1) Significant financial difficulty of the issuer or obligor; or
- (2) A breach of contract, such as a default or delinquency in interest or principal payments; or
- (3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (5) The disappearance of an active market for that financial asset because of financial difficulties; or
- (6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - ① Adverse changes in the payment status of borrowers in the group; or
 - ② National or local economic conditions that correlate with defaults on the assets in the group.

The Group applies the following methods to determine the amount of any impairment loss:

- (1) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

In the case of equity investments classified as available for sale, impairment losses are not reversed through profit or loss; increases in its fair value after impairment are recognized directly in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment losses was recognized in profit or loss, the impairment losses are reversed through, with the amount of the reversal recognized in profit or loss.

(2) Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(3) Loans and receivables

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant. If there is objective evidence that an impairment loss on individual loans and receivables has been incurred, the amount of impairment loss should be assessed individually. If there is objective evidence that an impairment loss on a loan and receivable that is not individually significant has been incurred, the Bank shall include those assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the carrying amount of loans and receivables and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows on loans and receivables is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the loan and receivable that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

In addition, in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”, the Bank shall allocate sufficient loan loss provision and reserves against liability on guarantees. The minimum loan loss provision and guarantee reserve shall be the sum of 0.5% of the outstanding balance of Category One credit asset’s claim (excluding assets that represent claims against an ROC government agency), 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets.

15. Impairment of non-financial assets

The Bank and its subsidiaries assess at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “*Impairment of Assets*” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating units (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

16. Hedge accounting

The Bank uses its derivatives designated as hedging for accounting purposes as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

- (1) Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- (2) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction;
- (3) Hedges of net investments in foreign operations.

A hedge of interest risk of the Bank's subordinated financial debentures is accounted for as a fair value hedge.

The Bank and its subsidiaries formally document at inception all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various accounting hedges. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value of the hedged items. The Bank assesses on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

For fair value hedges, the carrying amount of the hedged item is adjusted for gains or losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains or losses from both are taken to the income statement.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to the income statement. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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The Bank discontinues hedge accounting when it is determined a derivative is not expected to be or has ceased to be highly effective as a hedge, and then reflects changes in fair value in earnings after termination of the hedging relationship.

17. Financial guarantee contracts

Financial guarantee contracts issued by the Bank and its subsidiaries are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

18. Foreclosed properties

Foreclosed properties of the Bank represent assets acquired by repossession of collateral for realization and are stated at the lower of cost or net realizable value on the balance sheet date. If there is an objective evidence of impairment, the impairment loss shall be recognized.

19. Lease

All the leasing contracts of the Bank and its subsidiaries follow the regulations of IAS17 and SIC4 and are categorized as operating lease. If the Bank and its subsidiaries are the lessors, the asset in the operating lease is categorized under “Investment property” account. If the Bank and its subsidiaries are the lessees, the asset then is recorded as leased asset in the balance sheet. The rent payable and receivable of operating lease are recorded by its rental duration using straight-line method. They are recorded as “Other general and administrative expenses” and “Other net noninterest income”.

20. Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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Depreciation is calculated on a straight-line method over the following estimated useful lives:

Building	5~60	years
Furniture and fixtures	3~ 8	years
Transportation equipment	3~ 7	years
Miscellaneous equipment	3~15	years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

21. Investment properties

Property held by the Bank to earn rentals or for capital appreciation or both, the Bank recognizes the property as investment properties. Investment properties comprise land and buildings leased under an operating lease.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The fair value of investment properties is measured on the character, location and condition of specific property.

Depreciation is calculated on a straight-line method over the following estimated useful lives :

Building	5~60	years
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22. Intangible assets

Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as finite, excluding goodwill.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

The category of intangible assets of the Bank and the amortization method over the estimated useful lives are as follows:

<u>Category</u>	<u>Useful lives</u>	<u>Amortization method</u>
Computer software	3-8 years	Straight-line method
Other intangible assets	4 years	Straight-line method

23. Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the board of directors.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (1) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (1) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Cathay Financial Holding Co., Ltd. has adopted the consolidated income tax return for income tax filings with its qualified subsidiaries, including the Bank, since 2003.

24. Employee benefits

Defined contribution plans

The Bank has a pension plan covering all full-time employees (the defined benefit plan). Under the plan, pension benefit payments for each employee are based on the employee's years of service and final average compensation. The Bank has established two employee retirement fund committees to supervise the employees' retirement fund based on the regulations of the employee retirement plan. Contribution to the pension fund is made to the separate accounts of the above two committees monthly. The Bank makes contributions to the pension plan, which is administered and operated by an independent employee retirement fund committee. The pension plan is not reflected in the consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

The Labor Pension Act of the ROC (the "Act"), which adopts a defined contribution pension plan, is effective on 1 July 2005. In accordance with the Act, employees of the Bank may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Act. For employees subject to the Act, the Bank shall make monthly contributions to the employees' individual pension accounts on a basis 6% of the employees' monthly wages. Monthly contributions are recognized as pension costs.

Defined benefit plans

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in 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 and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

Employee preferential interest rate deposits

The Bank offers its employees with preferential deposit, including providing finite amount preferential interest rate deposits to current employees and providing the preferential interest rate deposits to current employees and retired employees after their retirement. The difference between the interest rate of preferential deposits and the market rate is recognized as employee benefits.

The finite amount preferential deposits that the Bank paid to its current employees are calculated monthly on accrual basis. The difference between the interest rate of preferential deposit and the market rate is recorded as “Employee benefits expenses”. In accordance with the article 28 of the “Regulations Governing the Preparation of Financial Reports by Public Banks”, when the interest incurred from preferential interest rate deposits exceeds the interest generated from market rate, it should be considered the actuarial amount according to defined benefit plan regulated on IAS 19 “*Employee Benefits*” since the employee’s retirement date.

25. Provisions

The provisions are recognized when :

- (1) The Group has a present obligation (legal or constructive) as a result of a past event;
- (2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (3) A reliable estimate can be made of the amount of the obligation.

Provisions are recognized when the Group 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

26. Interest income

Interest income is recognized over the period by applying the interest rate method and measured except for delinquent accounts and troubled accounts whose interest is recognized when received.

27. Service fee

The Bank and its subsidiaries earn service fee from a diverse range of service it provide to its customers. Fee income can be divided into the following two categories :

- (1) Fee income on transactions conducted or from services provided over a period of time.
- (2) Fee income from providing transaction services.

The fair value of the award credits granted to the bank card holders is deferred and recognized as fee income when the award credits are redeemed or expire.

28. Operating segment information

An operating segment is a component of an entity that has the follow characteristics:

- (1) Engaging in business activities from which it may earn revenues and incur expenses;
- (2) Whose operating results are regularly reviewed by the entity's chief operating decision marker to make decisions about resource to be allocated to the segment and assess its performance, and
- (3) For which discrete financial information is available.

29. Basis for converting financial statements

The consolidated financial statements are stated in NT dollars. Translations of the 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012 NT dollar amounts into US dollar amounts are provided solely for the convenience of the readers, using the noon buying rates of NT\$29.56, NT\$29.05, NT\$29.29 and NT\$30.27 to US\$1.00 on 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively, as provided by the Federal Reserve Bank of New York. The translation amounts are unreviewed. Such currency translation should not be construed as representations that the NT dollar amounts have been, could have been, or could in the future be, converted into US dollars at this rate or any other rate of exchange.

V. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

1. Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(1) Investment properties

Certain properties of the Bank comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. The property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

(2) Operating lease commitment – the Bank and its subsidiaries as the lessors

The Bank has entered into commercial property leases on its investment property portfolio. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Impairment losses on loans and receivables

The Bank and its subsidiaries review their loan and receivables to assess whether an impairment loss should be recorded in profit or loss on a monthly basis. When the Bank and its subsidiaries determine whether to recognize impairment losses, they mainly decide if there is any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable change in debtor payment status, or sovereign or the local economic situation related to debt payment in appears. While analyzing expected cash flow, the estimates by the management are based on past losses experience on the assets of similar credit risk characteristics. The Bank and its subsidiaries periodically review methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected and actual loss.

(2) Fair value of financial instruments

Where the fair value of financial instruments cannot be derived from an active market or a quoted price, it is determined using a valuation technique. Observable market data for similar financial instruments is utilized as inputs to measure fair value. If observable inputs are not available, prudent assumptions are used for estimating fair value. In applying valuation techniques, the Group adopts pricing models in accordance with its procedure for valuation. All models are adjusted to ensure that their results reflect actual data and market prices.

(3) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The Bank determines whether goodwill is impaired on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or groups of CGUs to which goodwill is allocated. Estimating the recoverable amount requires the Bank to make an estimate of the expected future cash flows from the CGU or groups of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(4) Award credits and deferred income

The Bank recognizes the fair value of all considerations received or receivable as revenue at the time of sale, and estimates the cost and related liabilities resulting from the awards given. The consideration allocated to the award credits should be deferred and only recognized as revenue when award credits are redeemed and the Bank fulfils its obligations to supply awards. As points issued under the program do not expire, such estimates are subject to significant uncertainty.

(5) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entity's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

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(6) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

According to internal regulation of the Bank or hiring agreement, IAS 19 “*Employee Benefit*” applies to the excess interest of retiring employee preferential interest rate deposits once the employee is retired.

VI. Breakdown of Significant Accounts

1. Cash and cash equivalents

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Cash on hand	\$13,166,394	\$445,412	\$13,255,565	\$456,302
Checks for clearance	2,275,064	76,964	8,353,592	287,559
Due from commercial banks	32,357,548	1,094,640	13,365,129	460,073
Total	<u>\$47,799,006</u>	<u>\$1,617,016</u>	<u>\$34,974,286</u>	<u>\$1,203,934</u>

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Cash on hand	\$11,544,207	\$394,135	\$11,995,509	\$396,284
Checks for clearance	7,484,444	255,529	8,641,631	285,485
Due from commercial banks	11,896,254	406,154	9,487,981	313,445
Total	<u>\$30,924,905</u>	<u>\$1,055,818</u>	<u>\$30,125,121</u>	<u>\$995,214</u>

The components of cash and cash equivalents in statement of cash flows are listed below.

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Cash and cash equivalents in balance sheet	\$47,799,006	\$1,617,016	\$34,974,286	\$1,203,934
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	89,667,652	3,033,412	67,975,924	2,339,963
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	4,425,564	149,715	-	-
Cash and cash equivalents at end of the period in statement of cash flows	<u>\$141,892,222</u>	<u>\$4,800,143</u>	<u>\$102,950,210</u>	<u>\$3,543,897</u>

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Cash and cash equivalents in balance sheet	\$30,924,905	\$1,055,818	\$30,125,121	\$995,214
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	118,997,580	4,062,737	60,052,676	1,983,900
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	1,472,618	50,277	2,308,788	76,273
Cash and cash equivalents at end of the period in statement of cash flows	<u>\$151,395,103</u>	<u>\$5,168,832</u>	<u>\$92,486,585</u>	<u>\$3,055,387</u>

2. Due from the Central Bank and call loans to banks

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Overdrafts	\$20,824	\$705	\$-	\$-
Call loans to banks	82,919,405	2,805,122	30,984,776	1,066,602
Due from the Central Bank – Statutory reserve on deposits	42,678,725	1,443,800	41,027,838	1,412,318
Due from the Central Bank – General deposits	6,727,423	227,585	36,991,148	1,273,361
Total	<u>\$132,346,377</u>	<u>\$4,477,212</u>	<u>\$109,003,762</u>	<u>\$3,752,281</u>

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Call loans to banks	\$48,256,839	\$1,647,553	\$30,729,847	\$1,015,191
Due from the Central Bank – Statutory reserve on deposits	41,154,893	1,405,084	40,048,865	1,323,055
Due from the Central Bank – General deposits	70,740,741	2,415,184	29,322,829	968,709
Total	<u>\$160,152,473</u>	<u>\$5,467,821</u>	<u>\$100,101,541</u>	<u>\$3,306,955</u>

(1) The Bank

Statutory reserve on deposits and general deposits consists mainly of New Taiwan dollars and foreign currency deposit reserves.

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As provided by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included NT\$41,349,095 (US\$1,398,819), NT\$39,842,844 (US\$1,371,526), NT\$40,241,147 (US\$1,373,887) and NT\$39,432,413 (US\$1,302,690) as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These non-interest bearing reserves may be withdrawn momentarily. As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the balances of foreign-currency deposit reserves were NT\$249,228 (US\$8,431), NT\$215,606 (US\$7,422), NT\$183,388 (US\$6,261) and NT\$166,595 (US\$5,504), respectively.

(2) 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 NT\$779,980 (US\$26,387), NT\$758,109 (US\$26,097), NT\$730,385 (US\$24,936) and NT\$449,857 (US\$14,861) as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively.

(3) SBC 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 NT\$300,422 (US\$10,163), NT\$211,279 (US\$7,273) as of 30 September 2013 and 31 December 2012, respectively.

3. Financial assets at fair value through profit or loss

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Financial assets for trading :				
Stocks	\$53,760	\$1,819	\$-	\$-
Short-term bills	123,211,543	4,168,185	59,110,475	2,034,784
Mutual funds	300,552	10,167	-	-
Bonds	14,215,139	480,891	3,197,378	110,065
Overseas financial instruments	1,415,853	47,898	974,079	33,531
Derivative financial instruments	7,398,108	250,274	4,655,954	160,274
Total	<u>\$146,594,955</u>	<u>\$4,959,234</u>	<u>\$67,937,886</u>	<u>\$2,338,654</u>

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Financial assets for trading :				
Short-term bills	\$13,199,843	\$450,660	\$14,865,231	\$491,088
Bonds	813,055	27,759	1,228,191	40,575
Overseas financial instruments	953,107	32,540	533,120	17,612
Derivative financial instruments	6,291,867	214,813	5,287,567	174,680
Total	<u>\$21,257,872</u>	<u>\$725,772</u>	<u>\$21,914,109</u>	<u>\$723,955</u>

- (1) As of 31 December 2012, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT\$2,950,500 (US\$101,566). Such repurchase agreements amounting to NT\$3,252,317 (US\$111,956) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2012 was settled at NT\$3,255,003 (US\$112,048) prior to 31 March 2013.

As of 30 September 2012, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT\$33,000 (US\$1,127). Such repurchase agreements amounting to NT\$33,000 (US\$1,127) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 30 September 2012 was settled at NT\$33,001 (US\$1,127) prior to 31 October 2012.

- (2) As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the amount (the derange of fair value for derivative contracts between initial recognition and subsequent measurement) for derivative financial instrument (include hedging) are disclosed as following: (Unit: thousands of US dollars)

	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Currency and swap forward contracts	\$24,635,018	\$21,601,412	\$21,145,991	\$26,055,155
Interest rate swap	16,666,788	9,443,064	9,969,469	8,678,165
Cross currency swap	1,526,170	872,607	849,821	54,079
Options	10,783,091	5,654,976	6,698,524	837,744
Futures	-	500	-	-

- (3) Net gains arising from financial assets at fair value through profit or loss for the three-month and nine-month periods ended 30 September 2013 and 2012 were NT\$1,097,714 (US\$37,135), NT\$193,987 (US\$6,623), NT\$2,381,493 (US\$80,565) and NT\$4,748,346 (US\$162,115), respectively.

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4. Derivative financial assets for hedging

The Bank's management established related risk management policies. The accounting policies of hedge accounting are disclosed in Notes IV.

In order to hedge the fair value risk from future market interest rate fluctuations, the Bank entered into interest rate swap transactions, where the interest rate payable on fixed-interest-rate financial debentures issued has been swapped with a floating interest rate. The fair value of the above interest rate swap transactions on 30 September 2013, 31 December 2012, 30 September 2012, and 1 January 2012 were NT\$1,027,014 (US\$34,743), NT\$1,203,138 (US\$41,416), NT\$1,410,138 (US\$48,144) and NT\$1,438,773 (US\$47,531), respectively. For the three-month and nine-month periods ended 30 September 2013 and 2012, net gains on the hedging derivative financial instrument amounted to NT\$24,379 (US\$825), NT\$66,955 (US\$2,286), NT\$6,105 (US\$207) and NT\$188,972 (US\$6,452), respectively. For the three-month and nine-month periods ended 30 September 2013 and 2012, net gains from the hedged risk of the hedged items amounted to NT\$86,640 (US\$2,931), NT\$48,504 (US\$1,656), NT\$274,365 (US\$9,282) and NT\$93,032 (US\$3,176), respectively.

The hedge is regarded as highly effective, at inception and throughout the life of the hedge, the Bank can expect changes in the fair value of the hedged item that are attributable to the hedged risk to be almost fully offset by the changes in the fair value of the hedging instrument and actual results are within a range of 80-125 percent.

5. Receivables, net

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$75	\$2	\$-	\$-
Accounts receivable	39,253,158	1,327,915	36,746,133	1,264,927
Interest receivable	3,477,548	117,644	3,248,886	111,838
Related party receivables for allocation				
of linked-tax system	174,195	5,893	246,573	8,488
Foreign currency receivable	75,068	2,539	88,657	3,052
Acceptances	1,434,690	48,535	1,639,720	56,445
Factoring receivable	38,530,505	1,303,468	9,151,418	315,023
Others	2,244,711	75,937	1,632,947	56,211
Total	85,189,950	2,881,933	52,754,334	1,815,984
Adjustment for discounts and premiums	(6,129)	(208)	(5,603)	(193)
Less: allowance for doubtful accounts	(1,936,317)	(65,504)	(2,006,455)	(69,069)
Net balance	<u>\$83,247,504</u>	<u>\$2,816,221</u>	<u>\$50,742,276</u>	<u>\$1,746,722</u>

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$47	\$2	\$15	\$1
Accounts receivable	36,274,611	1,238,464	39,796,588	1,314,720
Interest receivable	3,322,047	113,419	2,810,652	92,853
Related party receivables for allocation of linked-tax system	410,499	14,015	554,163	18,307
Foreign currency receivable	79,882	2,727	2,078,037	68,650
Acceptances	1,069,845	36,526	1,249,855	41,290
Factoring receivable	4,349,191	148,487	1,370,952	45,291
Others	4,860,863	165,957	807,640	26,681
Total	50,366,985	1,719,597	48,667,902	1,607,793
Adjustment for discounts and premiums	(5,123)	(175)	(2,638)	(87)
Less: allowance for doubtful accounts	(2,015,087)	(68,798)	(2,754,511)	(90,998)
Net balance	<u>\$48,346,775</u>	<u>\$1,650,624</u>	<u>\$45,910,753</u>	<u>\$1,516,708</u>

(1) Information on bad and doubtful accounts is as follows:

	2013.1.1 - 2013.9.30					
	Individually impaired		Collectively impaired		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$116,138	\$3,929	\$1,890,317	\$63,948	\$2,006,455	\$67,877
Reversal of doubtful accounts	(273,395)	(9,249)	-	-	(273,395)	(9,249)
Write-offs	(232,832)	(7,876)	-	-	(232,832)	(7,876)
Debt counseling recoveries	101,813	3,444	-	-	101,813	3,444
Recoveries	437,794	14,810	-	-	437,794	14,810
Reclassification	(14,304)	(484)	(89,533)	(3,029)	(103,837)	(3,513)
Effects of exchange rates change	-	-	319	11	319	11
Balance, end of the period	<u>\$135,214</u>	<u>\$4,574</u>	<u>\$1,801,103</u>	<u>\$60,930</u>	<u>\$1,936,317</u>	<u>\$65,504</u>

	2012.1.1 - 2012.9.30					
	Individually impaired		Collectively impaired		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$129,860	\$4,434	\$2,624,651	\$89,609	\$2,754,511	\$94,043
Reversal of doubtful accounts	(927,549)	(31,668)	-	-	(927,549)	(31,668)
Write-offs	(224,321)	(7,658)	-	-	(224,321)	(7,658)
Debt counseling recoveries	111,017	3,790	-	-	111,017	3,790
Recoveries	419,101	14,309	-	-	419,101	14,309
Reclassification	601,987	20,552	(719,545)	(24,566)	(117,558)	(4,014)
Effects of exchange rates change	-	-	(114)	(4)	(114)	(4)
Balance, end of the period	<u>\$110,095</u>	<u>\$3,759</u>	<u>\$1,904,992</u>	<u>\$65,039</u>	<u>\$2,015,087</u>	<u>\$68,798</u>

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(2) Impairment assessment of receivables – the Bank

Item		Receivables			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$38,276	\$1,295	\$37,241	\$1,282
	Collective assessment	159,023	5,380	140,445	4,835
Without objective evidence of impairment	Collective assessment	84,206,387	2,848,660	52,562,725	1,809,388

Item		Receivables			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$43,697	\$1,492	\$22,516	\$744
	Collective assessment	130,486	4,455	154,121	5,092
Without objective evidence of impairment	Collective assessment	50,274,625	1,716,443	48,158,858	1,590,977

Item		Allowance for doubtful accounts			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$16,321	\$552	\$5,208	\$179
	Collective assessment	118,893	4,022	110,930	3,819
Without objective evidence of impairment	Collective assessment	1,801,103	60,930	1,890,317	65,071

Item		Allowance for doubtful accounts			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$6,669	\$228	\$4,327	\$143
	Collective assessment	103,426	3,531	125,533	4,147
Without objective evidence of impairment	Collective assessment	1,904,992	65,039	2,624,651	86,708

Notes: receivables shall refer to amounts originated excluded allowance for doubtful accounts and discount or premium.

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6. Discounts and loans, net

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Outward documentary bills	\$1,708,581	\$57,800	\$1,764,969	\$60,756
Overdrafts	837,601	28,336	594,231	20,455
Short-term loans	226,273,447	7,654,717	221,898,435	7,638,500
Medium-term loans	327,913,090	11,093,136	347,094,239	11,948,167
Long-term loans	424,827,063	14,371,687	439,958,850	15,144,883
Delinquent accounts	4,438,462	150,151	4,177,439	143,802
Total	985,998,244	33,355,827	1,015,488,163	34,956,563
Adjustment for discounts and premium	1,021,266	34,549	1,097,491	37,780
Less: allowance for doubtful accounts	(14,669,142)	(496,250)	(13,402,461)	(461,359)
Net balance	\$972,350,368	\$32,894,126	\$1,003,183,193	\$34,532,984

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Outward documentary bills	\$935,349	\$31,934	\$355,418	\$11,741
Overdrafts	506,103	17,279	497,529	16,436
Short-term loans	209,321,507	7,146,518	264,838,787	8,749,217
Medium-term loans	328,532,037	11,216,526	284,204,215	9,388,973
Long-term loans	450,702,634	15,387,594	457,332,942	15,108,456
Delinquent accounts	4,628,268	158,015	3,429,956	113,312
Total	994,625,898	33,957,866	1,010,658,847	33,388,135
Adjustment for discounts and premium	1,101,978	37,623	866,690	28,632
Less: allowance for doubtful accounts	(11,686,009)	(398,976)	(9,599,743)	(317,137)
Net balance	\$984,041,867	\$33,596,513	\$1,001,925,794	\$33,099,630

(1) As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the accounts without interest accrued were NT\$5,011,320 (US\$169,530), NT\$3,802,624 (US\$130,899), NT\$5,153,275 (US\$175,940) and NT\$2,987,964 (US\$98,710), respectively. The non-accrued interest on such accounts amounted to NT\$47,432 (US\$1,605), NT\$26,959 (US\$920), NT\$148,482 (US\$5,023) and NT\$53,790 (US\$1,836) for the three-month and nine-month periods ended 30 September 2013 and 2012, respectively.

(2) Please refer to Notes XII.4 for details on loans by industries and geographic regions.

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(3) Information on bad and doubtful accounts is as follows:

① The Bank

	2013.1.1 - 2013.9.30					
	Individually impaired		Collectively impaired		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$3,838,785	\$129,864	\$9,198,147	\$311,169	\$13,036,932	\$441,033
Provision of doubtful accounts	529,509	17,913	-	-	529,509	17,913
Write-offs	(319,595)	(10,812)	-	-	(319,595)	(10,812)
Debt counseling recoveries	86,542	2,928	-	-	86,542	2,928
Recoveries	1,045,256	35,360	-	-	1,045,256	35,360
Reclassification	(288,699)	(9,766)	390,512	13,210	101,813	3,444
Effects of exchange rates change	-	-	13,114	444	13,114	444
Balance, end of the period	<u>\$4,891,798</u>	<u>\$165,487</u>	<u>\$9,601,773</u>	<u>\$324,823</u>	<u>\$14,493,571</u>	<u>\$490,310</u>

	2012.1.1 - 2012.9.30					
	Individually impaired		Collectively impaired		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$3,059,807	\$104,466	\$6,247,744	\$213,306	\$9,307,551	\$317,772
Provision of doubtful accounts	931,061	31,788	-	-	931,061	31,788
Write-offs	(314,498)	(10,738)	-	-	(314,498)	(10,738)
Debt counseling recoveries	93,049	3,177	-	-	93,049	3,177
Recoveries	1,287,460	43,955	-	-	1,287,460	43,955
Reclassification	(877,037)	(29,943)	994,595	33,957	117,558	4,014
Effects of exchange rates change	-	-	(54,057)	(1,845)	(54,057)	(1,845)
Balance, end of the period	<u>\$4,179,842</u>	<u>\$142,705</u>	<u>\$7,188,282</u>	<u>\$245,418</u>	<u>\$11,368,124</u>	<u>\$388,123</u>

② Indovina Bank

	2013.1.1 - 2013.9.30		2012.1.1 - 2012.9.30	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$355,255	\$12,018	\$292,192	\$9,976
Provision (reversal) of doubtful accounts	(71,295)	(2,411)	37,621	1,284
Reclassification	(130,229)	(4,406)	-	-
Effects of exchange rates change, etc.	7,009	237	(11,928)	(407)
Balance, end of the period	<u>\$160,740</u>	<u>\$5,438</u>	<u>\$317,885</u>	<u>\$10,853</u>

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③ SBC Bank

	2013.1.1 - 2013.9.30	
	NT\$	US\$
Balance, beginning of the period	\$10,274	\$348
Provision of doubtful accounts	4,735	160
Effects of exchange rates change, etc.	(178)	(6)
Balance, end of the period	<u>\$14,831</u>	<u>\$502</u>

(4) Impairment assessment of discounts and loans — the Bank

Item		Discounts and loans			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$22,356,936	\$756,324	\$24,407,642	\$840,194
	Collective assessment	6,061,403	205,054	2,346,283	80,767
Without objective evidence of impairment	Collective assessment	940,354,901	31,811,735	971,701,928	33,449,292

Item		Discounts and loans			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$24,895,507	\$849,966	\$13,764,770	\$454,733
	Collective assessment	1,993,133	68,048	1,864,050	61,581
Without objective evidence of impairment	Collective assessment	953,373,342	32,549,448	976,913,511	32,273,324

Item		Allowance for doubtful account			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$3,817,640	\$129,149	\$3,413,547	\$117,506
	Collective assessment	1,074,158	36,338	425,238	14,638
Without objective evidence of impairment	Collective assessment	9,601,773	324,823	9,198,147	316,632

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Item		Allowance for doubtful account			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$3,799,655	\$129,725	\$2,645,588	\$87,400
	Collective assessment	380,187	12,980	414,219	13,684
Without objective evidence of impairment	Collective assessment	7,188,282	245,418	6,247,744	206,401

Note: discounts and loans shall refer to amounts originated excluded allowance for doubtful accounts and discount or premium.

7. Available-for-sale financial assets, net

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Stocks	\$13,797,690	\$466,769	\$11,217,884	\$386,158
Mutual funds and beneficiary securities	392,676	13,284	1,271,338	43,764
Bonds	35,360,375	1,196,224	34,012,397	1,170,822
Overseas financial instruments	15,121,547	511,554	17,453,709	600,816
Net balance	<u>\$64,672,288</u>	<u>\$2,187,831</u>	<u>\$63,955,328</u>	<u>\$2,201,560</u>

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Stocks	\$13,380,812	\$456,839	\$6,765,923	\$223,519
Mutual funds and beneficiary securities	835,022	28,509	1,230,942	40,666
Bonds	34,541,881	1,179,306	30,538,020	1,008,854
Overseas financial instruments	14,070,919	480,400	9,304,550	307,385
Net balance	<u>\$62,828,634</u>	<u>\$2,145,054</u>	<u>\$47,839,435</u>	<u>\$1,580,424</u>

- (1) The Bank has recognized accumulated impairment loss for available-for-sale financial assets in the amount of NT\$189,052 (US\$6,396), NT\$438,311 (US\$15,088) and NT\$383,512 (US\$13,094) as of 30 September 2013, 31 December 2012 and 30 September 2012, respectively, due to the existence of objective impairment evidence.

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- (2) As of 30 September 2013, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT\$65,065,238 (US\$2,201,124). Such repurchase agreements amounting to NT\$55,899,348 (US\$1,891,047) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 30 September 2013 was settled at NT\$55,902,042(US\$1,891,138) prior to 31 March 2014.

As of 31 December 2012, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT\$15,936,600 (US\$548,592). Such repurchase agreements amounting to NT\$17,116,932 (US\$589,223) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2012 was settled at NT\$17,125,290 (US\$589,511) prior to 30 June 2013.

As of 30 September 2012, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT\$21,730,990 (US\$714,925). Such repurchase agreements amounting to NT\$20,104,644 (US\$686,399) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 30 September 2012 was settled at NT\$20,113,827 (US\$686,713) prior to 31 December 2012.

As of 1 January 2012, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT\$13,088,400 (US\$432,389). Such repurchase agreements amounting to NT\$13,546,462 (US\$447,521) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 1 January 2012 was settled at NT\$13,557,277 (US\$447,878) prior to 31 March 2012.

- (3) Available-for-sale financial assets of NT\$1,499,509 (US\$50,728), NT\$1,603,158 (US\$55,186), NT\$1,698,550 (US\$57,991) and NT\$1,504,328 (US\$49,697) as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively, were pledged to other parties as collateral for business reserves and guarantees.

8. Held-to-maturity financial assets, net

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Bonds	\$953,988	\$32,273	\$962,740	\$33,141
Overseas financial instruments	48,313,193	1,634,411	20,706,234	712,779
Net balance	<u>\$49,267,181</u>	<u>\$1,666,684</u>	<u>\$21,668,974</u>	<u>\$745,920</u>

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Bonds	\$1,267,467	\$43,273	\$1,275,423	\$42,135
Overseas financial instruments	20,627,354	704,246	18,071,428	597,008
Net balance	<u>\$21,894,821</u>	<u>\$747,519</u>	<u>\$19,346,851</u>	<u>\$639,143</u>

Held-to-maturity financial assets of NT\$813,615 (US\$27,524), NT\$610,570 (US\$21,018), NT\$612,452 (US\$20,910) and NT\$635,080 (US\$20,981) as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively, were pledged to other parties as collateral of business reserves and guarantees.

9. Investments accounted for using equity method, net

	2013.9.30		
	Carrying value		% of ownership
	NT\$	US\$	
Investment in subsidiaries			
Seaward Card Co., Ltd.	<u>\$38,758</u>	<u>\$1,311</u>	100.00
Investment in associates			
Taiwan Real-estate Management Corp.	94,091	3,183	30.15
Taiwan Finance Corp.	1,377,634	46,605	24.57
Vista Technology Venture Capital Corp.	<u>857</u>	<u>29</u>	4.76
Subtotal	<u>1,472,582</u>	<u>49,817</u>	
Total	<u>\$1,511,340</u>	<u>\$51,128</u>	
	2012.12.31		
	Carrying value		% of ownership
	NT\$	US\$	
Investment in subsidiaries			
Seaward Card Co., Ltd.	<u>\$39,752</u>	<u>\$1,368</u>	100.00
Investment in associates			
Taiwan Real-estate Management Corp.	105,357	3,627	30.15
Taiwan Finance Corp.	1,418,699	48,837	24.57
Vista Technology Venture Capital Corp.	<u>1,419</u>	<u>49</u>	4.76
Subtotal	<u>1,525,475</u>	<u>52,513</u>	
Total	<u>\$1,565,227</u>	<u>\$53,881</u>	

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	2012.9.30		% of ownership
	Carrying value		
	NT\$	US\$	
Investment in subsidiaries			
Seaward Card Co., Ltd.	\$39,167	\$1,337	100.00
Investment in associates			
Taiwan Real-estate Management Corp.	103,610	3,537	30.15
Taiwan Finance Corp.	1,409,285	48,115	24.57
Vista Technology Venture Capital Corp.	3,219	110	4.76
Subtotal	1,516,114	51,762	
Total	\$1,555,281	\$53,099	

	2012.1.1		% of ownership
	Carrying value		
	NT\$	US\$	
Investment in subsidiaries			
Seaward Card Co., Ltd.	\$39,202	\$1,295	100.00
Investment in associates			
Taiwan Real-estate Management Corp.	98,115	3,241	30.15
Taiwan Finance Corp.	1,405,308	46,426	24.57
Vista Technology Venture Capital Corp.	5,203	172	4.76
Subtotal	1,508,626	49,839	
Total	\$1,547,828	\$51,134	

- (1) The shares of the associates that the Bank invested in are not publicly traded and the associates are not significantly restricted in term of ability to transfer funds to the investors in the form of cash dividends, repayment of loans or advances.
- (2) The equity method of accounting was applied to Vista Technology Venture Capital Corp. due to the fact that the Bank and its related parties held more than 20% of the company's common stock.
- (3) No investment in the associates was pledged.

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- (4) The carrying amounts of investments accounted for using equity method were NT\$1,472,582 (US\$49,817), and NT\$1,516,114 (US\$51,762) as at 30 September 2013 and 2012, respectively. The share of the profit or loss of these associates and joint ventures accounted for using the equity method amounted to NT\$12,823 (US\$434), NT\$7,418 (US\$253), NT\$27,046 (US\$915) and NT\$25,156 (US\$859) for the three-month and nine-month periods ended 30 September 2013 and 2012, and the share of other comprehensive income of these associates and joint ventures accounted for using the equity method amounted to losses NT\$26,503 (US\$897), gains NT\$4,005 (US\$137), losses NT\$44,538 (US\$1,507) and gains NT\$8,288 (US\$283) for the three-month and nine-month periods ended 30 September 2013 and 2012, respectively, which were recognized based on the investees' unreviewed financial statements. No material adjustments were anticipated, have those financial statements been reviewed.

The following table illustrates the summarized financial information of the Bank's investment in the associates:

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Total assets	\$43,581,286	\$1,474,333	\$39,117,543	\$1,346,559
Total liabilities	(37,644,232)	(1,273,486)	(32,964,287)	(1,134,743)

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Total assets	\$42,335,420	\$1,445,388	\$36,474,475	\$1,204,971
Total liabilities	(36,188,347)	(1,235,519)	(30,320,142)	(1,001,656)

	2013.7.1 - 2013.9.30		2012.7.1 - 2012.9.30	
	NT\$	US\$	NT\$	US\$
Revenue	\$130,300	\$4,408	\$133,195	\$4,547
Net income	52,499	1,776	29,752	1,016

	2013.1.1 - 2013.9.30		2012.1.1 - 2012.9.30	
	NT\$	US\$	NT\$	US\$
Revenue	\$366,970	\$12,414	\$366,749	\$12,521
Net income	127,334	4,308	97,605	3,332

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10. Investments in debt securities with no active market, net

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$549,730	\$18,597	\$549,730	\$18,923
Short-term bills	385,000,000	13,024,357	410,100,000	14,117,040
Overseas financial instruments	7,555,785	255,609	13,393,933	461,065
Net balance	<u>\$393,105,515</u>	<u>\$13,298,563</u>	<u>\$424,043,663</u>	<u>\$14,597,028</u>

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$549,730	\$18,769	\$549,730	\$18,161
Short-term bills	436,450,000	14,900,990	407,350,000	13,457,218
Overseas financial instruments	16,748,701	571,823	17,240,536	569,559
Net balance	<u>\$453,748,431</u>	<u>\$15,491,582</u>	<u>\$425,140,266</u>	<u>\$14,044,938</u>

- (1) The Bank has recognized accumulated impairment loss for investments in debt securities with no active market in the amount of NT\$1,100,147 (US\$37,217), NT\$1,167,518 (US\$40,190), NT\$1,469,192 (US\$50,160) and NT\$1,425,790 (US\$47,102) as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively, due to credit deterioration of securitization products and financial debentures.

The Bank has recognized accumulated impairment loss for investment in debt securities with no active market in the amount of NT\$95,586 (US\$3,234), NT\$106,215 (US\$3,656), NT\$113,089 (US\$3,861), and NT\$121,794 (US\$4,024) as of 30 September 2013, 31 December 2012, 30 September 2012, 1 January 2012, respectively, due to the default on the convertible bonds.

- (2) NT\$50,100,000 (US\$1,694,858), NT\$50,100,000 (US\$1,724,613), NT\$50,100,000 (US\$1,710,481) and NT\$38,500,000 (US\$1,271,886) of certificates of deposit as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively, were pledged to other parties as collateral for business reserves and guarantees.

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11. Property and equipment, net

	Land		Buildings		Office equipment		Transportation equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
	Cost:															
2012.1.1	\$14062,240	\$480,104	\$10734,886	\$366,493	\$4,391,157	\$149,920	\$86,580	\$2,956	\$16,115	\$550	\$5,590,996	\$189,518	\$136,041	\$4,645	\$34,977,715	\$1,194,186
Additions	-	-	59	2	86,414	2,950	2,199	75	-	-	52,197	1,782	237,000	8,092	377,869	12,901
Transfers	(66,248)	(2,262)	(175,890)	(6,003)	72,735	2,483	-	-	-	-	80,169	2,737	(136,315)	(4,654)	(225,489)	(7,699)
Disposals	-	-	(5,446)	(186)	(112,157)	(3,829)	(1,510)	(52)	-	-	(88,060)	(3,006)	-	-	(207,173)	(7,073)
Exchange differences	-	-	(3,513)	(120)	(5,279)	(180)	(1,672)	(57)	(1,160)	(39)	(1,123)	(38)	(3,354)	(115)	(16,101)	(549)
2012.9.30	\$13,995,992	\$477,842	\$10,549,856	\$360,186	\$4,432,870	\$151,344	\$85,597	\$2,922	\$14,955	\$511	\$5,594,179	\$190,993	\$233,372	\$7,968	\$34,906,821	\$1,191,766

	Land		Buildings		Office equipment		Transportation equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
	2013.1.1	\$13,753,748	\$465,282	\$10,506,641	\$355,434	\$4,555,618	\$154,114	\$108,458	\$3,669	\$15,855	\$536	\$5,423,162	\$183,463	\$305,134	\$10,323	\$34,668,616
Additions	-	-	-	-	\$435,008	14,716	4,435	150	571	19	75,402	2,551	372,947	12,617	888,363	30,053
Transfers	-	-	10,893	369	65,491	2,216	(80)	(3)	625	21	102,909	3,481	(183,534)	(6,209)	(3,696)	(125)
Disposals	-	-	(337)	(11)	(392,729)	(13,286)	(12,011)	(406)	(310)	(10)	(31,290)	(1,059)	-	-	(436,677)	(14,772)
Exchange differences	2,315	78	2,422	82	8,370	283	1,376	47	295	10	(2,377)	(80)	3,027	102	15,428	522
2013.9.30	\$13,756,063	\$465,360	\$10,519,619	\$355,874	\$4,671,758	\$158,043	\$102,178	\$3,457	\$17,036	\$576	\$5,567,806	\$188,356	\$497,574	\$16,833	\$35,132,084	\$1,188,499

	Land		Buildings		Office equipment		Transportation equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
	Depreciations and impairment :															
2012.1.1	\$-	\$-	\$3,281,937	\$112,049	\$3,618,720	\$123,548	\$65,373	\$2,232	\$12,359	\$422	\$4,539,973	\$155,001	\$-	\$-	\$11,518,362	\$393,252
Depreciation	-	-	166,645	5,690	287,390	9,812	4,427	151	1,969	67	230,834	7,881	-	-	691,265	23,601
Transfers	-	-	(55,010)	(1,878)	759	26	(8)	-	-	-	-	-	-	-	(54,259)	(1,852)
Disposals	-	-	(5,446)	(186)	(112,134)	(3,828)	(1,510)	(52)	-	-	(81,912)	(2,797)	-	-	(201,002)	(6,863)
Exchange difference	-	-	(1,288)	(44)	(4,466)	(153)	(1,044)	(35)	(828)	(28)	(1,235)	(42)	-	-	(8,861)	(302)
2012.9.30	\$-	\$-	\$3,386,838	\$115,631	\$3,790,269	\$129,405	\$67,238	\$2,296	\$13,500	\$461	\$4,687,660	\$160,043	\$-	\$-	\$11,945,505	\$407,836

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	Land		Buildings		Office equipment		Transportation equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
	2013.1.1	\$-	\$-	\$3,397,317	\$114,990	\$3,908,661	\$132,228	\$80,176	\$2,712	\$9,515	\$322	\$4,539,867	\$153,581	\$-	\$-	\$11,935,536
Depreciation	-	-	164,063	5,550	306,659	10,374	5,813	196	1,825	62	210,784	7,131	-	-	689,144	23,313
Transfers	-	-	42	1	4,333	147	45	2	-	-	(4,420)	(150)	-	-	-	-
Disposals	-	-	(175)	(6)	(386,360)	(13,070)	(11,094)	(375)	(310)	(11)	(29,975)	(1,014)	-	-	(427,914)	(14,476)
Exchange difference	-	-	924	32	3,202	108	819	28	174	6	69	2	-	-	5,188	176
2013.9.30	\$-	\$-	\$3,562,171	\$120,507	\$3,836,495	\$129,787	\$75,759	\$2,563	\$1,204	\$379	\$4,716,325	\$159,550	\$-	\$-	\$12,201,954	\$412,786
Net carrying amount:																
2013.9.30	\$13,756,063	\$465,360	\$6,957,448	\$235,367	\$835,263	\$28,256	\$26,419	\$894	\$5,832	\$197	\$851,481	\$28,806	\$497,574	\$1,6833	\$22,930,080	\$775,713
2012.12.31	\$13,753,748	\$465,282	\$7,109,324	\$240,504	\$646,957	\$21,886	\$28,282	\$957	\$6,340	\$214	\$883,295	\$29,882	\$305,134	\$10,323	\$22,733,080	\$769,048
2012.9.30	\$13,995,992	\$447,842	\$7,163,018	\$244,555	\$642,601	\$21,939	\$18,359	\$626	\$1,455	\$50	\$906,519	\$30,950	\$233,372	\$7,968	\$22,961,316	\$783,990
2012.1.1	\$14,062,240	\$480,104	\$7,452,649	\$254,444	\$772,437	\$26,372	\$21,207	\$724	\$3,756	\$128	\$1,011,023	\$34,517	\$136,041	\$4,645	\$23,459,353	\$800,934

Components of building that have different useful lives are main building structure, air conditioning units and elevators, which are depreciated over five years to sixty years.

12. Investment Property

	Land		Buildings		Investment Property	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cost :						
2012.1.1	\$1,944,663	\$66,393	\$1,660,981	\$56,708	\$3,605,644	\$123,101
Transfers	66,248	2,262	175,830	6,003	242,078	8,265
Disposals	(228,900)	(7,815)	(282,744)	(9,653)	(511,644)	(17,468)
2012.9.30	\$1,782,011	\$60,840	\$1,554,067	\$53,058	\$3,336,078	\$113,898
2013.1.1	\$1,782,011	\$60,285	\$1,554,067	\$52,573	\$3,336,078	\$112,858
Additions	-	-	-	-	-	-
2013.9.30	\$1,782,011	\$60,285	\$1,554,067	\$52,573	\$3,336,078	\$112,858
Depreciation and impairment :						
2012.1.1	\$181,024	\$6,180	\$245,914	\$8,396	\$426,938	\$14,576
Depreciation	-	-	25,839	882	25,839	882
Transfers	-	-	55,010	1,878	55,010	1,878
Disposals	(6,500)	(222)	(41,558)	(1,419)	(48,058)	(1,641)
2012.9.30	\$174,524	\$5,958	\$285,205	\$9,737	\$459,729	\$15,695

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	Land		Buildings		Investment Property	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
2013.1.1	\$174,524	\$5,904	\$292,514	\$9,896	\$467,038	\$15,800
Depreciation	-	-	21,927	742	21,927	742
2013.9.30	\$174,524	\$5,904	\$314,441	\$10,638	\$488,965	\$16,542
Net carrying amount:						
2013.9.30	\$1,607,487	\$54,381	\$1,239,626	\$41,935	\$2,847,113	\$96,316
2012.12.31	\$1,607,487	\$54,381	\$1,261,553	\$42,677	\$2,869,040	\$97,058
2012.9.30	\$1,607,487	\$54,882	\$1,268,862	\$43,321	\$2,876,349	\$98,203
2012.1.1	\$1,763,639	\$60,213	\$1,415,067	\$48,312	\$3,178,706	\$108,525

Accumulated impairment of investment property:

	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$230,555	\$7,800	\$237,055	\$8,093
Impairment losses	-	-	(6,500)	(222)
Balance, end of the period	\$230,555	\$7,800	\$230,555	\$7,871

	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Rental income from investment property	\$62,091	\$2,101	\$58,467	\$1,996
Less:				
Direct operating expenses from investment property generating rental income	(5,877)	(199)	(9,151)	(312)
Direct operating expenses from investment property not generating rental income	(914)	(31)	(1,638)	(56)
Total	\$55,300	\$1,871	\$47,678	\$1,628

(1) All the lease agreements of the Bank's lease business are operating leases. The content of the lease agreements is the same as general lease agreement.

(2) No investment property was pledged.

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- (3) The fair value of investment property were NT\$5,271,118 (US\$178,319), NT\$5,109,776 (US\$175,896), NT\$5,120,638 (US\$174,825) and NT\$5,292,456 (US\$174,842), as at 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively. The fair value has been determined based on the “Regulations on Real Estate Appraisal” performed by an independent valuer and on transactions observable in the market.

13. Intangible assets, net

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cost:						
2012.1.1	\$6,673,083	\$227,828	\$1,640,066	\$55,994	\$8,313,149	\$283,822
Additions-acquired						
separately	-	-	40,811	1,393	40,811	1,393
Disposals	-	-	(96,919)	(3,308)	(96,919)	(3,308)
Transfers	-	-	42,365	1,446	42,365	1,446
Exchange differences	-	-	(1,316)	(45)	(1,316)	(45)
2012.9.30	\$6,673,083	\$227,828	\$1,625,007	\$55,480	\$8,298,090	\$283,308
2013.1.1	\$6,981,063	\$236,166	\$1,627,117	\$55,045	\$8,608,180	\$291,211
Additions-acquired						
separately	-	-	42,420	1,435	42,420	1,435
Disposals	-	-	(55,916)	(1,892)	(55,916)	(1,892)
Transfers	-	-	23,694	802	23,694	802
Exchange differences	5,644	191	1,138	38	6,782	229
2013.9.30	\$6,986,707	\$236,357	\$1,638,453	\$55,428	\$8,625,160	\$291,785
	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Amortization and impairment:						
2012.1.1	\$-	\$-	\$1,020,501	\$34,841	\$1,020,501	\$34,841
Amortization	-	-	160,511	5,480	160,511	5,480
Disposals	-	-	(96,919)	(3,308)	(96,919)	(3,308)
Transfers	-	-	8	-	8	-
Exchange differences	-	-	(881)	(30)	(881)	(30)
2012.9.30	\$-	\$-	\$1,083,220	\$36,983	\$1,083,220	\$36,983

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	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
2013.1.1	\$-	\$-	\$1,119,908	\$37,886	\$1,119,908	\$37,886
Amortization	-	-	160,697	5,436	160,697	5,436
Disposals	-	-	(55,916)	(1,891)	(55,916)	(1,891)
Exchange differences	-	-	798	27	798	27
2013.9.30	<u>\$-</u>	<u>\$-</u>	<u>\$1,225,487</u>	<u>\$41,458</u>	<u>\$1,225,487</u>	<u>\$41,458</u>
Net carrying amount:						
2013.9.30	<u>\$6,986,707</u>	<u>\$236,357</u>	<u>\$412,966</u>	<u>\$13,970</u>	<u>\$7,399,673</u>	<u>\$250,327</u>
2012.12.31	<u>\$6,981,063</u>	<u>\$236,166</u>	<u>\$507,209</u>	<u>\$17,159</u>	<u>\$7,488,272</u>	<u>\$253,325</u>
2012.9.30	<u>\$6,673,083</u>	<u>\$227,828</u>	<u>\$541,787</u>	<u>\$18,497</u>	<u>\$7,214,870</u>	<u>\$246,325</u>
2012.1.1	<u>\$6,673,083</u>	<u>\$227,828</u>	<u>\$619,565</u>	<u>\$21,153</u>	<u>\$7,292,648</u>	<u>\$248,981</u>

Impairment testing of goodwill:

(1) Key assumptions used in value in use calculations:

The recoverable amount of the unit has been determined based on a value in use calculation, using cash flow projections based on financial budgets approved by the management of the Bank covering a five-year period.

(2) The calculation of value in use for the unit is most sensitive to the following assumptions:

① Discount rates

Discount rates reflect the current market assessment of the risks specific to the unit. Discount rates are calculated by the Capital Assets Pricing Model (CAPM).

② Projected growth rates, used to extrapolate cash flows beyond the budget period:

Assumptions are based on published industry research.

(3) Sensitivity to changes in assumptions:

The Bank believes that reasonable possible changes in key assumptions used to determine the recoverable amount segments will not result in an impairment of goodwill.

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14. Other assets, net

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Prepayment	\$960,087	\$32,479	\$687,055	\$23,650
Temporary payments	70,867	2,398	198,030	6,817
Interbank settlement fund	2,610,390	88,308	2,552,473	87,865
Refundable deposits, net	1,572,732	53,205	827,482	28,485
Operating deposits, net	452,270	15,300	486,290	16,740
Foreclosed properties, net	88,847	3,006	-	-
Others	204,766	6,927	171,186	5,893
Total	\$5,959,959	\$201,623	\$4,922,516	\$169,450

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Prepayment	\$813,505	\$27,774	\$574,225	\$18,970
Temporary payments	205,963	7,032	22,573	746
Interbank settlement fund	1,351,132	46,130	1,363,563	45,047
Refundable deposits, net	848,041	28,953	583,149	19,265
Operating deposits, net	436,290	14,896	409,200	13,518
Others	161,714	5,521	183,718	6,069
Total	\$3,816,645	\$130,306	\$3,136,428	\$103,615

As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the amounts of land use rights of NT\$345,018 (US\$11,672), NT\$341,370 (US\$11,751), NT\$343,904 (US\$11,741) and NT\$355,390 (US\$11,741) were recognized under prepayment, respectively.

15. Due to the Central Bank and call loans from banks

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Due to commercial banks	\$5,974,071	\$202,100	\$3,596,299	\$123,797
Due to Post Co., Ltd.	19,826,305	670,714	19,919,402	685,694
Overdrafts from banks	840,481	28,433	108,340	3,729
Call loans from banks	24,252,379	820,446	33,307,732	1,146,566
Total	\$50,893,236	\$1,721,693	\$56,931,773	\$1,959,786

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Due to commercial banks	\$3,275,842	\$111,842	\$2,660,943	\$87,907
Due to Post Co., Ltd.	19,931,953	680,503	19,407,169	641,136
Overdrafts from banks	774,929	26,457	86,387	2,854
Call loans from banks	46,233,096	1,578,460	40,120,574	1,325,423
Total	<u>\$70,215,820</u>	<u>\$2,397,262</u>	<u>\$62,275,073</u>	<u>\$2,057,320</u>

16. Financial liabilities at fair value through profit or loss

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Financial liabilities for trading:				
Derivative financial instruments	<u>\$6,902,171</u>	<u>\$233,497</u>	<u>\$4,967,738</u>	<u>\$171,006</u>

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Financial liabilities for trading:				
Derivative financial instruments	<u>\$6,786,999</u>	<u>\$231,717</u>	<u>\$4,835,152</u>	<u>\$159,734</u>

Net gains (losses) arising from financial liabilities at fair value through profit or loss for the three-month periods ended 30 September 2013 and 2012, and nine-month periods ended 30 September 2013 and 2012 were losses NT\$25,199 (US\$852), gains NT\$168,161 (US\$5,741), losses NT\$106,793 (US\$3,613) and losses NT\$3,740,551 (US\$127,707), respectively.

17. Payables

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Accounts payable	\$2,423,310	\$81,979	\$8,408,434	\$289,447
Accrued interest payable	3,048,053	103,114	2,620,033	90,191
Accrued expenses	3,569,023	120,738	3,874,061	133,359
Foreign currency payable	80,371	2,719	68,653	2,363
Acceptance	1,435,470	48,561	1,644,088	56,595
Tax payable	79,556	2,691	152,317	5,243
Dividends payable	118,680	4,015	407,904	14,041
Receipts under custody	1,390,572	47,043	228,744	7,874
Others	2,949,291	99,773	4,748,952	163,475
Total	<u>\$15,094,326</u>	<u>\$510,633</u>	<u>\$22,153,186</u>	<u>\$762,588</u>

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Accounts payable	\$7,567,191	\$258,354	\$8,725,729	\$288,263
Accrued interest payable	3,079,368	105,134	2,582,401	85,312
Accrued expenses	3,163,016	107,990	3,402,477	112,405
Foreign currency payable	108,656	3,710	742,049	24,514
Acceptance	1,105,031	37,727	1,256,741	41,518
Tax payable	62,978	2,150	134,845	4,455
Receipts under custody	2,177,874	74,355	232,540	7,682
Dividends payable	410,788	14,025	-	-
Others	4,970,798	169,710	3,301,163	109,057
Total	\$22,645,700	\$773,155	\$20,377,945	\$673,206

18. Deposits and remittances

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Check deposits	\$12,902,023	\$436,469	\$17,115,953	\$589,189
Demand deposits	289,395,748	9,790,113	266,645,938	9,178,862
Demand savings deposits	615,489,268	20,821,694	579,112,495	19,935,025
Time deposits	364,536,832	12,332,098	384,716,809	13,243,264
Negotiable certificates of deposit	6,766,500	228,907	6,922,200	238,286
Time savings deposits	298,944,140	10,113,131	283,700,913	9,765,952
Outward remittances	1,254,793	42,449	395,743	13,623
Remittances payable	500,620	16,936	1,164,015	40,070
Total	\$1,589,789,924	\$53,781,797	\$1,539,774,066	\$53,004,271

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Check deposits	\$15,739,118	\$537,355	\$15,025,841	\$496,394
Demand deposits	259,292,990	8,852,612	234,041,131	7,731,785
Demand savings deposits	581,271,716	19,845,398	561,876,492	18,562,157
Time deposits	385,942,604	13,176,600	394,828,523	13,043,559
Negotiable certificates of deposit	7,273,700	248,334	1,581,400	52,243
Time savings deposits	282,010,362	9,628,213	276,089,504	9,120,895
Outward remittances	918,845	31,370	313,280	10,350
Remittances payable	639,936	21,848	273,016	9,019
Total	\$1,533,089,271	\$52,341,730	\$1,484,029,187	\$49,026,402

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19. Financial debentures payable

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subordinated financial debentures	\$51,613,364	\$1,746,054	\$41,438,544	\$1,426,456
Discount in financial debentures	(18,204)	(616)	(23,666)	(815)
Valuation adjustment	825,428	27,924	1,103,753	37,995
Total	<u>\$52,420,588</u>	<u>\$1,773,362</u>	<u>\$42,518,631</u>	<u>\$1,463,636</u>

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subordinated financial debentures	\$41,505,984	\$1,417,070	\$34,724,925	\$1,147,173
Discount in financial debentures	(25,695)	(877)	(32,218)	(1,065)
Valuation adjustment	1,211,310	41,356	1,331,118	43,975
Total	<u>\$42,691,599</u>	<u>\$1,457,549</u>	<u>\$36,023,825</u>	<u>\$1,190,083</u>

The Bank issued a 15-year US\$500 million subordinated bonds with a stated interest rate of 5.5% on 5 October 2005, and the interest is payable semiannually. The Bank can redeem the bonds after 10 years by exercising the call option. As discussed in Notes VI.4, the Bank has adopted hedge accounting to account for its subordinated financial debentures. The Bank had bought back the bonds amount of US\$172,620 principal in May 2009.

The Bank issued a seven-year subordinated financial debentures totaling NT\$1,200,000 with a stated interest rate of 2.95% in September 2008, and the interest is payable quarterly.

The Bank issued a seven-year subordinated financial debentures totaling NT\$1,000,000 with floating interest rate in September 2008, and the interest is payable quarterly.

The Bank issued a seven-year subordinated financial debentures totaling NT\$2,800,000 with a stated interest rate of 2.95% in October 2008, and the interest is payable quarterly.

The Bank issued a eight-year subordinated financial debentures totaling NT\$3,650,000 with a stated interest rate of 2.42% in June 2009, and the interest is payable quarterly.

The Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 with a stated interest rate of 2.60% in July 2009, and the interest is payable quarterly.

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The Bank issued a seven-year subordinated financial debentures totaling NT\$3,850,000 with a stated interest rate of 1.65% in March 2011, and the interest is payable quarterly.

The Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 with a stated interest rate of 1.72% in March 2011, and the interest is payable quarterly.

The Bank issued a seven-year subordinated financial debentures totaling NT\$3,900,000 with a stated interest rate of 1.65% in June 2011, and the interest is payable quarterly.

The Bank issued a ten-year subordinated financial debentures totaling NT\$2,500,000 with a stated interest rate of 1.72% in June 2011, and the interest is payable quarterly.

The Bank issued a seven-year subordinated financial debentures totaling NT\$200,000 with a stated interest rate of 1.48% in June 2012, and the interest is payable annually.

The Bank issued a ten-year subordinated financial debentures totaling NT\$4,200,000 with a stated interest rate of 1.65% in June 2012, and the interest is payable annually.

The Bank issued a ten-year subordinated financial debentures totaling NT\$5,600,000 with a stated interest rate of 1.65% in August 2012, and the interest is payable annually.

The Bank issued a seven-year subordinated financial debentures totaling NT\$100,000 with a stated interest rate of 1.55% in April 2013, and the interest is payable annually.

The Bank issued a ten-year subordinated financial debentures totaling NT\$9,900,000 with a stated interest rate of 1.70% in April 2013, and the interest is payable annually.

Each subordinated financial debenture has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, senior to common stock.

Indovina Bank issued a two-year financial debentures totaling VND \$2,000 billion in 2010 with the first year interest rate of 13.5% and the second year interest rate of average interest rate of VND deposit plus 2.5%. These dominant financial debentures have matured before the end of 2012.

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20. Other financial liabilities

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Borrowed funds	\$49,163	\$1,663	\$85,500	\$2,943
Principal received from the sale of structured products	28,460,292	962,798	17,340,691	596,926
Total	\$28,509,455	\$964,461	\$17,426,191	\$599,869

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Borrowed funds	\$101,104	\$3,452	\$135,518	\$4,477
Principal received from the sale of structured products	19,521,360	666,485	10,475,555	346,071
Total	\$19,622,464	\$669,937	\$10,611,073	\$350,548

21. Provisions

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Employee benefits provision - Defined benefits plan	\$1,354,200	\$45,812	\$1,354,200	\$46,616
Employee benefits provision - Preferential interest rate deposits	629,304	21,289	630,292	21,697
Reserve for losses on guarentees	24,892	842	24,892	857
Total	\$2,008,396	\$67,943	\$2,009,384	\$69,170

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Employee benefits provision - Defined benefits plan	\$1,374,318	\$46,921	\$1,435,795	\$47,433
Employee benefits provision - Preferential interest rate deposits	549,003	18,744	615,115	20,321
Reserve for losses on guarentees	24,892	850	24,892	822
Total	\$1,948,213	\$66,515	\$2,075,802	\$68,576

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	Defined benefits		Preferential interest rate deposits		Reserve for lessees on guarantees		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
	2013.1.1	\$1,354,200	\$45,812	\$630,292	\$21,322	\$24,892	\$842	\$2,009,384
Addition-other	-	-	65,639	2,221	-	-	65,639	2,221
Used	-	-	(66,627)	(2,254)	-	-	(66,627)	(2,254)
2013.9.30	\$1,354,200	\$45,812	\$629,304	\$21,289	\$24,892	\$842	\$2,008,396	\$67,943

22. Post-employment benefits

Defined contribution plan

The Bank adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Bank will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Bank has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the three-month and nine-month periods ended 30 September 2013 and 2012 were NT\$55,590 (US\$1,881), NT\$44,199 (US\$1,509), NT\$151,951 (US\$5,141) and NT\$128,756 (US\$4,396), respectively, and recorded as "Employee benefits expenses".

Defined benefits plan

The Bank adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Bank contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

Pension costs amounted to NT\$44,203 (US\$1,495), NT\$41,977 (US\$1,433), NT\$132,446 (US\$4,481) and NT\$125,473 (US\$4,284) were recognized for the three-month and nine-month periods ended 30 September 2013 and 2012, and recorded as "Employee benefits expenses".

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Reconciliation of liability (asset) of the defined benefit plan is as follows:

	2012.12.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Defined benefit obligation	\$(3,932,340)	\$(135,364)	\$(3,456,244)	\$(114,180)
Plan assets at fair value	2,183,577	75,166	2,020,449	66,747
Funded status	(1,748,763)	(60,198)	(1,435,795)	(47,433)
Unrecognized past service cost	394,563	13,582	-	-
Accrued pension liabilities recognized on the consolidated balance sheets	<u>\$(1,354,200)</u>	<u>\$(46,616)</u>	<u>\$(1,435,795)</u>	<u>\$(47,433)</u>

Changes in present value of the defined benefit obligation are as follows:

	NT\$	US\$
Defined benefit obligation at 1 January 2012	\$3,456,244	\$118,976
Current service cost	139,903	4,816
Interest cost	60,484	2,082
Benefits paid	(105,242)	(3,623)
Actuarial losses (gains)	380,951	13,113
Defined benefit obligation at 31 December 2012	<u>\$3,932,340</u>	<u>\$135,364</u>

Changes in fair value of plan assets are as follows:

	NT\$	US\$
Plan assets, at fair value at 1 January 2012	\$2,020,449	\$69,551
Expected return on plan assets	21,745	748
Contributions by employer	246,625	8,490
Benefits paid	(105,242)	(3,623)
Plan assets, at fair value at 31 December 2012	<u>\$2,183,577</u>	<u>\$75,166</u>

The Bank expects to contribute NT\$246,624 (US\$8,343) to its defined benefit plan during the 12 months beginning on 30 September 2013.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

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	Pension plan (%) as at	
	2012.12.31	2012.1.1
Cash	23.39	22.76
Equity instruments	20.71	18.99
Debt instruments	21.52	19.81
Others	34.38	38.44

Actual return on plan assets amounted to NT\$21,745 (US\$749) were recognized during 2012.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

The principal assumptions used in determining the Bank's defined benefit plan are shown below:

	2012.12.31	2012.1.1
Discount rate	1.50%	1.75%
Expected rate of return on plan assets	2.00%	1.75%
Expected rate of salary increases	2.00%	2.00%

A 0.5 percentage point change in discount rate on defined benefit obligation:

	2012			
	Discount rate increase		Discount rate decrease	
	by 0.5%		by 0.5%	
	NT\$	US\$	NT\$	US\$
Effect on the aggregate current service cost and interest cost	\$5,375	\$185	\$5,860	\$202
Effect on the defined benefit obligation	258,273	8,891	297,565	10,243

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Other information on the defined benefit plan is as follows:

	2012	
	NT\$	US\$
Defined benefit obligation at present value	\$3,932,340	\$135,364
Plan assets at fair value	(2,183,577)	(75,166)
Surplus in plan	\$1,748,763	\$60,198
Experience adjustments on plan liabilities	\$380,951	\$13,114
Experience adjustments on plan assets	\$13,613	\$469

Employee preferential interest rate deposits plan

The Bank has the obligation to pay the preferential interest deposits for current employees and retired employees as according to the "Regulation for Employee Preferential Interest Rate Deposits of Cathay United Bank".

Expenses under preferential interest rate deposits plan amounted to NT\$74,759 (US\$2,529), NT\$46,142 (US\$1,575), NT\$218,041 (US\$7,376) and NT\$139,806 (US\$4,773) were recognized for the three-month and nine-month periods ended 30 September 2013 and 2012, respectively, and recorded as "Employee benefits expenses".

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	2012.12.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Defined benefit obligation	\$630,292	\$21,697	\$615,115	\$20,321
Plan assets at fair value	-	-	-	-
Funded status	630,292	21,697	615,115	20,321
Unrecognized past service cost	-	-	-	-
Accrued pension liabilities recognized on the consolidated balance sheets	\$630,292	\$21,697	\$615,115	\$20,321

Changes in present value of the defined benefit obligation are as follows:

	NT\$	US\$
Defined benefit obligation at 1 January 2012	\$615,115	\$21,174
Interest cost	10,765	371
Past service cost amortization	11,980	412
Benefits paid	(10,392)	(357)
Actuarial losses (gains)	2,824	97
Defined benefit obligation at 31 December 2012	\$630,292	\$21,697

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The principal assumptions used in determining the Bank's preferential interest rate deposits plan is shown below:

	2012.12.31	2012.1.1
Discount rate	4.00%	4.00%
Expected rate of return on deposited fund	2.00%	2.00%
Withdrawal rate of preferential interest rate deposits	1.00%	1.00%

23. Other liabilities

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Unearned receipts	\$831,463	\$28,128	\$695,017	\$23,925
Temporary receipts	1,100,840	37,241	844,181	29,060
Guarantee deposits received	1,032,948	34,944	1,278,507	44,010
Deferred income	1,178,483	39,868	1,123,325	38,669
Others	291,947	9,876	278,308	9,580
Total	\$4,435,681	\$150,057	\$4,219,338	\$145,244

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Unearned receipts	\$603,179	\$20,593	\$382,624	\$12,641
Temporary receipts	770,974	26,322	441,911	14,599
Guarantee deposits received	1,184,961	40,456	1,044,328	34,500
Deferred income	1,148,701	39,219	1,105,371	36,517
Others	241,201	8,235	272,018	8,986
Total	\$3,949,016	\$134,825	\$3,246,252	\$107,243

24. Capital Stock

As of 31 December 2012, 30 September 2012 and 1 January 2012, the Bank had issued and outstanding capital stock of NT\$52,277,026 divided into 5,227,703 thousand common shares, with par value NT\$10 per share.

The recapitalization of undistributed earnings of NT\$9,147,688 by issuing 914,769 thousand shares was resolved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) on 30 April 2013 and approved by the Financial Supervisory commission. The recapitalization record date was 9 August 2013. The authorized share capital amounted to NT\$61,424,714 thousands offer recapitalization.

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The Bank increased its capital by NT\$3,243,780 and issued 423,378 thousand shares was resolved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) on 23 August 2013 and approved by the Financial Supervisory commission. The recapitalization record date was 26 September 2013. The authorized share capital amounted to NT\$64,668,494 offer recapitalization.

25. Capital reserves

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Capital reserves from the merger Bank	\$10,949,303	\$370,409	\$10,949,303	\$376,912
Additional paid-in capital	13,007,302	440,031	4,249,096	146,268
Others	14,893	504	14,893	513
Total	<u>\$23,971,498</u>	<u>\$810,944</u>	<u>\$15,213,292</u>	<u>\$523,693</u>

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Capital reserves from the merger Bank	\$10,949,303	\$373,824	\$10,949,303	\$361,721
Additional paid-in capital	4,249,096	145,070	4,249,096	140,373
Others	14,893	508	14,893	492
Total	<u>\$15,213,292</u>	<u>\$519,402</u>	<u>\$15,213,292</u>	<u>\$502,586</u>

26. Retained earnings

- (1) The Bank's articles of incorporation provide that its annual net income shall be appropriated after paying all outstanding taxes and deducting any deficit of prior years and distributed in the following order:
 - (a) Legal reserve shall be set aside before the total amount of the legal reserve reaches the amount of paid-in capital;
 - (b) Special reserves;
 - (c) Regular dividends; and
 - (d) The remainder, if any, shall be distributed and appropriated as follows: extra dividends: 85%, employees' special bonus: 15%.

- (2) The Company Act provides that the Bank must retain part of its annual net income as legal reserve, and cash dividend declaration, if any, should not exceed the limit of 15% of paid-in capital until such retention of legal reserve reaches the amount of paid-in capital. The legal reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reaches 25% of the paid-in capital, the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed by issuing new shares or by cash.

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- (3) The estimation of employee bonus and remuneration of directors for the three-month periods ended 30 September 2013 and 2012 were both NT\$375, and for the nine-month periods ended 30 September 2013 and 2012 were both NT\$1,125 based on the average actual payment over the past three year and recognized as operating expense. The actual amount of payments resolved at the next year shareholders' meeting might differ from the estimation mentioned above and the difference, if any, will be recognized as income or expense in the next year.
- (4) On 30 April 2013 and 24 April 2012, the following are appropriations and distribution approved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) and resolved as follows:

	2012			
	Appropriation of earnings		Dividend per share	
	NT\$	US\$	NT\$	US\$
Legal reserves	\$3,920,437	\$134,955	\$0.75	\$0.026
Stock dividends	9,147,688	314,894	1.75	0.060
Total	\$13,068,125	\$449,849	\$2.50	\$0.086

	2011			
	Appropriation of earnings		Dividend per share	
	NT\$	US\$	NT\$	US\$
Legal reserves	\$3,351,599	\$110,723	\$0.64	\$0.021
Cash dividends	7,820,397	258,355	1.50	0.050
Total	\$11,171,996	\$369,078	\$2.14	\$0.071

Note: bonus to employees in the amount of NT\$1,500 were deducted from current expenses.

There is no significant difference between the actual employee bonuses and remuneration to directors and supervisors distributed from the earnings and the estimated amount in the financial statements for the year ended 2012 and 2011.

Information relating to the appropriation of the Bank's earning is available from the "Market Observation Post System" at the website of the TWSE.

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(5) Unrealized gains or losses on available-for-sale financial assets:

	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$2,005,850	\$67,857	\$1,089,282	\$37,190
Unrealized gains or losses on available-for-sale financial assets	(401,779)	(13,592)	824,264	28,141
Income tax of unrealized gains or losses on available-for-sale financial assets	23,912	809	(57,120)	(1,950)
Share of unrealized gains or losses on available-for-sale financial assets of associates and joint ventures accounted for using the equity method	(24,676)	(835)	8,288	283
Ending balance	\$1,603,307	\$54,239	\$1,864,714	\$63,664

27. Non-controlling interests

	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$2,967,014	\$100,373	\$3,149,171	\$107,517
Profit attributable to non-controlling interests	186,238	6,300	138,552	4,730
Other comprehensive income, attributable to non-controlling interests, net of tax:				
Exchange differences resulting from translating the financial statements of a foreign operation	54,570	1,846	(100,450)	(3,429)
Unrealized gains (losses) from available-for-sale financial assets	19,862	672	-	-
Change in non-controlling interests	119,731	4,050	(410,648)	(14,020)
Ending balance	\$3,347,415	\$113,241	\$2,776,625	\$94,798

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28. Net interest income

	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Interest income				
Discounts and loans	\$6,167,439	\$208,641	\$5,893,223	\$201,202
Securities	1,697,520	57,426	1,680,301	57,368
Credit cards	519,378	17,570	534,632	18,253
Others	533,606	18,052	541,306	18,481
Subtotal	8,917,943	301,689	8,649,462	295,304
Interest expense				
Deposits	2,655,453	89,833	2,565,630	87,594
Due to Central Bank and other banks	69,706	2,358	70,336	2,401
Funds borrowed from the Central				
Bank and other banks	106,129	3,590	139,416	4,760
Financial debentures	338,515	11,452	280,313	9,570
Others	222,830	7,538	100,665	3,437
Subtotal	3,392,633	114,771	3,156,360	107,762
Net interest income	<u>\$5,525,310</u>	<u>\$186,918</u>	<u>\$5,493,102</u>	<u>\$187,542</u>
	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Interest income				
Discounts and loans	\$18,118,135	\$612,928	\$17,368,118	\$592,971
Securities	5,024,405	169,973	5,088,893	137,742
Credit cards	1,554,859	52,600	1,594,087	54,424
Others	1,427,595	48,295	1,539,362	52,556
Subtotal	26,124,994	883,796	25,590,460	873,693
Interest expense				
Deposits	7,768,479	262,804	7,634,084	260,638
Due to Central Bank and other banks	212,076	7,174	213,804	7,300
Funds borrowed from the Central				
Bank and other banks	381,415	12,903	458,382	15,650
Financial debentures	948,600	32,091	1,026,761	35,055
Others	514,215	17,396	261,009	8,911
Subtotal	9,824,785	332,368	9,594,040	327,554
Net interest income	<u>\$16,300,209</u>	<u>\$551,428</u>	<u>\$15,996,420</u>	<u>\$546,139</u>

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29. Net fee income

	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Fee income:				
Trust business	\$557,825	\$18,871	\$447,399	\$15,275
Cross-selling marketing	732,466	24,779	463,080	15,810
Credit card business	868,244	29,372	767,256	26,195
Loan business	297,954	10,080	257,774	8,801
Others	397,686	13,453	323,385	11,041
Subtotal	2,854,175	96,555	2,258,894	77,122
Fee expense:				
Credit card business	287,018	9,709	222,103	7,583
Others	180,101	6,093	146,145	4,990
Subtotal	467,119	15,802	368,248	12,573
Net fee income	\$2,387,056	\$80,753	\$1,890,646	\$64,549

	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Fee income:				
Trust business	\$2,037,619	\$68,931	\$1,166,127	\$39,813
Cross-selling marketing	1,595,349	53,970	1,645,456	56,178
Credit card business	2,499,944	84,572	2,302,054	78,595
Loan business	945,262	31,978	488,831	16,690
Others	1,082,098	36,607	939,853	32,088
Subtotal	8,160,272	276,058	6,542,321	223,364
Fee expense:				
Credit card business	877,681	29,691	724,482	24,735
Others	483,676	16,363	398,878	13,618
Subtotal	1,361,357	46,054	1,123,360	38,353
Net fee income	\$6,798,915	\$230,004	\$5,418,961	\$185,011

30. Gain on financial assets and liabilities at fair value through profit or loss

	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Short-term bills	\$71,858	\$2,431	\$5,144	\$175
Bonds	72,668	2,458	22,756	777
Beneficiary securities	4,736	160	-	-
Derivative financial instruments	902,977	30,548	338,320	11,551
Others	20,276	686	(4,072)	(139)
Total	\$1,072,515	\$36,283	\$362,148	\$12,364

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	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Short-term bills	\$342,173	\$11,576	\$63,680	\$2,174
Bonds	105,503	3,569	31,363	1,071
Beneficiary securities	7,164	242	-	-
Derivative financial instruments	1,813,924	61,364	858,741	29,319
Others	5,936	201	54,011	1,844
Total	\$2,274,700	\$76,952	\$1,007,795	\$34,408

Realized gains on financial assets and liabilities at fair value through profit or loss include disposal gains NT\$699,390 (US\$23,660), NT\$258,679 (US\$8,832), NT\$1,582,006 (US\$53,518) and NT\$786,880 (US\$26,865) and the interest income NT\$169,375 (US\$5,730), NT\$19,200 (US\$656), NT\$457,238 (US\$15,468) and NT\$77,728 (US\$2,654) during the three-month and nine-month periods ended 30 September 2013 and 2012, respectively.

31. Other net non-interest income

	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Rental income from operating assets	\$34,937	\$1,182	\$31,651	\$1,081
Rental income from investment properties	20,998	710	19,528	667
Gain on disposal of property and equipment	644	22	66	2
Gain on disposal of investment properties	-	-	205,864	7,028
Others	171,667	5,807	132,135	4,511
Total	\$228,246	\$7,721	\$389,244	\$13,289

	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Rental income from operating assets	\$104,512	\$3,536	\$92,498	\$3,158
Rental income from investment properties	62,091	2,100	58,468	1,996
Gain on disposal of property and equipment	993	33	535	18
Gain on disposal of investment properties	-	-	205,864	7,029
Others	497,456	16,829	404,198	13,800
Total	\$665,052	\$22,498	\$761,563	\$26,001

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32. Employee benefits expenses

	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Salary	\$1,840,964	\$62,279	\$1,705,104	\$58,215
Insurance	194,312	6,573	217,191	7,415
Post-employment benefit	121,691	4,117	86,247	2,945
Others	133,954	4,532	121,628	4,152
Total	\$2,290,921	\$77,501	\$2,130,170	\$72,727

	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Salary	\$5,304,089	\$179,435	\$5,007,764	\$170,972
Insurance	736,565	24,917	641,528	21,903
Post-employment benefit	351,674	11,897	254,539	8,690
Others	401,334	13,577	357,934	12,220
Total	\$6,793,662	\$229,826	\$6,261,765	\$213,785

33. Depreciation and amortization expenses

	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Depreciation expenses - property and equipment	\$233,626	\$7,904	\$223,371	\$7,626
Depreciation expenses - investment properties	7,309	247	8,793	300
Amortization expense - intangibles assets	53,740	1,818	54,054	1,846
Total	\$294,675	\$9,969	\$286,218	\$9,772

	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Depreciation expenses - property and equipment	\$689,144	\$23,313	\$691,265	\$23,601
Depreciation expenses - investment properties	21,927	742	25,839	882
Amortization expense - intangibles assets	160,697	5,436	160,511	5,480
Total	\$871,768	\$29,491	\$877,615	\$29,963

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34. Other general and administrative expenses

	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Utilities expenses	\$66,849	\$2,261	\$45,390	\$1,550
Rental expenses	325,709	11,019	265,621	9,069
Business promotion expenses	264,609	8,951	171,869	5,868
Product promotion expenses	341,275	11,545	267,162	9,121
Cash delivery expenses	72,037	2,437	67,782	2,314
Insurance expenses	146,268	4,948	137,671	4,700
Other	1,220,943	41,304	971,972	33,184
Total	\$2,437,690	\$82,465	\$1,927,467	\$65,806

	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Utilities expenses	\$161,180	\$5,452	\$122,658	\$4,188
Rental expenses	945,178	31,975	825,973	28,200
Business promotion expenses	694,773	23,504	563,060	19,224
Product promotion expenses	837,169	28,321	861,751	29,421
Cash delivery expenses	214,765	7,266	216,511	7,392
Insurance expenses	431,943	14,612	409,101	13,967
Other	3,214,429	108,743	2,934,300	100,181
Total	\$6,499,437	\$219,873	\$5,933,354	\$202,573

35. Components of other comprehensive income

2013.7.1-2013.9.30

	Arsing during the period		Income tax relating to components of other comprehensive income		Other comprehensive income, net of tax	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Exchange differences resulting from translating the financial statements of a foreign operation	\$(233,517)	\$(7,900)	\$32,732	\$1,107	\$(200,785)	\$(6,793)
Unrealized gains (losses) from available-for-sale financial assets	123,852	4,190	(13,804)	(467)	110,048	3,723
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(26,503)	(896)	-	-	(26,503)	(896)
Total of other comprehensive income	\$(136,168)	\$(4,606)	\$18,928	\$640	\$(117,240)	\$(3,966)

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2012.7.1-2012.9.30

	Arsing during the period		Income tax relating to components of other comprehensive income		Other comprehensive income, net of tax	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
	Exchange differences resulting from translating the financial statements of a foreign operation	\$(308,530)	\$(10,534)	\$43,492	\$1,485	\$(265,038)
Unrealized gains (losses) from available-for-sale financial assets	457,802	15,630	(22,852)	(780)	434,950	14,850
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	4,005	137	-	-	4,005	137
Total of other comprehensive income	\$153,277	\$5,233	\$20,640	\$705	\$173,917	\$5,938

2013.1.1-2013.9.30

	Arsing during the period		Income tax relating to components of other comprehensive income		Other comprehensive income, net of tax	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
	Exchange differences resulting from translating the financial statements of a foreign operation	\$242,065	\$8,189	\$(31,874)	\$(1,078)	\$210,191
Unrealized gains (losses) from available-for-sale financial assets	(362,055)	(12,248)	23,912	809	(338,143)	(11,439)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(44,538)	(1,507)	-	-	(44,538)	(1,507)
Total of other comprehensive income	\$(164,528)	\$(5,566)	\$(7,962)	\$(269)	\$(172,490)	\$(5,835)

2012.1.1- 2012.9.30

	Arsing during the period		Income tax relating to components of other comprehensive income		Other comprehensive income, net of tax	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
	Exchange differences resulting from translating the financial statements of a foreign operation	\$(705,107)	\$(24,073)	\$102,791	\$3,509	\$(602,316)
Unrealized gains (losses) from available-for-sale financial assets	824,264	28,141	(57,120)	(1,950)	767,144	26,191
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	8,288	283	-	-	8,288	283
Total of other comprehensive income	\$127,445	\$4,351	\$45,671	\$1,559	\$173,116	\$5,910

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36. Income tax

(1) Under a directive issued by the Ministry of Finance (MOF), a financial holding company and its domestic subsidiaries that hold over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the consolidated income tax return for income tax filings. Additional tax and tax receivable resulting from the consolidated income tax return are recorded in the account of consolidated income tax return payable or receivable.

(2) The major components of income tax expense are as follows:

Income tax expense (income) recognized in profit or loss

	2013.7.1- 2013.9.30		2012.7.1- 2012.9.30	
	NT\$	US\$	NT\$	US\$
Current income tax expense (income):				
Current income tax charge	\$(362,609)	\$(12,267)	\$(577,429)	\$(19,714)
Adjustments in respect of current income tax of prior periods	23,485	795	35,398	1,208
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	(199,709)	(6,756)	56,051	1,914
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	20,833	705	(23,787)	(812)
Income tax of overseas subsidiaries	(36,235)	(1,226)	(24,101)	(823)
Income tax expense	<u>\$(554,235)</u>	<u>\$(18,749)</u>	<u>\$(533,868)</u>	<u>\$(18,227)</u>
	2013.1.1- 2013.9.30		2012.1.1- 2012.9.30	
	NT\$	US\$	NT\$	US\$
Current income tax expense (income):				
Current income tax charge	\$(1,678,750)	\$(56,791)	\$(1,534,959)	\$(52,406)
Adjustments in respect of current income tax of prior periods	132,119	4,469	45,504	1,554
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	52,073	1,762	138,475	4,727
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(89,442)	(3,026)	(23,787)	(812)
Income tax of overseas subsidiaries	(166,186)	(5,622)	(100,213)	(3,421)
Income tax expense	<u>\$(1,750,186)</u>	<u>\$(59,208)</u>	<u>\$(1,474,980)</u>	<u>\$(50,358)</u>

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Income tax relating to components of other comprehensive income

	2013.7.1- 2013.9.30		2012.7.1- 2012.9.30	
	NT\$	US\$	NT\$	US\$
Deferred tax (expense) income:				
Exchange differences resulting from translating the financial statements of a foreign operation	\$32,732	\$1,107	\$43,492	\$1,485
Unrealized gains (losses) from available-for-sale financial assets	(13,804)	(467)	(22,852)	(780)
Income tax relating to components of other comprehensive income	\$18,928	\$640	\$20,640	\$705

	2013.1.1- 2013.9.30		2012.1.1- 2012.9.30	
	NT\$	US\$	NT\$	US\$
Deferred tax (expense) income:				
Exchange differences resulting from translating the financial statements of a foreign operation	\$(31,874)	\$(1,078)	\$102,791	\$3,509
Unrealized gains (losses) from available-for-sale financial assets	23,912	809	(57,120)	(1,950)
Income tax relating to components of other comprehensive income	\$(7,962)	\$(269)	\$45,671	\$1,559

(3) The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2013.1.1- 2013.9.30		2012.1.1- 2012.9.30	
	NT\$	US\$	NT\$	US\$
Accounting profit (loss) before tax from continuing operations	\$13,530,660	\$457,735	\$12,126,080	\$414,001
At the Bank's statutory income tax rate of 17%	\$(2,240,300)	\$(75,788)	\$(2,020,844)	\$(68,994)
Tax effect of revenues exempt from taxation	900,830	30,475	785,996	26,834
Tax effect of expenses not deductible for tax purposes	(5,100)	(173)	(5,091)	(174)
Tax repayment under minimum tax	(144,379)	(4,884)	-	-
Tax effect of deferred tax assets/liabilities	(142,892)	(4,834)	(115,436)	(3,941)
Income tax of overseas subsidiaries	(166,186)	(5,622)	(100,213)	(3,421)
Income tax of overseas branches	(84,278)	(2,851)	(53,285)	(1,819)
Adjustments in respect of current income tax of prior periods	132,119	4,469	33,893	1,157
Total income tax expense recognized in profit or loss	\$(1,750,186)	\$(59,208)	\$(1,474,980)	\$(50,358)

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(4) Deferred tax assets (liabilities) relating to the following:

2013.1.1- 2013.9.30

	2013.1.1		Deferred tax income (expense) recognized in profit or loss		Deferred tax income (expense) recognized in other comprehensive income		2013.9.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
	Temporary differences							
Allowance for bad debt	\$631,710	\$21,370	\$29,140	\$986	\$-	\$-	\$660,850	\$22,356
Impairment on foreclosed properties	4,983	169	-	-	-	-	4,983	169
Revaluations of financial assets at fair value through profit or loss	(14,755)	(500)	(25,137)	(850)	-	-	(39,892)	(1,350)
Revaluations of available-for-sale investments to fair value	(11,587)	(392)	-	-	23,913	809	12,326	417
Impairment on property and equipment	5,459	185	-	-	-	-	5,459	185
Investments accounted for using the equity method	(77,649)	(2,627)	(4,875)	(165)	-	-	(82,524)	(2,792)
Fair value adjustments arising in business combinations	(261,404)	(8,843)	(45,615)	(1,543)	-	-	(307,019)	(10,386)
Reserve for land value increment tax	(37,163)	(1,257)	-	-	-	-	(37,163)	(1,257)
Pensions	230,214	7,788	-	-	-	-	230,214	7,788
Preferential interest rate deposits	107,150	3,625	(168)	(6)	-	-	106,982	3,619
Exchange differences resulting from translating the financial statements of a foreign operation	123,147	4,166	-	-	(31,875)	(1,078)	91,272	3,088
Deferred income on customer loyalty programmes	102,821	3,478	97,154	3,287	-	-	199,975	6,765
Others	6,766	229	1,574	53	-	-	8,340	282
Deferred tax expense / (income)			\$52,073	\$1,762	\$(7,962)	\$(269)		
Net deferred tax assets/(liabilities)	\$809,692	\$27,391					\$853,803	\$28,884
Net deferred income tax assets / (liabilities) of overseas branches	\$119,661	\$4,048					\$69,051	\$2,336
Net deferred income tax assets / (liabilities) of overseas subsidiaries	\$(4,179)	\$(141)					\$(36,730)	\$(1,243)
Reflected in balance sheet as follows:								
Deferred tax assets	\$1,463,224	\$49,500					\$1,437,178	\$48,619
Deferred tax liabilities	\$(538,050)	\$(18,202)					\$(551,054)	\$(18,642)

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2012.1.1 - 2012.9.30

	2012.1.1		Deferred tax income (expense) recognized in profit or loss		Deferred tax income (expense) recognized in other comprehensive income		2012.9.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
	Temporary differences							
Allowance for bad debt	\$178,983	\$6,111	\$187,460	\$6,400	\$-	\$-	\$366,443	\$12,511
Impairment on foreclosed properties	5,979	204	(996)	(34)	-	-	4,983	170
Revaluations of financial assets at fair value through profit or loss	(15,064)	(514)	(10,838)	(370)	-	-	(25,902)	(884)
Revaluations of available-for-sale investments to fair value	(26,442)	(903)	-	-	(57,120)	(1,950)	(83,562)	(2,853)
Impairment on property and equipment	4,770	163	(200)	(7)	-	-	4,570	156
Investments accounted for using the equity method	(113,464)	(3,874)	46,256	1,579	-	-	(67,208)	(2,295)
Fair value adjustments arising in business combinations	(200,584)	(6,848)	(45,615)	(1,557)	-	-	(246,199)	(8,405)
Reserve for land value increment tax	(37,986)	(1,297)	-	-	-	-	(37,986)	(1,297)
Pensions	244,085	8,333	(10,451)	(357)	-	-	233,634	7,976
Preferential interest rate deposits	104,570	3,570	(11,239)	(384)	-	-	93,331	3,186
Exchange differences resulting from translating the financial statements of a foreign operation	10,491	358	-	-	102,791	3,509	113,282	3,867
Deferred income on customer loyalty programmes	100,827	3,443	5,578	190	-	-	106,405	3,633
Others	29,989	1,024	(21,480)	(733)	-	-	8,509	291
Deferred tax expense / (income)			\$138,475	\$4,727	\$45,671	\$1,559		
Net deferred tax assets/(liabilities)	\$286,154	\$9,770					\$470,300	\$16,056
Net deferred income tax assets / (liabilities) of overseas branches	\$102,545	\$3,501					\$101,574	\$3,468
Net deferred income tax assets / (liabilities) of overseas subsidiaries	\$12,048	\$411					\$4,302	\$147
Reflected in balance sheet as follows:								
Deferred tax assets	\$914,712	\$31,229					\$1,158,952	\$39,568
Deferred tax liabilities	\$(513,965)	\$(17,547)					\$(582,776)	\$(19,897)

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(5) Unrecognized deferred tax assets

As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to NT\$215,977 (US\$7,306), NT\$162,526 (US\$5,595), NT\$136,805 (US\$4,671), NT\$45,156 (US\$1,492), respectively.

(6) Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Bank did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Bank's overseas subsidiaries.

(7) Imputation credit information

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Balances of imputation credit amount	\$2,019	\$68	\$111,496	\$3,838

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Balances of imputation credit amount	\$110,885	\$3,786	\$146,413	\$4,837

The actual creditable ratio for 2012 and 2011 were 1.81% and 1.33%, respectively.

The Bank's earnings generated in the year ended 31 December 1997 and prior years have been fully appropriated. As of 30 September 2013, the undistributed earnings amounted to NT\$9,244,383 (US\$312,733) arose from earnings in 1998 and thereafter.

(8) The Bank's income tax returns for the years prior to 2007 have been assessed by the tax authority.

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37. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

	2013.7.1- 2013.9.30		2012.7.1- 2012.9.30	
	NT\$	US\$	NT\$	US\$
Profit attributable ordinary to equity holders of the parent (in thousands dollars)	<u>\$3,889,965</u>	<u>\$131,596</u>	<u>\$3,809,173</u>	<u>\$130,050</u>
Retroactive adjustment weight-average shares outstanding	<u>6,142,471</u>		<u>6,142,471</u>	
Earnings per share (in dollar)	<u>\$0.63</u>	<u>\$0.0213</u>	<u>\$0.62</u>	<u>\$0.0212</u>
	<u>2013.1.1- 2013.9.30</u>	<u>2012.1.1- 2012.9.30</u>		
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
Profit attributable ordinary to equity holders of the parent (in thousands dollars)	<u>\$11,594,236</u>	<u>\$392,227</u>	<u>\$10,512,548</u>	<u>\$358,913</u>
Retroactive adjustment weight-average shares outstanding	<u>6,142,471</u>		<u>6,142,471</u>	
Earnings per share (in dollar)	<u>\$1.89</u>	<u>\$0.0639</u>	<u>\$1.71</u>	<u>\$0.0584</u>

38. Business Combinations

The Bank acquired 70% of the voting shares of SBC Bank on 13 December 2012, and acquired the remaining 30% of the voting shares on 30 September 2013, SBC Bank subsequently became a wholly-owned subsidiary of the Bank. SBC Bank was incorporated in Cambodia, mainly engaged in wholesale banking business.

The Bank has elected to measure the non-controlling interest in SBC Bank at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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VII. Related parties transactions

Significant transactions with the related parties are summarized as follows:

1. Loans and Deposits

Accounts/Related parties	2013.9.30			2012.12.31		
	Account balance		% of Account	Account balance		% of Account
	NT\$	US\$		NT\$	US\$	
<u>Loans</u>						
Associates						
Taiwan Real-estate Management Corp.	\$60,000	\$2,030	0.01%	\$65,000	\$2,238	-
Other related parties						
Cathay Real Estate Development Co., Ltd.	610,000	20,636	0.06%	-	-	-
Cathay General Hospital	99,000	3,349	0.01%	103,000	3,546	0.01%
Others	843,063	28,520	0.09%	385,830	13,281	0.04%
Subtotal	1,552,063	52,505	0.16%	488,830	16,827	0.05%
Total	\$1,612,063	\$54,535	0.17%	\$553,830	\$19,065	0.05%
<u>Deposits</u>						
Parent company						
Cathay Financial Holding Co., Ltd.	\$119,869	\$4,055	0.01%	\$93,389	\$3,215	0.01%
Other related parties						
Cathay Life Insurance Co., Ltd.	25,678,870	868,703	1.62%	73,919,996	2,544,578	4.80%
Cathay Century Insurance Co., Ltd.	1,372,974	46,447	0.09%	1,285,715	44,259	0.08%
Cathay Securities Corp.	1,592,497	53,873	0.10%	1,797,618	61,880	0.12%
Cathay Futures Corp.	1,953,751	66,094	0.12%	1,978,796	68,117	0.13%
Cathay Pacific Venture Capital Co., Ltd.	80,367	2,719	-	65,757	2,263	-
Cathay Securities Investment Trust Co., Ltd.	345,010	11,672	0.02%	1,745,795	60,096	0.11%
Cathay Real Estate Development Co., Ltd.	134,795	4,560	0.01%	279,019	9,605	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	17,704	599	-	1,595	55	-
Cathay Century Insurance (Vietnam) Co., Ltd.	203,514	6,885	0.01%	326,295	11,232	0.02%
Cathay Dragon Fund etc.	1,794,041	60,692	0.11%	3,258,081	112,154	0.21%
Sympbox Information Co., Ltd.	86,164	2,914	0.01%	167,730	5,774	0.01%
Others	8,266,505	279,652	0.52%	7,234,987	249,053	0.47%
Subtotal	41,526,192	1,404,810	2.61%	92,061,384	3,169,066	5.97%
Total	\$41,646,061	\$1,408,865	2.62%	\$92,154,773	\$3,172,281	5.98%

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Accounts/Related parties	2012.9.30			2012.1.1		
	Account balance		% of	Account balance		% of
	NT\$	US\$		Account	NT\$	
<u>Loans</u>						
Associates						
Taiwan Real-estate Management Corp.	\$65,000	\$2,219	0.01%	\$80,000	\$2,643	0.01%
Other related parties						
Cathay Real Estate Development Co., Ltd.	50,000	1,707	-	-	-	-
Cathay General Hospital	103,000	3,517	0.01%	103,000	3,402	0.01%
Others	277,081	9,460	0.03%	363,719	12,016	0.03%
Subtotal	430,081	14,684	0.04%	466,719	15,418	0.04%
Total	\$495,081	\$16,903	0.05%	\$546,719	\$18,061	0.05%
<u>Deposits</u>						
Parent company						
Cathay Financial Holding Co., Ltd.	\$95,870	\$3,273	0.01%	\$60,579	\$2,001	-
Other related parties						
Cathay Life Insurance Co., Ltd.	71,454,788	2,439,563	4.71%	62,695,468	2,071,208	4.23%
Cathay Century Insurance Co., Ltd.	1,259,921	43,015	0.08%	1,335,125	44,107	0.09%
Cathay Securities Corp.	1,594,476	54,438	0.11%	746,384	24,658	0.05%
Cathay Futures Corp.	1,857,233	63,408	0.12%	2,289,023	75,620	0.15%
Cathay Pacific Venture Capital Co., Ltd.	47,899	1,635	-	17,239	569	-
Cathay Securities Investment Trust Co., Ltd.	1,676,314	57,232	0.11%	1,695,233	56,004	0.12%
Cathay Real Estate Development Co., Ltd.	69,728	2,381	0.01%	215,767	7,128	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	7,296	249	-	57,752	1,908	-
Cathay Century Insurance (Vietnam) Co., Ltd.	338,835	11,568	0.02%	433,340	14,316	0.03%
Cathay Dragon Fund etc.	1,980,556	67,619	0.13%	3,533,073	116,719	0.24%
Symphox Information Co., Ltd.	215,231	7,348	0.01%	277,215	9,158	0.02%
Others	6,890,281	235,244	0.45%	6,719,624	221,990	0.45%
Subtotal	87,392,558	2,983,700	5.75%	80,015,243	2,643,385	5.40%
Total	\$87,488,428	\$2,986,973	5.76%	\$80,075,822	\$2,645,386	5.40%

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Accounts/Related parties	Interest Income (Expense)			
	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
<u>Loans</u>				
Associates				
Taiwan Real-estate Management Corp.	\$290	\$10	\$318	\$11
Other related parties				
Cathay Real Estate Development Co., Ltd.	3,351	113	203	7
Cathay General Hospital	737	25	766	26
Others	3,991	135	1,490	51
Subtotal	8,079	273	2,459	84
Total	\$8,369	\$283	\$2,777	\$95
<u>Deposits</u>				
Parent company				
Cathay Financial Holding Co., Ltd.	\$(1,208)	\$(41)	\$(2,039)	\$(70)
Other related parties				
Cathay Life Insurance Co., Ltd.	(34,979)	(1,183)	(111,427)	(3,804)
Cathay Century Insurance Co., Ltd.	(2,172)	(74)	(2,675)	(91)
Cathay Securities Corp.	(2,015)	(68)	(1,709)	(58)
Cathay Futures Corp.	(6,193)	(210)	(5,890)	(201)
Cathay Pacific Venture Capital Co., Ltd.	(206)	(7)	-	-
Cathay Securities Investment Trust Co., Ltd.	(1,296)	(44)	(2,952)	(108)
Cathay Real Estate Development Co., Ltd.	(33)	(1)	(48)	(2)
Cathay Life Insurance (Vietnam) Co., Ltd.	(414)	(14)	(2,759)	(94)
Cathay Century Insurance (Vietnam) Co., Ltd.	(6,032)	(204)	(1,880)	(64)
Cathay Dragon Fund etc.	(2,003)	(68)	(4,090)	(140)
Symphox Information Co., Ltd.	(237)	(8)	(575)	(20)
Others	(18,280)	(618)	(14,695)	(502)
Subtotal	(73,860)	(2,499)	(148,700)	(5,076)
Total	\$(75,068)	\$(2,540)	\$(150,739)	\$(5,146)

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Accounts/Related parties	Interest Income (Expense)			
	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
<u>Loans</u>				
Associates				
Taiwan Real-estate Management Corp.	\$884	\$30	\$1,083	\$37
Other related parties				
Cathay Real Estate Development Co., Ltd.	9,049	306	485	16
Cathay General Hospital	2,214	75	2,281	78
Others	12,589	426	4,951	169
Subtotal	23,852	807	7,717	263
Total	\$24,736	\$837	\$8,800	\$300
<u>Deposits</u>				
Parent company				
Cathay Financial Holding Co., Ltd.	\$(1,677)	\$(57)	\$(2,066)	\$(71)
Other related parties				
Cathay Life Insurance Co., Ltd.	(314,250)	(10,631)	(329,611)	(11,253)
Cathay Century Insurance Co., Ltd.	(6,909)	(234)	(8,585)	(293)
Cathay Securities Corp.	(6,868)	(232)	(4,486)	(153)
Cathay Futures Corp.	(19,803)	(670)	(15,456)	(528)
Cathay Pacific Venture Capital Co., Ltd.	(646)	(22)	(11)	(0)
Cathay Securities Investment Trust Co., Ltd.	(6,439)	(218)	(9,366)	(320)
Cathay Real Estate Development Co., Ltd.	(145)	(5)	(148)	(5)
Cathay Life Insurance (Vietnam) Co., Ltd.	(3,619)	(123)	(4,232)	(145)
Cathay Century Insurance (Vietnam) Co., Ltd.	(22,465)	(760)	(30,125)	(1,029)
Cathay Dragon Fund etc.	(10,743)	(363)	(15,562)	(531)
Symphox Information Co., Ltd.	(1,068)	(36)	(1,792)	(61)
Others	(70,808)	(2,395)	(49,062)	(1,675)
Subtotal	(463,763)	(15,689)	(468,436)	(15,993)
Total	\$(465,440)	\$(15,746)	\$(470,502)	\$(16,064)

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Accounts / Related parties	Account balance							
	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>								
Other related parties								
Vietinbank	\$6,344,748	\$214,640	\$6,376,067	\$219,486	-	-	\$5,731,948	\$189,361
<u>Due from commercial banks</u>								
Other related parties								
Vietinbank	7,741	262	5,722	197	26,880	918	23,666	782
<u>Call loans from banks</u>								
Other related parties								
Vietinbank	4,795,493	162,229	2,797,772	96,309	1,408,777	48,098	4,072,018	134,523
<u>Due to commercial banks</u>								
Other related parties								
Vietinbank	14,823	501	5,722	197	6,978	238	1,395	46

Accounts / Related parties	Interest income (expense)							
	2013.7.1-2013.9.30		2012.7.1-2012.9.30		2013.1.1-9.30		2012.1.1-9.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>								
Other related parties								
Vietinbank	\$98,037	\$3,317	\$35,420	\$1,209	\$213,929	\$7,237	\$138,994	\$4,745
<u>Due from commercial banks</u>								
Other related parties								
Vietinbank	19	1	4	-	19	1	10	-
<u>Call loans from banks</u>								
Other related parties								
Vietinbank	(27,601)	(934)	(17,686)	(604)	(173,507)	(5,870)	(90,678)	(3,096)

Transactions terms with related parties are similar to those with third parties.

(2) Guarantees and transactions of derivative financial instruments

Guarantees

Related Parties	2013.1.1-2013.9.30		2013.9.30		2013.1.1-2013.9.30	
	Maximum balance		Account balance		Service fees	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cathay Hospitality						
Management Co., Ltd.	\$21,816	\$738	\$-	\$-	\$-	\$-

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Related Parties	2012.1.1-2012.9.30		2012.9.30		2012.1.1-2012.9.30	
	Maximum balance		Account balance		Service fees	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cathay Hospitality Management Co., Ltd.	\$21,816	\$745	\$21,816	\$745	\$-	\$-

Transactions of derivative financial instruments

Related parties	Category of agreements	Term of agreements	Notional amount		Valuation gains (losses)	
			NT\$	US\$	NT\$	US\$
<u>2013.9.30</u>						
Cathay Life						
Insurance Co., Ltd.	Currency swap	2012.4.27-2015.3.6	\$30,708,450	\$1,038,851	\$688,297	\$23,285
Cathay Century						
Insurance Co., Ltd.	Currency swap	2012.11.1-2014.9.24	1,995,308	67,500	25,382	859
	Interest rate swap	2007.9.27-2015.4.30	400,000	13,532	(17,041)	(576)
Cathy Dragon fund etc.	Currency swap	-	-	-	3,672	124

Related parties	Category of agreements	Term of agreements	Notional amount		Valuation gains (losses)	
			NT\$	US\$	NT\$	US\$
<u>2012.9.30</u>						
Cathay Life						
Insurance Co., Ltd.	Currency swap	2010.4.6-2014.7.31	\$43,396,818	\$1,481,626	\$(623,519)	\$(21,288)
Cathay Century						
Insurance Co., Ltd.	Currency swap	2012.1.9-2013.9.25	1,853,063	63,266	(6,665)	(228)
	Interest rate swap	2007.9.27-2015.4.30	400,000	13,657	(27,875)	(952)
Cathy Dragon fund etc.	Currency swap	2012.9.25-2012.10.29	176,052	6,011	5,094	174

2. Transactions under resale and repurchase agreements

Accounts/Related parties	Account Balance			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
<u>Securities sold under agreements to repurchase</u>				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	\$-	\$-	\$20,000	\$689
Others	-	-	60,081	2,068
Total	\$-	\$-	\$80,081	\$2,757

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Accounts/Related parties	Account Balance			
	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
<u>Securities sold under agreements to repurchase</u>				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	\$-	\$-	\$61,010	\$2,015
Others	60,020	2,049	1,300,456	42,962
Total	\$60,020	\$2,049	\$1,361,466	\$44,977

Accounts/Related parties	Interest Expense			
	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
<u>Securities sold under agreements to repurchase</u>				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	\$(225)	\$(8)	\$(94)	\$(3)
Others	-	-	(44)	(2)
Total	\$(225)	\$(8)	\$(138)	\$(5)

Accounts/Related parties	Interest Expense			
	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
<u>Securities sold under agreements to repurchase</u>				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	\$(797)	\$(27)	\$(436)	\$(15)
Others	(121)	(4)	(182)	(6)
Total	\$(918)	\$(31)	\$(618)	\$(21)

3. Lease

Accounts/Related parties	2013.7.1-2013.9.30		2012.7.1-2012.9.30		Payment term
	NT\$	US\$	NT\$	US\$	
<u>Rental income</u>					
Other related parties					
Cathay Life Insurance Co., Ltd.	\$14,928	\$505	\$9,333	\$319	Monthly
Cathay Century Insurance Co., Ltd.	2,098	71	2,098	72	Monthly
Cathay Securities Corp.	2,091	71	2,096	72	Monthly
Culture and Charity Foundation of Cathay United Bank	1,185	40	1,238	42	Monthly
<u>Rental expense</u>					
Other related parties					
Cathay Life Insurance Co., Ltd.	93,090	3,149	89,284	3,048	Monthly
Cathay Real Estate Development Co., Ltd.	14,727	498	6,672	228	Monthly

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Accounts/Related parties	2013.1.1-2013.9.30		2012.1.1-2012.9.30		Payment term																																																																																																						
	NT\$	US\$	NT\$	US\$																																																																																																							
<u>Rental income</u>																																																																																																											
Other related parties																																																																																																											
Cathay Life Insurance Co., Ltd.	\$42,126	\$1,425	\$27,986	\$955	Monthly																																																																																																						
Cathay Century Insurance Co., Ltd.	6,294	213	5,583	191	Monthly																																																																																																						
Cathay Securities Corp.	6,272	212	6,103	208	Monthly																																																																																																						
Culture and Charity Foundation of Cathay United Bank	3,661	124	1,405	48	Monthly																																																																																																						
<u>Rental expense</u>																																																																																																											
Other related parties																																																																																																											
Cathay Life Insurance Co., Ltd.	281,283	9,516	264,127	9,018	Monthly																																																																																																						
Cathay Real Estate Development Co., Ltd.	47,747	1,615	19,742	674	Monthly																																																																																																						
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English Translation of Financial Statements Originally Issued in Chinese

Accounts/Related parties	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
<u>Guarantee deposit received</u>				
Other related parties				
Cathay Life Insurance Co., Ltd.	\$8,921	\$305	\$8,921	\$295
Cathay Securities Corp.	2,085	71	2,299	76
Cathay Century Insurance Co., Ltd.	2,491	85	1,661	55
	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
Accounts/Related parties	NT\$	US\$	NT\$	US\$
<u>4. Commissions and handling fees income</u>				
Other related parties				
Cathay Life Insurance Co., Ltd.	\$834,641	\$28,235	\$604,669	\$20,644
Cathay Century Insurance Co., Ltd.	20,436	691	19,294	659
Cathay Securities Co., Ltd.	3,301	112	1,115	38
Cathay Securities Investment Trust Co., Ltd.	6,454	218	8,675	296
Cathay Securities Investment Consulting Co., Ltd.	5,567	188	2,418	83
	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
Accounts/Related parties	NT\$	US\$	NT\$	US\$
<u>Commissions and handling fees income</u>				
Other related parties				
Cathay Life Insurance Co., Ltd.	\$1,913,693	\$64,739	\$1,950,350	\$66,588
Cathay Century Insurance Co., Ltd.	60,091	2,033	56,644	1,934
Cathay Securities Co., Ltd.	8,878	300	4,288	146
Cathay Securities Investment Trust Co., Ltd.	20,999	710	29,564	1,009
Cathay Securities Investment Consulting Co., Ltd.	16,478	557	4,773	163
	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
Accounts/Related parties	NT\$	US\$	NT\$	US\$
<u>5. Other operating income</u>				
Other related parties				
Cathay Century Insurance Co., Ltd.	\$239	\$8	\$20	\$1

English Translation of Financial Statements Originally Issued in Chinese

Accounts/Related parties	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
<u>Other operating income</u>				
Other related parties				
Cathay Century Insurance Co., Ltd.	\$484	\$16	\$2,771	\$95
Accounts/Related parties	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
<u>6. Operating expenses</u>				
Subsidiaries				
Seaward Card Co., Ltd.	\$47,943	\$1,622	\$49,578	\$1,693
Other related parties				
Cathay Life Insurance Co., Ltd.	19,455	658	21,932	749
Symphox Information Co., Ltd.	91,794	3,105	100,835	3,443
Cathay Real Estate Development Co., Ltd.	1,323	45	1,506	51
Cathay General Hospital	18	1	66	2
Lin Yuan Property Management and Maintenance Co., Ltd.	1,671	57	2,586	88
Cathay Healthcare Inc.	1,253	42	1,115	38
Accounts/Related parties	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
<u>Operating expenses</u>				
Subsidiaries				
Seaward Card Co., Ltd.	\$165,333	\$5,593	\$177,512	\$6,060
Other related parties				
Cathay Life Insurance Co., Ltd.	65,696	2,222	74,032	2,528
Symphox Information Co., Ltd.	298,762	10,107	314,717	10,745
Cathay Real Estate Development Co., Ltd.	3,971	134	4,345	148
Cathay General Hospital	1,929	65	636	22
Lin Yuan Property Management and Maintenance Co., Ltd.	5,719	193	5,983	204
Cathay Healthcare Inc.	4,242	144	1,837	63
Accounts/Related parties	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
<u>7. Insurance expenses</u>				
Other related parties				
Cathay Life Insurance Co., Ltd.	\$71,024	\$2,403	\$163,673	\$5,588
Cathay Century Insurance Co., Ltd.	13,662	462	12,763	436

English Translation of Financial Statements Originally Issued in Chinese

	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Life Insurance Co., Ltd.	\$416,511	\$14,090	\$483,897	\$16,521
Cathay Century Insurance Co., Ltd.	44,808	1,516	43,745	1,494
	2013.9.30		2012.12.31	
Accounts/Related parties	NT\$	US\$	NT\$	US\$
8. <u>Related party receivables for allocation of linked-tax system</u>				
Parent company				
Cathay Financial Holdings Co., Ltd.	\$174,195	\$5,893	\$246,573	\$8,488
	2012.9.30		2012.1.1	
Accounts/Related parties	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holdings Co., Ltd.	\$410,499	\$14,015	\$554,163	\$18,307
	2013.9.30		2012.12.31	
Accounts/Related parties	NT\$	US\$	NT\$	US\$
9. <u>Refundable deposit</u>				
Other related parties				
Cathay Futures Corp.	\$52,238	\$1,767	\$64,345	\$2,215
	2012.9.30		2012.1.1	
Accounts/Related parties	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Futures Corp.	\$64,345	\$2,197	\$72,544	\$2,397
	2013.9.30		2012.12.31	
Accounts/Related parties	NT\$	US\$	NT\$	US\$
10. <u>Dividends payable</u>				
Other related parties				
Vietinbank	\$118,680	\$4,015	\$407,904	\$14,041
	2012.9.30		2012.1.1	
Accounts/Related parties	NT\$	US\$	NT\$	US\$
Other related parties				
Vietinbank	\$410,788	\$14,025	\$-	\$-

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Accounts/Related parties	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
11. <u>Accrued expenses</u>				
Subsidiaries				
Seaward Card Co., Ltd.	\$26,537	\$898	\$26,131	\$900
Accounts/Related parties	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Seaward Card Co., Ltd.	\$25,499	\$871	\$27,223	\$899
Accounts/Related parties	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
12. <u>Accounts payable</u>				
Other related parties				
Cathay Century Insurance Co., Ltd.	\$5,002	\$169	\$4,855	\$167
Symphox Information Co., Ltd.	21,802	738	12,396	427
Accounts/Related parties	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Century Insurance Co., Ltd.	\$4,415	\$151	\$44,226	\$1,461
Symphox Information Co., Ltd.	8,367	286	10,272	339
Accounts/Related parties	2013.7.1-2013.9.30		2012.7.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
13. <u>Key management personnel compensation</u>				
Short-term employee benefits	\$32,273	\$1,092	\$14,369	\$490
Post-employment benefits	1,802	61	1,102	38
Total	\$34,075	\$1,153	\$15,471	\$528
Accounts/Related parties	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NT\$	US\$	NT\$	US\$
Short-term employee benefits	\$94,839	\$3,208	\$40,772	\$1,392
Post-employment benefits	5,720	194	3,242	111
Total	\$100,559	\$3,402	\$44,014	\$1,503

The key management personnel of the Bank include the Chairman, Vice-Chairman, Directors, Supervisors, President and Vice-President.

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14. Others

- (1) The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of NT\$1,602 (US\$54), NT\$395 (US\$13), NT\$3,478 (US\$118) and NT\$2,850 (US\$97) during the three-month and nine-month periods ended 30 September 2013 and 2012, respectively.
- (2) The Bank purchased bonus points in exchange for merchandise for the Bank's customer from Symphox Information Co., Ltd. As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the unconverted bonus points amounted to NT\$29,554 (US\$1,000), NT\$26,517 (US\$913), NT\$26,828 (US\$916) and NT\$32,817 (US\$1,084), 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.

VIII. Assets pledged as security

See Notes VI.

IX. Commitments and contingencies

As of 30 September 2013, the Bank and its subsidiaries had the following commitments and contingent liabilities, which are not reflected in the consolidated financial statements:

1. The Bank

	<u>NT\$</u>	<u>US\$</u>
(1) Entrusted Items and Guarantees:		
Trust and security held for safekeeping	\$415,075,509	\$14,041,797
Travelers checks for sale	475,676	16,092
Bills for collection	43,362,213	1,466,922
Book-entry for government bonds and depository for short-term marketable securities under management	571,833,500	19,344,841
Entrusted financial management business	3,625,881	122,662
Guarantees on duties and contracts	10,943,240	370,204
Unused commercial letters of credit	4,132,696	139,807
Irrevocable loan commitments	54,457,780	1,842,279
Credit card lines commitments	336,662,203	11,389,114
Stamp tax, securities and memorial currency consignments	1,006	34

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(2) As of 30 September 2013, the Bank's significant lawsuits and proceedings are as follows:

Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taiwan Taipei District Court and alleged that the Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by Eddie Liu, a former employee of Lee and Li Attorneys-at-Law on October 2003. Both plaintiffs claimed indemnities amounted to NT\$0.99 billion (US\$33 million) and NT\$3.09 billion (US\$105 million), respectively. The lawsuit was in the litigation procedures in July 2007 and is still under trial by Taipei District Court. The Bank is in mediation procedure with SanDisk Corporation. The Bank has been advised by its legal advisor that it is possible, but not probable, that the action will be resolved in the Bank's favor and accordingly no provision for such claims has been made in these financial statements.

2. Indovina Bank

(1) Entrusted Item and Guarantees:

	NT\$	US\$
Financial guarantee contracts	\$560,694	\$18,968
Unused commercial letters of credit	1,222,438	41,354

(2) According to the operating leases agreements of Indovina Bank, rentals for lease that should be paid in the future listed are as follows:

Periods	NT\$	US\$
Not later than one year	\$23,787	\$805
Later than one year and not later than five year	44,556	1,507
Later than five years	3,844	130

3. SBC Bank

(1) Entrusted Item and Guarantees:

	NT\$	US\$
Financial guarantee contracts	\$8,159	\$276
Unused commercial letters of credit	15,194	514
Irrevocable loan commitments	152,754	5,168
Credit card line commitments	196,530	6,649

X. Losses due to major disasters

None.

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XI. Significant subsequent events

None.

XII. Other

1. Disclosure of financial instruments information

(1) Information of fair value

	2013.9.30			
	Carrying value		Fair value	
	NTS	US\$	NTS	US\$
<u>Financial assets</u>				
Assets:				
Financial assets at fair value through profit or loss	\$146,594,955	\$4,959,234	\$146,594,955	\$4,959,234
Available-for-sale financial assets	64,672,288	2,187,831	64,672,288	2,187,831
Held-to-maturity financial assets	49,267,181	1,666,684	50,693,758	1,714,944
Investment in debt securities with no active market	393,105,515	13,298,563	392,151,681	13,266,295
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	34,632,612	1,171,604	34,632,612	1,171,604
Due from the Central Bank and call loan to banks	132,346,377	4,477,212	132,346,377	4,477,212
Securities purchased under agreements to resell	4,425,564	149,715	4,425,564	149,715
Receivable, net	83,247,504	2,816,221	83,247,504	2,816,221
Discounts and loans, net	972,350,368	32,894,126	972,350,368	32,894,126
Other financial assets, net	6,903	234	6,903	234
Other assets, net	2,025,002	68,505	2,025,002	68,505
Subtotal	1,229,034,330	41,577,617	1,229,034,330	41,577,617
Derivative financial assets for hedging	1,027,014	34,743	1,027,014	34,743
Total	\$1,883,701,283	\$63,724,672	\$1,884,174,026	\$63,740,664
<u>Financial liabilities</u>				
Financial assets at fair value through profit or loss	\$6,902,171	\$233,497	\$6,902,171	\$233,497
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	50,893,236	1,721,693	50,893,236	1,721,693
Funds borrowed from the Central Bank and other banks	1,483,500	50,186	1,483,500	50,186
Securities sold under agreements to repurchase	55,899,348	1,891,047	55,899,348	1,891,047
Payables	15,094,326	510,633	15,094,326	510,633
Deposits and remittances	1,589,789,924	53,781,797	1,589,789,924	53,781,797
Financial debentures payable	52,420,588	1,773,362	52,420,588	1,773,362
Other financial liabilities	28,509,455	964,461	28,509,455	964,461
Others	1,032,948	34,944	1,032,948	34,944
Subtotal	1,795,123,325	60,728,123	1,795,123,325	60,728,123
Total	\$1,802,025,496	\$60,961,620	\$1,802,025,496	\$60,961,620

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	2012.12.31			
	Carrying value		Fair value	
	NT\$	US\$	NT\$	US\$
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$67,937,886	\$2,338,654	\$67,937,886	\$2,338,654
Available-for-sale financial assets	63,955,328	2,201,560	63,955,328	2,201,560
Held-to-maturity financial assets	21,668,974	745,920	24,476,464	842,563
Investment in debt securities with no active market	424,043,663	14,597,028	423,665,567	14,584,013
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	21,718,721	747,632	21,718,721	747,632
Due from the Central Bank and call loan to banks	109,003,762	3,752,281	109,003,762	3,752,281
Receivable, net	50,742,276	1,746,722	50,742,276	1,746,722
Discounts and loans, net	1,003,183,193	34,532,984	1,003,183,193	34,532,984
Other financial assets, net	13,821	476	13,821	476
Other assets, net	1,313,772	45,225	1,313,772	45,225
Subtotal	1,185,975,545	40,825,320	1,185,975,545	40,825,320
Derivative financial assets for hedging	1,203,138	41,416	1,203,138	41,416
Total	\$1,764,784,534	\$60,749,898	\$1,767,213,928	\$60,833,526
<u>Financial liabilities</u>				
Financial assets at fair value through profit or loss	\$4,967,738	\$171,006	\$4,967,738	\$171,006
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	56,931,773	1,959,786	56,931,773	1,959,786
Funds borrowed from the Central Bank and other banks	1,456,800	50,148	1,456,800	50,148
Securities sold under agreements to repurchase	20,369,249	701,179	20,369,249	701,179
Payables	22,153,186	762,588	22,153,186	762,588
Deposits and remittances	1,539,774,066	53,004,271	1,539,774,066	53,004,271
Financial debentures payable	42,518,631	1,463,636	42,518,631	1,463,636
Other financial liabilities	17,426,191	599,869	17,426,191	599,869
Others	1,278,507	44,010	1,278,507	44,010
Subtotal	1,701,908,403	58,585,487	1,701,908,403	58,585,487
Total	\$1,706,876,141	\$58,756,493	\$1,706,876,141	\$58,756,493

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	2012.9.30			
	Carrying value		Fair value	
	NTS	US\$	NTS	US\$
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$21,257,872	\$725,772	\$21,257,872	\$725,772
Available-for-sale financial assets	62,828,634	2,145,054	62,828,634	2,145,054
Held-to-maturity financial assets	21,894,821	747,519	24,304,003	829,771
Investment in debt securities with no active market	453,748,431	15,491,582	453,554,551	15,484,963
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	19,380,698	661,683	19,380,698	661,683
Due from the Central Bank and call loan to banks	160,152,473	5,467,821	160,152,473	5,467,821
Securities purchased under agreements to resell	1,472,618	50,277	1,472,618	50,277
Receivable, net	48,346,775	1,650,624	48,346,775	1,650,624
Discounts and loans, net	984,041,867	33,596,513	984,041,867	33,596,513
Other financial assets, net	1,723	59	1,723	59
Other assets, net	1,284,331	43,849	1,284,331	43,849
Subtotal	1,214,680,485	41,470,826	1,214,680,485	41,470,826
Derivative financial assets for hedging	1,410,138	48,144	1,410,138	48,144
Total	\$1,775,820,381	\$60,628,897	\$1,778,035,683	\$60,704,530
<u>Financial liabilities</u>				
Financial assets at fair value through profit or loss	\$6,786,999	\$231,717	\$6,786,999	\$231,717
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	70,215,820	2,397,262	70,215,820	2,397,262
Funds borrowed from the Central Bank and other banks	1,467,100	50,089	1,467,100	50,089
Securities sold under agreements to repurchase	20,137,644	687,526	20,137,644	687,526
Payables	22,645,700	773,155	22,645,700	773,155
Deposits and remittances	1,533,089,271	52,341,730	1,533,089,271	52,341,730
Financial debentures payable	42,691,599	1,457,549	42,691,599	1,457,549
Other financial liabilities	19,622,464	669,937	19,622,464	669,937
Others	1,184,961	40,456	1,184,961	40,456
Subtotal	1,711,054,559	58,417,704	1,711,054,559	58,417,704
Total	\$1,717,841,558	\$58,649,421	\$1,717,841,558	\$58,649,421

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	2012.1.1			
	Carrying value		Fair value	
	NT\$	US\$	NT\$	US\$
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$21,914,109	\$723,955	\$21,914,109	\$723,955
Available-for-sale financial assets	47,839,435	1,580,424	47,839,435	1,580,424
Held-to-maturity financial assets	19,346,851	639,143	19,348,203	639,188
Investment in debt securities with no active market	425,140,266	14,044,938	424,657,578	14,028,992
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	18,129,612	598,930	18,129,612	598,930
Due from the Central Bank and call loan to banks	100,101,541	3,306,955	100,101,541	3,306,955
Securities purchased under agreements to resell	2,308,788	76,273	2,308,788	76,273
Receivable, net	45,910,753	1,516,708	45,910,753	1,516,708
Discounts and loans, net	1,001,925,794	33,099,630	1,001,925,794	33,099,630
Other financial assets, net	3,402,027	112,389	3,402,027	112,389
Other assets, net	992,349	32,783	992,349	32,783
Subtotal	<u>1,172,770,864</u>	<u>38,743,668</u>	<u>1,172,770,864</u>	<u>38,743,668</u>
Derivative financial assets for hedging	1,438,773	47,531	1,438,773	47,531
Total	<u>\$1,688,450,298</u>	<u>\$55,779,659</u>	<u>\$1,687,968,962</u>	<u>\$55,763,758</u>
<u>Financial liabilities</u>				
Financial assets at fair value through profit or loss	\$4,835,152	\$159,734	\$4,835,152	\$159,734
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	62,275,073	2,057,320	62,275,073	2,057,320
Funds borrowed from the Central Bank and other banks	1,514,500	50,033	1,514,500	50,033
Securities sold under agreements to repurchase	13,546,462	447,521	13,546,462	447,521
Payables	20,377,945	673,206	20,377,945	673,206
Deposits and remittances	1,484,029,187	49,026,402	1,484,029,187	49,026,402
Financial debentures payable	36,023,825	1,190,083	36,023,825	1,190,083
Other financial liabilities	10,611,073	350,548	10,611,073	350,548
Others	1,044,328	34,500	1,044,328	34,500
Subtotal	<u>1,629,422,393</u>	<u>53,829,613</u>	<u>1,629,422,393</u>	<u>53,829,613</u>
Total	<u>\$1,634,257,545</u>	<u>\$53,989,347</u>	<u>\$1,634,257,545</u>	<u>\$53,989,347</u>

(2) The methodologies and assumptions used by the Bank and its subsidiaries to estimate the above fair value of financial instruments are summarized as follows:

A. The carrying value of short-term financial instruments, such as cash and cash equivalents, receivables, securities purchased under agreements to resell, securities sold under agreements to repurchase, payables, refundable deposits, guarantee deposits, borrowed funds, due from the Central Bank and call loans to banks and due to the Central Bank and call loans from banks arising in the ordinary course of business, approximate the fair value because of the relatively short period of time between their origination and expected realization.

- B. Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments, held-to-maturity financial assets and derivatives financial instruments of hedging. If no quoted market prices exist for certain financial instruments, the fair value of such instruments has been derived based on pricing models. A price model incorporates all factors that market participants would consider in setting a price. The discounted cash flow technique is used to estimate the fair value of a debt instrument where an active market does not exist. The estimates, hypotheses and discount rates for valuation refer to quoted prices, from financial instruments, of financial instruments having substantially the same terms and characteristics, including the credit quality of debtors, the remaining term over which the contractual interest rate is fixed, the remaining term to repayment of the principal, and the currency in which the payments are to be made.
- C. Discounts and loans, deposits and principals received from the sale of structured products are classified as interest-bearing financial instruments. Thus, their carrying value is equivalent to their fair value.
- The face value of delinquent accounts deducted from allowance for doubtful accounts is adopted as fair value.
- D. Investment accounted for using the equity method were non-listed stocks that do not have a quoted price in an active market. The variability in the range of reasonable fair value estimates is not insignificant for that instrument and the probabilities of the various estimates within the range cannot be reasonably assessed. Since the fair value cannot be reliably measured, the carrying amount should be the reasonable basis to estimate the fair value.
- E. According to the “Regulations Governing the Preparation of Financial Reports by Public Banks”, financial assets measured at cost are the stocks that were not public traded in Taiwan Stock Exchange and GreTai Securities Market and derivative instruments linked to or settled by delivery of such unquoted equity investments shall be measured at cost.
- F. The fair value of financial debentures payable is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities.
- G. If the derivatives do not have market prices available to compare, the discounted-cash-flow model is applied to forward currency and interest rate swap and Black-Scholes model, Binomial Option Price model or Monte-Carlo-method are applied to option derivatives.

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H. The Bank adopts the exchange rates and market interest rates provide by Thomson Reuters' system to evaluate the fair value of forward currency, currency swap, interest rate swap and cross currency swap. The average price or closing price is used to figure the fair value of each contract.

(3) The fair value hierarchy information of the financial instruments.

A. The definition of the hierarchy of the financial instruments is measured at fair value:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

B. The Bank's fair value hierarchy of the financial instruments:

Item	2013.9.30							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Stocks	\$53,760	\$1,819	\$53,760	\$1,819	\$-	\$-	\$-	\$-
Bonds	14,787,979	500,270	2,141,014	72,429	12,646,965	427,841	-	-
Others	123,512,095	4,178,352	300,552	10,167	123,211,543	4,168,185	-	-
Available-for-sale financial assets								
Stocks	13,833,212	467,971	10,313,811	348,911	3,519,401	119,060	-	-
Bonds	49,590,014	1,677,605	18,020,089	609,610	31,569,925	1,067,995	-	-
Others	392,676	13,284	392,676	13,284	-	-	-	-
Liabilities								
Financial debentures payable	10,520,589	355,906	-	-	10,520,589	355,906	-	-
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	7,398,108	250,274	-	-	7,398,108	250,274	-	-
Derivative financial assets for hedging	1,027,014	34,743	-	-	1,027,014	34,743	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	6,902,171	233,497	-	-	6,902,171	233,497	-	-

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Item	2012.12.31							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Bonds	\$4,030,538	\$138,745	\$824,388	\$28,378	\$3,206,150	\$110,367	\$-	\$-
Others	59,110,475	2,034,784	-	-	59,110,475	2,034,784	-	-
A available-for-sale financial assets								
Stocks	11,251,569	387,318	7,348,855	252,973	3,902,714	134,345	-	-
Bonds	50,164,514	1,726,833	15,861,748	546,015	34,302,766	1,180,818	-	-
Others	1,770,324	60,940	1,770,324	60,940	-	-	-	-
Liabilities								
Financial debentures payable	10,618,631	365,529	-	-	10,618,631	365,529	-	-
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	4,655,954	160,274	61	2	4,655,893	160,272	-	-
Derivative financial assets for hedging	1,203,138	41,416	-	-	1,203,138	41,416	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	4,967,738	171,006	-	-	4,967,738	171,006	-	-
2012.9.30								
Item	2012.9.30							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Bonds	\$1,649,683	\$56,322	\$1,027,145	\$35,068	\$622,538	\$21,254	\$-	\$-
Others	13,199,843	450,660	-	-	13,199,843	450,660	-	-
A available-for-sale financial assets								
Stocks	13,410,276	457,845	9,436,684	322,181	3,973,592	135,664	-	-
Bonds	47,786,587	1,631,498	12,953,429	442,247	34,833,158	1,189,251	-	-
Others	1,131,226	38,622	1,131,226	38,622	-	-	-	-
Liabilities								
Financial debentures payable	10,791,599	368,440	-	-	10,791,599	368,440	-	-
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	6,291,867	214,813	-	-	6,291,867	214,813	-	-
Derivative financial assets for hedging	1,410,138	48,144	-	-	1,410,138	48,144	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	6,786,999	231,717	-	-	6,786,999	231,717	-	-

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Item	2012.1.1							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Bonds	\$1,646,923	\$54,408	\$1,500,970	\$49,586	\$145,953	\$4,822	\$-	\$-
Others	14,865,231	491,088	-	-	14,865,231	491,088	-	-
Available-for-sale financial assets								
Stocks	6,765,923	223,519	6,765,923	223,519	-	-	-	-
Bonds	39,032,580	1,289,481	8,243,897	272,346	30,788,683	1,017,135	-	-
Others	1,524,130	50,351	1,524,130	50,351	-	-	-	-
Liabilities								
Financial debentures payable	11,215,240	370,507	-	-	11,215,240	370,507	-	-
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	5,287,567	174,680	59,156	1,954	5,228,411	172,726	-	-
Derivative financial assets for hedging	1,438,773	47,531	-	-	1,438,773	47,531	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	4,835,152	159,734	-	-	4,835,152	159,734	-	-

2. Financial risk management

Risk control and hedging strategy

The Bank's risk control and hedging strategy followed the requirement of customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, the Bank adopted different risk management methods to identify its risks and the Bank followed the spirit and regulation of the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

The Bank organized the risk management committee and its responsibilities are as illustrated below:

- A. To amend the risk management policies, risk appetite or risk tolerance and report the above issues to board of directors for approval.
- B. To manage and decide the strategy about the Bank's credit risk, market risk and operating risk management.
- 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.

3. Market risk

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

The Bank organized market risk management department and the committee of assets and liabilities management is responsible for monitoring the market risk management. The department and committee periodically examine the Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing and using scheme of medium and long term funding while executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of the Bank for the management system, such as valuating position, risk limit management, calculating of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

Market risk management process

(1) Identification and measurement

The operating department and risk management department of the Bank identified the market risk factors of risk exposure position, and measured the market risk further. Market risk factors are the components that could have an impact on value of financial instrument, such as interest rates, foreign exchange rates, equity securities...etc., including position, gain and loss, the loss of stress test, sensitivity (DVO1, Delta, Vega, Gamma) and Value at Risk (VaR)...etc, to measure the extent of investment portfolio that is influenced by interest risk, foreign exchange risk and equity securities.

(2) Monitoring and reporting

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

Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investment for the purpose of trading or the hedge on the trading book. Portfolio held for trading is which intended to earn the profit from bid-ask spread. Except positions from the above trading book, they will be called banking book.

(1) Strategy

In order to control market risk effectively and ensure the operating departments operate the transaction strategy with flexibility, the Bank evaluates various assessment and control. The portfolio of trading book has the risk limitation of each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

(2) Policy and procedure

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

(3) Valuation policy

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

(4) Method of measurement

- A. The assumption and calculation of VaR: see VaR section.
- B. The Bank executes the stress test monthly with the following scenarios: the fluctuation of interest rate at 100bp, equity securities at 15% and foreign exchange rate at 3%, and reports to the risk management committee regularly.

Interest risk management of trading book

(1) Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the change of its fair value which is caused by the fluctuation of interest rate. The main instruments include the securities and derivatives that relate to interest rates.

(2) Interest risk management procedure of trading book

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

(3) Method of measurement

- A. The assumption and calculation of VaR: see VaR section.
- B. The Bank measures the investment portfolio's interest risk exposure monthly.

Interest risk management of banking book

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

(1) Strategy

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

(2) Management procedure

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

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

(3) Method of measurement

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

Foreign exchange risk management

(1) Definition of foreign exchange risk

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

(2) Policy, procedure and measurement methodology of foreign exchange risk management

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

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

Risk management of equity price

(1) Definition of risk of equity 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.

(2) Purpose of risk management in equity prices

To avoid the massive fluctuation of equity price to worsen the Bank's financial situation or earnings. Also, to raise the operating efficiency of capital and strengthen the business operation.

(3) Procedure of risk management of equity prices

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

(4) Measured methodology

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

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

The Bank adopts many methodologies to manage its market risk. Value-at-risk (VaR) is one of the methodologies. VaR is a statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence.

2013.9.30						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$583,087	\$19,726	\$772,357	\$26,128	\$457,036	\$15,461
Foreign exchange	148,352	5,019	154,844	5,238	144,266	4,880
Equity Securities price	219,457	7,424	352,855	11,937	133,386	4,512

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2012.12.31						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$611,347	\$21,045	\$876,417	\$30,169	\$457,036	\$15,733
Foreign exchange	156,656	5,393	162,280	5,586	146,608	5,047
Equity Securities price	124,933	4,301	165,277	5,689	60,704	2,090

2012.9.30						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$599,220	\$20,458	\$876,417	\$29,922	\$339,069	\$11,576
Foreign exchange	160,674	5,486	177,844	6,072	148,602	5,073
Equity Securities price	127,067	4,338	167,960	5,734	60,704	2,073

2012.1.1						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$358,300	\$11,837	\$590,383	\$19,504	\$258,043	\$8,525
Foreign exchange	133,656	4,415	177,844	5,875	92,593	3,059
Equity Securities price	138,602	4,579	207,076	6,841	100,824	3,331

The Bank enters into a variety of derivatives transactions for both trading and nontrading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage the Bank's exposure to risks and to generate revenues through trading activities. The Bank trades derivative instruments on behalf of customers and for its own positions. The Bank provides derivative contracts to address customers' demands for customized derivatives and also takes proprietary positions for its own accounts.

Stress testing

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

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Stress Test					
Market/ Product	Scenarios	2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges + 15%	\$1,355,043	\$45,840	\$1,025,960	\$35,317
	Major Stock Exchanges - 15%	(1,355,043)	(45,840)	(1,025,960)	(35,317)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,620,512)	(156,310)	(2,821,676)	(97,132)
	Major Interest Rate - 100bp	4,861,799	164,472	2,496,083	85,924
Foreign Exchange Market	Major Currencies + 3%	1,755,973	59,404	1,450,437	49,929
	Major Currencies - 3%	(1,755,777)	(59,397)	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15%	(4,219,582)	(142,746)	(2,397,199)	(82,520)
	Major Interest Rate + 100bp				
	Major Currencies +3%				

Stress Test					
Market/ Product	Scenarios	2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges +15%	\$961,807	\$32,837	\$656,831	\$21,699
	Major Stock Exchanges -15%	(961,807)	(32,837)	(656,831)	(21,699)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(2,773,664)	(94,697)	(2,034,384)	(67,208)
	Major Interest Rate - 100bp	2,321,514	79,260	2,018,467	66,682
Foreign Exchange Market	Major Currencies +3%	1,524,727	52,056	1,331,738	43,995
	Major Currencies -3%	(1,435,907)	(49,024)	(1,254,207)	(41,434)
Composite	Major Stock Exchanges -15%	(2,210,744)	(75,478)	(1,359,477)	(44,912)
	Major Interest Rate + 100bp				
	Major Currencies +3%				

Sensitivity analysis

A. Interest rate risk

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

B. Foreign exchange risk

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

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C. Equity price risk

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

Market risk factor sensitivity of the Bank

	2013.9.30			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$435,032	\$14,717	\$12	\$-
HKD+1%	115,314	3,901	-	-
JPY+1%	-	-	1,614	55
AUD+1%	16,580	561	-	-
CNY+1%	3,921	133	-	-
NTD+1%	(571,734)	(19,341)	(2,405)	(81)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(269)	(9)	(29,642)	(1,003)
Yield curves (HKD) parallel shift+1bp	-	-	(36)	(1)
Yield curves (AUD) parallel shift+1bp	-	-	(617)	(21)
Yield curves (CNY) parallel shift+1bp	-	-	(526)	(18)
Yield curves (NTD) parallel shift+1bp	(3,145)	(106)	(13,167)	(445)
Equity securities price factor sensitivity (Equity Delta)	2,094	71	88,242	2,985
	2012.12.31			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$411,904	\$14,179	\$5,220	\$180
HKD+1%	3,042	105	-	-
JPY+1%	1	-	-	-
NTD+1%	(458,563)	(15,785)	(5,769)	(199)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(349)	(12)	(18,027)	(621)
Yield curves (HKD) parallel shift+1bp	-	-	(30)	(1)
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(771)	(27)	(8,373)	(288)
Equity securities price factor sensitivity (Equity Delta)	-	-	68,397	2,354

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	2012.9.30			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$454,302	\$15,511	\$3,579	\$122
HKD+1%	3,079	105	-	-
JPY+1%	1,881	64	-	-
NTD+1%	(484,339)	(16,536)	(3,775)	(129)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(337)	(12)	(18,893)	(645)
Yield curves (HKD) parallel shift+1bp	-	-	(38)	(1)
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(187)	(6)	(8,230)	(281)
Equity securities price factor sensitivity (Equity Delta)	-	-	64,120	2,189

	2012.1.1			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT	US	NT	US
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$412,143	\$13,616	\$3,791	\$125
HKD+1%	5,454	180	-	-
JPY+1%	3,944	130	-	-
NTD+1%	(422,515)	(13,958)	(3,817)	(126)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(158)	(5)	(15,172)	(501)
Yield curves (JPY) parallel shift+1bp	-	-	(8)	-
Yield curves (NTD) parallel shift+1bp	(210)	(7)	(5,390)	(178)
Equity securities price factor sensitivity (Equity Delta)	-	-	43,789	1,447

4. Credit risk

Credit risk represents the risk of loss that the Bank and its subsidiaries would incur if counterparty fails to perform its contractual obligations.

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To centralize risk management functions currently handled by different departments, the Bank's board of directors resolved that a risk management department would be established to manage the credit risk. The objectives of a credit risk management are to improve asset quality and to generate stable profits while reducing risk through a diversified and balanced loan portfolio. The Bank's board of directors sets the counterparty credit limits, which are then implemented by the credit committee. The credit committee also monitors current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. The Bank performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

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

The management procedure and measurement methodology of credit risk in the Bank's main business are as follows:

Credit business (including the loan commitments and guarantees)

The category of credit asset and the grade of credit quality were narrated as follow:

(1) Category of credit risk

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

(2) Grade of credit quality

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

In order to measure the credit risk of the clients, the Bank employs the statistic methods and the professional judgement from the experts. The Bank develops the rating model of business credit after considering the clients' relevant information. The model shall be reviewed periodically to verify if the calculated results conformed to the reality and revised every parameter to optimize the results.

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

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

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

Due from and call loans to other banks

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

(3) Hedge of credit risk and easing policy

A. Collateral

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

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

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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) The Bank's maximum exposures to credit risk

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

A. The Bank

Off balance sheet items	Maximum exposure to credit risk			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$54,457,780	\$1,842,279	\$34,415,264	\$1,184,691
Credit card commitments	373,279,533	12,627,860	328,719,949	11,315,661
Unused commercial letters of credit	4,132,696	139,807	4,281,218	147,374
Guarantees on duties and contracts	10,943,240	370,204	12,081,454	415,885
Total	\$442,813,249	\$14,980,150	\$379,497,885	\$13,063,611

Off balance sheet items	Maximum exposure to credit risk			
	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$61,812,945	\$2,110,377	\$51,897,159	\$1,714,475
Credit card commitments	323,128,427	11,032,039	316,507,785	10,456,154
Unused commercial letters of credit	4,682,464	159,866	4,308,561	142,338
Guarantees on duties and contracts	12,537,471	428,046	13,245,165	437,567
Total	\$402,161,307	\$13,730,328	\$385,958,670	\$12,750,534

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B. Indovina Bank

Off balance sheet items	Maximum exposure to credit risk			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$560,694	\$18,968	\$852,596	\$29,349
Unused commercial letters of credit	1,222,438	41,354	652,199	22,451
Total	\$1,783,132	\$60,322	\$1,504,795	\$51,800

Off balance sheet items	Maximum exposure to credit risk			
	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$1,948,017	\$66,508	\$643,612	\$21,262
Unused commercial letters of credit	188,663	6,441	1,169,380	38,632
Total	\$2,136,680	\$72,949	\$1,812,992	\$59,894

C. SBC Bank

Off balance sheet items	Maximum exposure to credit risk			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$8,159	\$276	\$13,760	\$474
Irrevocable loan commitments	152,754	5,168	126,149	4,342
Credit card commitments	196,530	6,649	190,931	6,572
Unused commercial letters of credit	15,194	514	20,350	701
Total	\$372,637	\$12,607	\$351,190	\$12,089

The management deems the Bank and its subsidiaries are able to control and minimize the credit risk exposures in off-balance-sheet items as the Bank and its subsidiaries use more strict rating procedures when extending credits and conduct reviews regularly.

(5) Credit risk concentration of the Bank and its subsidiaries

While the counterparties are obviously the same party, or there are several counterparties but all engage in similar business activities and share similar economic characteristics, so they are vulnerable to the same economic impacts or other changes, the credit risk concentration is apparent.

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Credit risk concentration of the Bank and its subsidiaries derives from the assets, liabilities and off-balance-sheet items, and arise from performing obligations or engaging in transactions or cross-line portfolio of risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. The Bank and its subsidiaries do not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty accounted for the Bank's total bills discounts and loans and overdue receivables is not significant. Discounts and loans, guarantees, bills purchased, and acceptances receivable of the Bank and its subsidiaries according to industry, country and collateral are listed below:

Item	2013.9.30			2012.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$106,813,701	\$3,613,454	10.69	\$125,610,955	\$4,323,957	12.20
Financial institutions						
and insurance	30,918,493	1,045,957	3.10	29,912,516	1,029,691	2.90
Leasing and real estate	82,560,100	2,792,967	8.26	83,834,530	2,885,870	8.14
Individuals	476,690,324	16,126,195	47.72	492,107,196	16,940,007	47.77
Others	301,969,312	10,215,471	30.23	298,671,240	10,281,282	28.99
Total	\$998,951,930	\$33,794,044	100.00	\$1,030,136,437	\$35,460,807	100.00

Item	2012.9.30			2012.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$134,812,881	\$4,602,693	13.34	\$138,134,019	\$4,563,397	13.47
Financial institutions						
and insurance	34,453,700	1,176,296	3.41	31,290,029	1,033,698	3.05
Leasing and real estate	87,749,248	2,995,877	8.69	90,742,485	2,997,769	8.85
Individuals	496,202,986	16,941,038	49.12	484,825,562	16,016,702	47.26
Others	256,964,139	8,773,101	25.44	280,810,821	9,276,869	27.37
Total	\$1,010,182,954	\$34,489,005	100.00	\$1,025,802,916	\$33,888,435	100.00

Item	2013.9.30			2012.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$842,336,479	\$28,495,821	84.32	\$876,857,476	\$30,184,423	85.12
Asia	74,589,395	2,523,322	7.47	69,497,214	2,392,331	6.75
America	22,594,150	764,349	2.26	22,560,687	776,616	2.19
Others	59,431,906	2,010,552	5.95	61,221,060	2,107,437	5.94
Total	\$998,951,930	\$33,794,044	100.00	\$1,030,136,437	\$35,460,807	100.00

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Item	2012.9.30			2012.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$871,853,293	\$29,766,244	86.31	\$891,970,478	\$29,467,145	86.95
Asia	59,170,506	2,020,161	5.86	44,761,460	1,478,740	4.37
America	22,692,214	774,743	2.24	15,206,114	502,350	1.48
Others	56,466,941	1,927,857	5.59	73,864,864	2,440,200	7.20
Total	\$1,010,182,954	\$34,489,005	100.00	\$1,025,802,916	\$33,888,435	100.00

(6) Credit quality analysis of the financial assets

Some of the financial assets held by the Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit and loss, securities purchased under agreements to resell, refundable deposits, operating deposits and settlement fund, are excluded from this analysis since the counterparty is normally with good credit quality and is considered as low credit risk.

In addition to all of the above, the credit quality analysis of the financial assets was shown as follows:

A. Credit quality analysis to loans and receivables of the Bank

2013.9.30 (NT\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$29,378,917	\$6,112,437	\$2,896,035	\$38,387,389	\$121,600	\$138,904	\$38,647,893	\$115,354	\$1,621,185	\$36,911,354
Others	41,559,307	3,987,286	146,522	45,693,115	4,283	58,395	45,755,793	19,860	179,918	45,556,015
Discounts and loans	645,469,851	253,284,068	40,986,824	939,740,743	614,158	28,418,339	968,773,240	4,891,798	9,601,773	954,279,669

2013.9.30 (US\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$993,874	\$206,781	\$97,971	\$1,298,626	\$4,114	\$4,699	\$1,307,439	\$3,902	\$54,844	\$1,248,693
Others	1,405,930	134,888	4,957	1,545,775	145	1,976	1,547,896	672	6,086	1,541,138
Discounts and loans	21,835,922	8,568,473	1,386,564	31,790,959	20,776	961,378	32,773,113	165,487	324,823	32,282,803

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	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
2012.12.31 (NT\$)										
Receivables										
Credit card										
business	\$26,857,133	\$6,221,934	\$2,874,072	\$35,953,139	\$111,701	\$127,992	\$36,192,832	\$108,337	\$1,798,623	\$34,285,872
Others	15,398,473	1,046,175	47,366	16,492,014	5,871	49,694	16,547,579	7,801	91,694	16,448,084
Discounts and loans	670,693,846	255,821,555	44,369,776	970,885,177	816,751	26,753,925	998,455,853	3,838,785	9,198,147	985,418,921

	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
2012.12.31 (US\$)										
Receivables										
Credit card										
business	\$924,514	\$214,180	\$98,936	\$1,237,630	\$3,845	\$4,406	\$1,245,881	\$3,729	\$61,915	\$1,180,237
Others	530,068	36,013	1,630	567,711	202	1,711	569,624	269	3,156	566,199
Discounts and loans	23,087,568	8,806,250	1,527,359	33,421,177	28,115	920,961	34,370,253	132,144	316,632	33,921,477

	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
2012.9.30 (NT\$)										
Receivables										
Credit card										
business	\$26,432,032	\$6,283,157	\$2,915,928	\$35,631,117	\$111,383	\$118,711	\$35,861,211	\$100,747	\$1,835,863	\$33,924,601
Others	11,826,350	2,628,283	70,686	14,525,319	6,806	55,472	14,587,597	9,348	69,129	14,509,120
Discounts and loans	638,715,099	272,408,085	42,218,474	952,341,658	1,031,684	26,888,640	980,261,982	4,179,842	7,188,282	968,893,858

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	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
2012.9.30 (US\$)										
Receivables										
Credit card business	\$902,425	\$214,515	\$99,554	\$1,216,494	\$3,803	\$4,053	\$1,224,350	\$3,440	\$62,679	\$1,158,231
Others	403,768	89,733	2,413	495,914	232	1,894	498,040	319	2,360	495,361
Discounts and loans	21,806,593	9,300,378	1,407,254	32,514,225	35,223	918,014	33,467,462	142,705	245,418	33,079,339

	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
2012.1.1 (NT\$)										
Receivables										
Credit card business	\$24,972,407	\$6,686,738	\$3,229,365	\$34,888,510	\$111,061	\$140,798	\$35,140,369	\$122,260	\$2,538,626	\$32,479,483
Others	10,926,713	2,128,310	97,277	13,152,300	6,987	35,839	13,195,126	7,600	86,025	13,101,501
Discounts and loans	683,187,435	234,443,058	58,306,958	975,937,451	976,060	15,628,820	992,542,331	3,059,807	6,247,744	983,234,780

	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
2012.1.1 (US\$)										
Receivables										
Credit card business	\$824,989	\$220,903	\$106,685	\$1,152,577	\$3,669	\$4,652	\$1,160,898	\$4,039	\$83,866	\$1,072,993
Others	360,975	70,311	3,214	434,500	231	1,184	435,915	251	2,842	432,822
Discounts and loans	22,569,787	7,745,063	1,926,229	32,241,079	32,245	516,314	32,789,638	101,084	206,401	32,482,153

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B. The credit quality analysis on neither past due nor impaired discounts and loans

2013.9.30	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$204,598,781	\$6,921,474	\$47,219,583	\$1,597,415	\$8,821,848	\$298,439	\$260,640,212	\$8,817,328
Unsecured								
personal loans	7,914,511	267,744	3,699,980	125,168	1,158,094	39,178	12,772,585	432,090
Other	115,927,862	3,921,781	36,281,144	1,227,373	6,220,931	210,451	158,429,937	5,359,605
Corporate banking								
Secured	116,730,478	3,948,934	76,092,223	2,574,162	19,948,463	674,846	212,771,164	7,197,942
Unsecured	200,298,219	6,775,989	89,991,138	3,044,355	4,837,488	163,650	295,126,845	9,983,994
Total	\$645,469,851	\$21,835,922	\$253,284,068	\$8,568,473	\$40,986,824	\$1,386,564	\$939,740,743	\$31,790,959

2012.12.31	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$210,365,875	\$7,241,510	\$57,522,974	\$1,980,137	\$11,752,064	\$404,546	\$279,640,913	\$9,626,193
Unsecured								
personal loans	5,023,910	172,940	2,625,973	90,395	1,097,468	37,779	8,747,351	301,114
Other	142,126,809	4,892,489	38,303,966	1,318,553	7,442,926	256,211	187,873,701	6,467,253
Corporate banking								
Secured	119,997,846	4,130,735	78,926,054	2,716,904	17,549,751	604,122	216,473,651	7,451,761
Unsecured	193,179,406	6,649,894	78,442,588	2,700,261	6,527,567	224,701	278,149,561	9,574,856
Total	\$670,693,846	\$23,087,568	\$255,821,555	\$8,806,250	\$44,369,776	\$1,527,359	\$970,885,177	\$33,421,177

2012.9.30	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$210,913,016	\$7,200,854	\$61,779,941	\$2,109,250	\$11,852,076	\$404,646	\$284,545,033	\$9,714,750
Unsecured								
personal loans	4,894,241	167,096	2,357,245	80,480	991,410	33,848	8,242,896	281,424
Other	147,449,343	5,034,119	39,140,313	1,336,303	7,092,838	242,159	193,682,494	6,612,581
Corporate banking								
Secured	108,775,676	3,713,748	92,133,435	3,145,559	13,356,319	456,003	214,265,430	7,315,310
Unsecured	166,682,823	5,690,776	76,997,151	2,628,786	7,925,831	270,598	251,605,805	8,590,160
Total	\$638,715,099	\$21,806,593	\$272,408,085	\$9,300,378	\$41,218,474	\$1,407,254	\$952,341,658	\$32,514,225

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2012.1.1	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$207,094,380	\$6,841,572	\$66,179,715	\$2,186,313	\$15,177,100	\$501,391	\$288,451,195	\$9,529,276
Unsecured								
personal loans	3,394,782	112,150	2,455,049	81,105	1,076,075	35,549	6,925,906	228,804
Other	106,414,451	3,515,509	35,962,558	1,188,060	8,015,814	264,810	150,392,823	4,968,379
Corporate banking								
Secured	139,020,781	4,592,692	58,924,067	1,946,616	22,981,734	759,225	220,926,582	7,298,533
Unsecured	227,263,041	7,507,864	70,921,669	2,342,969	11,056,235	365,254	309,240,945	10,216,087
Total	\$683,187,435	\$22,569,787	\$234,443,058	\$7,745,063	\$58,306,958	\$1,926,229	\$975,937,451	\$32,241,079

C. Credit quality analysis on securities investment

2013.9.30 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$47,154,525	\$2,435,489	\$49,590,014	\$-	\$-	\$49,590,014	\$-	\$49,590,014
Stocks	5,306,299	8,526,913	13,833,212	-	189,052	14,022,264	189,052	13,833,212
Others	165,611	227,065	392,676	-	-	392,676	-	392,676
Held-to-maturity financial assets								
Bonds	47,719,346	588,736	48,308,082	-	-	48,308,082	-	48,308,082
Investments in debt securities								
with no active market								
Bonds	7,085,995	469,790	7,555,785	-	1,195,733	8,751,518	1,195,733	7,555,785
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	385,000,000	-	385,000,000	-	-	385,000,000	-	385,000,000

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2013.9.30 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$1,595,214	\$82,391	\$1,677,605	\$-	\$-	\$1,677,605	\$-	\$1,677,605
Stocks	179,509	288,461	467,970	-	6,396	474,366	6,396	467,970
Others	5,603	7,681	13,284	-	-	13,284	-	13,284
Held-to-maturity financial assets								
Bonds	1,614,321	19,917	1,634,238	-	-	1,634,238	-	1,634,238
Investments in debt securities with no active market								
Bonds	239,716	15,893	255,609	-	40,451	296,060	40,451	255,609
Preferred Stocks	-	18,597	18,597	-	-	18,597	-	18,597
Others	13,024,357	-	13,024,357	-	-	13,024,357	-	13,024,357

2012.12.31 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$48,134,737	\$2,029,777	\$50,164,514	\$-	\$-	\$50,164,514	\$-	\$50,164,514
Stocks	4,542,271	6,709,298	11,251,569	-	438,311	11,689,880	438,311	11,251,569
Others	-	1,770,324	1,770,324	-	-	1,770,324	-	1,770,324
Held-to-maturity financial assets								
Bonds	19,965,414	577,456	20,542,870	-	-	20,542,870	-	20,542,870
Investments in debt securities with no active market								
Bonds	12,637,782	756,057	13,393,839	-	1,273,827	14,667,666	1,273,733	13,393,933
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	410,100,000	-	410,100,000	-	-	410,100,000	-	410,100,000

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2012.12.31 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$1,656,962	\$69,872	\$1,726,834	\$-	\$-	\$1,726,834	\$-	\$1,726,834
Stocks	156,360	230,957	387,317	-	15,088	402,405	15,088	387,317
Others	-	60,941	60,941	-	-	60,941	-	60,941
Held-to-maturity financial assets								
Bonds	687,278	19,878	707,156	-	-	707,156	-	707,156
Investments in debt securities with no active market								
Bonds	435,036	26,026	461,062	-	43,849	504,911	43,846	461,065
Preferred Stocks	-	18,923	18,923	-	-	18,923	-	18,923
Others	14,117,040	-	14,117,040	-	-	14,117,040	-	14,117,040

2012.9.30 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$45,779,083	\$2,007,504	\$47,786,587	\$-	\$-	\$47,786,587	\$-	\$47,786,587
Stocks	7,874,293	5,535,983	13,410,276	-	383,512	13,793,788	383,512	13,410,276
Others	-	1,131,226	1,131,226	-	-	1,131,226	-	1,131,226
Held-to-maturity financial assets								
Bonds	20,179,467	581,289	20,760,756	-	-	20,760,756	-	20,760,756
Investments in debt securities with no active market								
Bonds	16,060,025	688,522	16,748,547	-	1,582,435	18,330,982	1,582,281	16,748,701
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	436,450,000	-	436,450,000	-	-	436,450,000	-	436,450,000

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2012.9.30 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$1,562,959	\$68,539	\$1,631,498	\$-	\$-	\$1,631,498	\$-	\$1,631,498
Stocks	268,839	189,006	457,845	-	13,094	470,939	13,094	457,845
Others	-	38,622	38,622	-	-	38,622	-	38,622
Held-to-maturity financial assets								
Bonds	688,954	19,846	708,800	-	-	708,800	-	708,800
Investments in debt securities with no active market								
Bonds	548,311	23,507	571,818	-	54,026	625,844	54,021	571,823
Preferred Stocks	-	18,769	18,769	-	-	18,769	-	18,769
Others	14,900,990	-	14,900,990	-	-	14,900,990	-	14,900,990

2012.1.1 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$37,471,680	\$1,560,900	\$39,032,580	\$-	\$-	\$39,032,580	\$-	\$39,032,580
Stocks	6,765,923	-	6,765,923	-	-	6,765,923	-	6,765,923
Others	-	1,524,130	1,524,130	-	-	1,524,130	-	1,524,130
Held-to-maturity financial assets								
Bonds	18,176,146	-	18,176,146	-	-	18,176,146	-	18,176,146
Investments in debt securities with no active market								
Bonds	15,874,513	1,365,792	17,240,305	-	1,547,815	18,788,120	1,547,584	17,240,536
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	407,350,000	-	407,350,000	-	-	407,350,000	-	407,350,000

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2012.1.1 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$1,237,915	\$51,566	\$1,289,481	\$-	\$-	\$1,289,481	\$-	\$1,289,481
Stocks	223,519	-	223,519	-	-	223,519	-	223,519
Others	-	50,351	50,351	-	-	50,351	-	50,351
Held-to-maturity financial assets								
Bonds	600,467	-	600,467	-	-	600,467	-	600,467
Investments in debt securities with no active market								
Bonds	524,431	45,120	569,551	-	51,134	620,685	51,126	569,559
Preferred Stocks	-	18,161	18,161	-	-	18,161	-	18,161
Others	13,457,218	-	13,457,218	-	-	13,457,218	-	13,457,218

D. Aging analysis on past due but not impaired financial assets of the Bank

Past due but not impaired loans might result from some temporary administration reasons so the customers is in the early stages of delinquency but no actual impairment has occurred yet. Unless there is other objective evidence shown otherwise, according to internal credit risk assets impairment evaluation guideline, a loan that is past due for no more than 30 days is typically not to be treated as impairment.

2013.9.30	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$65,874	\$2,229	\$55,726	\$1,885	\$121,600	\$4,114
Others	3,242	110	1,041	35	4,283	145
Discounts and loans						
Consumer banking						
Residential mortgage loans	235,874	7,979	64,783	2,192	300,657	10,171
Unsecured personal loans	7,973	270	3,711	125	11,684	395
Others	157,787	5,338	52,306	1,769	210,093	7,107
Corporate banking						
Secured	71,834	2,430	-	-	71,834	2,430
Unsecured	19,890	673	-	-	19,890	673

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2012.12.31	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$67,641	\$2,328	\$44,060	\$1,517	\$111,701	\$3,845
Others	4,123	142	1,748	60	5,871	202
Discounts and loans						
Consumer banking						
Residential mortgage loans	375,157	12,914	92,963	3,200	468,120	16,114
Unsecured personal loans	6,895	237	3,132	108	10,027	345
Others	239,662	8,250	94,270	3,245	333,932	11,495
Corporate banking						
Secured	3,216	111	-	-	3,216	111
Unsecured	1,456	50	-	-	1,456	50
<hr/>						
2012.9.30	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$68,737	\$2,347	\$42,646	\$1,456	\$111,383	\$3,803
Others	4,753	162	2,053	70	6,806	232
Discounts and loans						
Consumer banking						
Residential mortgage loans	433,307	14,794	114,151	3,897	547,458	18,691
Unsecured personal loans	5,542	189	3,148	107	8,690	296
Others	281,209	9,601	105,360	3,597	386,569	13,198
Corporate banking						
Secured	20,000	683	-	-	20,000	683
Unsecured	68,967	2,355	-	-	68,967	2,355
<hr/>						
2012.1.1	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$68,540	\$2,264	\$42,521	\$1,405	\$111,061	\$3,669
Others	4,788	158	2,199	73	6,987	231
Discounts and loans						
Consumer banking						
Residential mortgage loans	400,535	13,232	141,421	4,672	541,956	17,904
Unsecured personal loans	5,005	165	2,366	78	7,371	243
Others	335,722	11,091	87,666	2,896	423,388	13,987
Corporate banking						
Secured	3,345	111	-	-	3,345	111
Unsecured						

(7) Impairment analysis of financial assets

A. The Bank has recognized accumulated impairment loss for available-for-sale financial assets in the amount of NT\$189,052 (US\$6,396), NT\$438,311 (US\$15,088) and NT\$383,512 (US\$13,094) as of 30 September 2013, 31 December 2012 and 30 September 2012, respectively, due to the existence of objective impairment evidence.

B. The Bank has recognized accumulated impairment loss for investments in debt securities with no active market in the amount of NT\$1,100,147 (US\$37,217), NT\$1,167,518 (US\$40,190), NT\$1,469,192 (US\$50,160) and NT\$1,425,790 (US\$47,102) as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively, due to credit deterioration of securitization products and financial debentures.

The Bank has recognized accumulated impairment loss for investment in debt securities with no active market in the amount of NT\$95,586 (US\$3,234), NT\$106,215 (US\$3,656), NT\$113,089 (US\$3,861), and NT\$121,794 (US\$4,024) as of 30 September 2013, 31 December 2012, 30 September 2012, 1 January 2012, respectively, due to the default on the convertible bonds.

C. The Bank's impairment assessment of discounts and loans and receivables, please refer to Notes VI.5 and Notes VI.6.

D. Foreclosed properties management policy

Foreclosed properties of the Bank were land and buildings. As of 30 September 2013, 31 December 2012, 30 September 2012 and January 1 2012, the carrying amounts were NT\$29,311 (US\$992), NT\$29,311 (US\$1,009), NT\$29,311 (US\$1,001) and NT\$35,170 (US\$1,162), respectively, and were made provisioning for impairment at the end of financial reporting period.

The carrying amount of foreclosed properties in SBC Bank was NT\$88,847 (US\$3,006) at 30 September 2013.

Foreclosed properties will be sold when are available to sell. The proceeds are used to reduce or repay the outstanding claim. Foreclosed properties are classified under other assets in the consolidated balance sheets.

5. Liquidity risk

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations.

Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds the Bank and its subsidiaries believe they can generate within that period. As part of our liquidity risk management, the Bank and its subsidiaries focus on a number of components, including tapping available sources of liquidity, preserving necessary funds at reasonable cost and continuous contingency planning.

(1) Analysis of financial assets and non-derivative financial liabilities by remaining contractual maturities

A. Financial assets were held to manage liquidity risk

The Bank holds highly marketable and diverse financial assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets were held to manage liquidity risk including cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit and loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets and investments in debt securities with no active market.

B. Maturity analysis of non-derivative financial liabilities

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

2013.9.30 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$26,514,316	\$8,709,281	\$4,560,994	\$4,562,118	\$44,346,709
Funds borrowed from Central Bank and other banks	1,483,593	-	-	-	1,483,593
Securities sold under agreements to repurchase	53,021,448	2,886,521	-	-	55,907,969
Payables	4,891,412	1,076,867	3,612,055	2,148,466	11,728,800
Deposits and remittances	310,440,413	645,092,376	552,495,586	63,582,048	1,571,610,423
Financial debentures payable	-	-	-	52,021,103	52,021,103
Other capital outflow at maturity	11,024,461	12,240,746	3,547,804	1,789,857	28,602,868

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2013.9.30 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$896,966	\$294,631	\$154,296	\$154,334	\$1,500,227
Funds borrowed from Central Bank and other banks	50,189	-	-	-	50,189
Securities sold under agreements to repurchase	1,793,689	97,650	-	-	1,891,339
Payables	165,474	36,430	122,194	72,681	396,779
Deposits and remittances	10,502,044	21,823,152	18,690,649	2,150,949	53,166,794
Financial debentures payable	-	-	-	1,759,848	1,759,848
Other capital outflow at maturity	372,952	414,098	120,021	60,550	967,621

2012.12.31 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$25,883,672	\$12,422,707	\$13,630,818	\$109,750	\$52,046,947
Funds borrowed from Central Bank and other banks	-	1,456,954	-	-	1,456,954
Securities sold under agreements to repurchase	17,597,555	2,777,732	-	-	20,375,287
Payables	14,818,499	951,629	1,032,113	2,064,225	18,866,466
Deposits and remittances	360,040,039	590,081,222	515,784,166	56,739,824	1,522,645,251
Financial debentures payable	-	-	-	41,699,146	41,699,146
Other capital outflow at maturity	3,722,458	4,336,869	-	9,393,224	17,452,551

2012.12.31 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$891,004	\$427,632	\$469,219	\$3,778	\$1,791,633
Funds borrowed from Central Bank and other banks	-	50,153	-	-	50,153
Securities sold under agreements to repurchase	605,768	95,619	-	-	701,387
Payables	510,103	32,758	35,529	71,058	649,448
Deposits and remittances	12,393,805	20,312,607	17,755,049	1,953,178	52,414,639
Financial debentures payable	-	-	-	1,435,427	1,435,427
Other capital outflow at maturity	128,139	149,290	-	323,347	600,776

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2012.9.30 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$45,389,176	\$15,325,574	\$5,926,951	\$71,936	\$66,713,637
Funds borrowed from Central Bank and other banks	1,467,274	-	-	-	1,467,274
Securities sold under agreements to repurchase	18,110,275	2,032,267	-	-	20,142,542
Payables	12,552,189	3,558,444	956,089	1,912,178	18,978,900
Deposits and remittances	369,885,133	630,705,032	462,511,318	55,249,461	1,518,350,944
Financial debentures payable	-	-	-	41,858,818	41,858,818
Other capital outflow at maturity	5,904,723	4,335,606	-	9,406,120	19,646,449

2012.9.30 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$1,549,647	\$523,236	\$202,354	\$2,456	\$2,277,693
Funds borrowed from Central Bank and other banks	50,095	-	-	-	50,095
Securities sold under agreements to repurchase	618,309	69,384	-	-	687,693
Payables	428,549	121,490	32,642	65,284	647,965
Deposits and remittances	12,628,376	21,533,118	15,790,759	1,886,291	51,838,544
Financial debentures payable	-	-	-	1,429,116	1,429,116
Other capital outflow at maturity	201,595	148,023	-	321,138	670,756

2012.1.1 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$28,718,209	\$16,451,519	\$8,720,496	\$64,302	\$53,954,526
Funds borrowed from Central Bank and other banks	1,514,762	-	-	-	1,514,762
Securities sold under agreements to repurchase	1,878,764	11,669,969	-	-	13,548,733
Payables	13,823,700	907,002	988,985	1,977,971	17,697,658
Deposits and remittances	333,395,392	604,141,166	486,545,814	47,182,336	1,471,264,708
Financial debentures payable	-	-	-	31,981,003	31,981,003
Other capital outflow at maturity	3,479,447	1,550,810	-	5,594,762	10,625,019

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2012.1.1 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$948,735	\$543,493	\$288,090	\$2,124	\$1,782,442
Funds borrowed from Central Bank and other banks	50,042	-	-	-	50,042
Securities sold under agreements to repurchase	62,067	385,529	-	-	447,596
Payables	456,680	29,964	32,672	65,344	584,660
Deposits and remittances	11,014,054	19,958,413	16,073,532	1,558,716	48,604,715
Financial debentures payable	-	-	-	1,056,525	1,056,525
Other capital outflow at maturity	114,947	51,232	-	184,829	351,008

(2) Maturity analysis of derivative financial liabilities

A. Net settled derivative financial instruments

Net settled derivatives engaged by the Bank include:

- (a) Foreign exchange derivative instruments: foreign exchange options, non-delivery forwards;
- (b) Interest rate derivative instruments: swaptions, net settled interest rate swaps and other interest rate agreements.

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

2013.9.30 (NT\$)	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	\$133,969	\$455,095	\$223,584	\$496	\$813,144
- Interest rate derivative instruments	163	10,674	59,669	2,959,410	3,029,916
Total	\$134,132	\$465,769	\$283,253	\$2,959,906	\$3,843,060

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2013.9.30 (US\$)	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	\$4,532	\$15,396	\$7,563	\$17	\$27,508
- Interest rate derivative instruments	6	361	2,019	100,115	102,501
Total	\$4,538	\$15,757	\$9,582	\$100,132	\$130,009

2012.12.31 (NT\$)	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	\$57,407	\$127,037	\$103,663	\$(1,353)	\$286,754
- Interest rate derivative instruments	11,759	50,023	37,435	1,240,323	1,339,540
Total	\$69,166	\$177,060	\$141,098	\$1,238,970	\$1,626,294

2012.12.31 (US\$)	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	\$1,976	\$4,373	\$3,568	\$(46)	\$9,871
- Interest rate derivative instruments	405	1,722	1,289	42,696	46,112
Total	\$2,381	\$6,095	\$4,857	\$42,650	\$55,983

2012.9.30 (NT\$)	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	\$112,785	\$90,730	\$23,400	\$1,738	\$228,653
- Interest rate derivative instruments	8,567	47,338	106,708	1,395,007	1,557,620
Total	\$121,352	\$138,068	\$130,108	\$1,396,745	\$1,786,273

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2012.9.30 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$3,851	\$3,098	\$799	\$59	\$7,807
- Interest rate derivative instruments	292	1,616	3,643	47,628	53,179
Total	\$4,143	\$4,714	\$4,442	\$47,687	\$60,986

2012.1.1 (NT\$)	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	\$33,407	\$52,531	\$2,470	\$-	\$88,408
- Interest rate derivative instruments	4,829	94,881	185,159	1,237,790	1,522,659
Total	\$38,236	\$147,412	\$187,629	\$1,237,790	\$1,611,067

2012.1.1 (US\$)	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	\$1,104	\$1,736	\$81	\$-	\$2,921
- Interest rate derivative instruments	159	3,134	6,117	40,892	50,302
Total	\$1,263	\$4,870	\$6,198	\$40,892	\$53,223

B. Maturity analysis of gross settled derivative financial instruments

Gross settled derivatives engaged by the Bank include:

- (a) Foreign exchange derivative instruments: currency futures and swaps;
- (b) Interest rate derivative instruments: cross currency swaps;
- (c) Credit derivative instruments: all derivatives shown in gross pay a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of such a credit event.

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The contract maturity date is the basic element to understand the Bank's gross settled derivative instruments as at balance sheet dates. Maturity analysis of gross settled derivative financial liabilities was as follows:

2013.9.30 (NT\$)	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	\$(893,266)	\$(1,080,673)	\$172,071	\$8,430	\$(1,793,438)
-Cash inflow	58,073	94,971	192,036	188,420	533,500
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	(1,308)	(93,849)	(142,337)	(59,548)	(297,042)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(894,574)	(1,174,522)	29,734	(51,118)	(2,090,480)
Cash inflow subtotal	58,073	94,971	192,036	188,420	533,500
Net cash flow	\$(836,501)	\$(1,079,551)	\$221,770	\$137,302	\$(1,556,980)

2013.9.30 (US\$)	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	\$(30,219)	\$(36,558)	\$5,821	\$285	\$(60,671)
-Cash inflow	1,965	3,213	6,496	6,374	18,048
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	(44)	(3,175)	(4,815)	(2,015)	(10,049)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(30,263)	(39,733)	1,006	(1,730)	(70,720)
Cash inflow subtotal	1,965	3,213	6,496	6,374	18,048
Net cash flow	\$(28,298)	\$(36,521)	\$7,502	\$4,645	\$(52,672)

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2012.12.31 (NT\$)	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	\$(1,029,082)	\$(1,271,583)	\$(273,293)	\$(242,322)	\$(2,816,280)
-Cash inflow	77,581	223,841	180,734	19,235	501,391
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(19,228)	(35,377)	(178,560)	(233,165)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,029,082)	(1,290,811)	(308,670)	(420,882)	(3,049,445)
Cash inflow subtotal	77,581	223,841	180,734	19,235	501,391
Net cash flow	\$(951,501)	\$(1,066,970)	\$(127,936)	\$(401,647)	\$(2,548,054)

2012.12.31 (US\$)	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	\$(35,425)	\$(43,772)	\$(9,407)	\$(8,342)	\$(96,946)
-Cash inflow	2,671	7,705	6,221	662	17,259
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(662)	(1,218)	(6,146)	(8,027)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(35,425)	(44,434)	(10,625)	(14,488)	(104,972)
Cash inflow subtotal	2,671	7,705	6,221	662	17,259
Net cash flow	\$(32,754)	\$(36,729)	\$(4,404)	\$(13,826)	\$(87,713)

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2012.9.30 (NT\$)	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	\$(1,556,735)	\$(1,738,504)	\$(240,458)	\$(152,802)	\$(3,688,499)
-Cash inflow	77,785	671,836	112,429	8,941	870,991
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	(56,539)	(242,423)	(298,962)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,556,735)	(1,738,504)	(296,997)	(395,225)	(3,987,461)
Cash inflow subtotal	77,785	671,836	112,429	8,941	870,991
Net cash flow	\$(1,478,950)	\$(1,066,668)	\$(184,568)	\$(386,284)	\$(3,116,470)

2012.9.30 (US\$)	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	\$(53,149)	\$(59,355)	\$(8,210)	\$(5,216)	\$(125,930)
-Cash inflow	2,656	22,937	3,839	305	29,737
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	(1,930)	(8,277)	(10,207)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(53,149)	(59,355)	(10,140)	(13,493)	(136,137)
Cash inflow subtotal	2,656	22,937	3,839	305	29,737
Net cash flow	\$(50,493)	\$(36,418)	\$(6,301)	\$(13,188)	\$(106,400)

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2012.1.1 (NT\$)	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	\$(308,472)	\$(562,531)	\$(100,903)	\$(418)	\$(972,324)
-Cash inflow	50,663	8,095	1,886	-	60,644
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	-	(303,957)	(303,957)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(308,472)	(562,531)	(100,903)	(304,375)	(1,276,281)
Cash inflow subtotal	50,663	8,095	1,886	-	60,644
Net cash flow	\$(257,809)	\$(554,436)	\$(99,017)	\$(304,375)	\$(1,215,637)

2012.1.1 (US\$)	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	\$(10,191)	\$(18,584)	\$(3,333)	\$(14)	\$(32,122)
-Cash inflow	1,674	267	62	-	2,003
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	-	(10,041)	(10,041)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(10,191)	(18,584)	(3,333)	(10,055)	(42,163)
Cash inflow subtotal	1,674	267	62	-	2,003
Net cash flow	\$(8,517)	\$(18,317)	\$(3,271)	\$(10,055)	\$(40,160)

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(3) Maturity analysis of off-balance sheet items

A. Irrevocable commitments include irrevocable loan commitments and credit card commitments.

B. Financial guarantee contracts: the Bank acts as a guarantor or an issuer of credit line in a financing guarantee agreement.

C. Leasing commitments: the Bank acts as a lessor/lessee in an irrevocable operating lease agreement and the minimum lease payments are shown as follows:

	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
2013.9.30								
Irrevocable								
commitments	\$49,497,658	\$1,674,481	\$92,944,172	\$3,144,255	\$285,295,483	\$9,651,403	\$427,737,313	\$14,470,139
Financial guarantee								
contracts	14,285,974	483,287	777,847	26,314	12,115	410	15,075,936	510,011
Leasing commitments								
Non-cancellable								
operating lease								
payments	407,362	13,781	532,968	18,030	44,237	1,497	984,567	33,308
Non-cancellable								
operating lease								
receipts	168,764	5,709	176,726	5,979	-	-	345,490	11,688
Total	\$64,359,758	\$2,177,258	\$94,431,713	\$3,194,578	\$285,351,835	\$9,653,310	\$444,143,306	\$15,025,146

	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
2012.12.31								
Irrevocable								
commitments	\$58,419,184	\$2,010,987	\$136,578,962	\$4,701,514	\$168,137,067	\$5,787,851	\$363,135,213	\$12,500,352
Financial guarantee								
contracts	15,532,327	534,676	821,920	28,293	8,425	290	16,362,672	563,259
Leasing commitments								
Non-cancellable								
operating lease								
payments	553,733	19,061	553,135	19,041	-	-	1,106,868	38,102
Non-cancellable								
operating lease								
receipts	16,488	568	378,942	13,044	-	-	395,430	13,612
Total	\$74,521,732	\$2,565,292	\$138,332,959	\$4,761,892	\$168,145,492	\$5,788,141	\$381,000,183	\$13,115,325

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2012.9.30	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable								
commitments	\$70,267,785	\$2,399,037	\$137,305,476	\$4,687,793	\$177,368,111	\$6,055,586	\$384,941,372	\$13,142,416
Financial guarantee								
contracts	16,298,269	556,445	917,569	31,327	4,097	140	17,219,935	587,912
Leasing commitments								
Non-cancellable								
operating lease								
payments	449,992	15,363	482,919	16,488	20,748	708	953,659	32,559
Non-cancellable								
operating lease								
receipts	10,555	360	402,973	13,758	-	-	413,528	14,118
Total	\$87,026,601	\$2,971,205	\$139,108,937	\$4,749,366	\$177,392,956	\$6,056,434	\$403,528,494	13,777,005

2012.1.1	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable								
commitments	\$77,473,704	\$2,559,422	\$128,265,893	\$4,237,393	\$162,665,347	\$5,373,814	\$368,404,944	\$12,170,629
Financial guarantee								
contracts	15,757,476	520,564	1,524,860	50,375	271,390	8,966	17,553,726	579,905
Leasing commitments								
Non-cancellable								
operating lease								
payments	824,175	27,228	652,680	21,562	-	-	1,476,855	48,790
Non-cancellable								
operating lease								
receipts	25,439	840	333,300	11,011	-	-	358,739	11,851
Total	\$94,080,794	\$3,108,054	\$130,776,733	\$4,320,341	\$162,936,737	\$5,382,780	\$387,794,264	\$12,811,175

6. Capital management

(1) Overview

A. The capital management objectives of the Bank and its subsidiaries are as follows:

- (a) The eligible capital of the Bank and its subsidiaries must conform to the regulatory capital requirements and achieve the minimum adequacy ratio. The calculation of the eligible capital and regulatory capital should follow the rules issued by the competent authority.

(b) To assure the Bank and its subsidiaries possess sufficient capital to assume various risk, the Bank and its subsidiaries assess required capital for the portfolios and characteristics of risk and execute risk management through capital allocation to realize optimization of resources.

(2) Capital management procedures

A. The Bank and its subsidiaries follow the guides and the spirit established by the Basel Committee on Banking Supervision, “The Banking Act of The Republic of China” and the local regulations governing the foreign operations to assess and monitor the capital adequacy ratio monthly. The information about capital adequacy ratio is reported to the competent authority quarterly.

B. The Bank and its subsidiaries maintain the BIS (Bank for International Settlement) capital adequacy ratio at 8%, the minimum standard set by the competent authority. To implement capital management, the Bank and its subsidiaries consider not only the business development but also the revised regulation from the competent authority, significant fund operation and capital increase plan to evaluate the capital adequacy ratio. To enhance internal monitor efficiency, the Bank established an early-warning mechanism to reduce the impact of significant event, to maintain the capital adequacy ratio and to ensure the integrity of the capital structures.

C. The risk management team is responsible for monitoring the regulatory capital of the Bank and its subsidiaries. The regulatory capital is divided into net Tier 1 Capital and net Tier 2 Capital listed as follows:

(a) Net Tier 1 Capital: The aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.

Net common equity tier 1 capital: Primarily consists of common equity minus intangibles assets (including goodwill), unamortized losses on sales of non-performing loans, deferred tax assets due to losses from the previous year and other statutory adjustments.

Net additional tier 1 capital: Consists of the aggregate amount of non-cumulative perpetual preferred stocks and non-cumulative perpetual subordinated debts, etc.

(b) Net tier 2 capital: Consists of cumulative perpetual preferred stocks, cumulative perpetual subordinated debts, revaluation increments, convertible bonds, operating reserves and allowance for uncollectible accounts.

D. According to “Regulations Governing the Capital Adequacy and Capital Category of Banks”, terms of risk-weighted assets are defined as follows:

(a) Total Risk-weighted Assets: The sum of the risk-weighted assets and the capital requirements for market risk and operational risk multiplied by 12.5. Those assets already deducted from the regulatory capital, however, shall be deducted from the total risk-weighted assets.

(b) Risk-weighted Assets for Credit Risk: The measurement of the risk of loss caused by the counterparty’s default. This risk measurement is expressed as the total of each of the bank’s transaction items on and off the balance sheet times a risk weight.

(c) The Capital Requirement for Market Risk: The capital required for assessed losses from the bank’s transaction items on and off the balance sheet arising from movements in market prices (interest rates, exchange rates, and stock prices, etc.).

(d) The Capital Requirement for Operational Risk: The capital required for the risk of loss resulting from inadequate or failed internal process, people and systems or external events.

(3) Regulatory capital ratio

Pursuant to of the Banking Act, the ratio of a bank’s eligible capital to its risk-weighted assets must not be lower than a certain ratio; if such ratio is lower than the prescribed ratio, the Bank’s ability to distribute cash earnings or repurchase its shares may be restricted by the regulatory.

As of 30 June 2013 and 2012, the ratio of the Bank and its subsidiaries’ eligible capital to its consolidated risk-weighted assets were 12.93% and 11.18%, respectively.

7. The assets and liabilities managed under the Bank’s trust in accordance with the Trust Enterprise Act

The assets and liabilities managed under the Bank’s trust were NT\$466,947,552 (US\$15,796,602), NT\$474,721,352 (US\$16,341,527), NT\$465,605,363 (US\$15,896,393) and NT\$480,674,739 (US\$15,879,575) as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively.

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8. Implementation of cross-selling marketing strategies implemented 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 Corp. The contracts cover joint use of operation sites and facilities as well as cross-selling marketing personnel. Remuneration apportionment and expenses allocation for cross-selling marketing personnel follow the “Cathay Financial Group Scope of Cross-selling Marketing and Rules for Reward”.

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

9. The significant portfolio of foreign currency financial assets and liabilities are as follows:

	2013.9.30			2012.12.31		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$5,723,857	29.6700	\$169,826,837	\$6,041,510	29.1360	\$176,025,435
HKD	3,058,024	3.8263	11,700,917	3,600,008	3.7586	13,530,990
CNY	1,008,389	4.8495	4,890,182	1,304,373	4.6794	6,103,683
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	7,134,919	29.6700	211,693,047	6,740,878	29.1360	196,402,221
CNY	3,928,026	4.8495	19,048,962	1,774,508	4.6794	8,303,633
AUD	366,378	27.6183	10,118,738	183,671	30.2650	5,558,803
	2012.9.30			2012.1.1		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$6,423,618	29.3420	\$188,481,799	\$5,841,400	30.2900	\$176,936,006
HKD	3,913,918	3.7841	14,810,657	3,476,868	3.8985	13,554,570
CNY	1,977,236	4.6560	9,206,011	582,973	4.8081	2,802,992
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	6,380,539	29.3420	187,217,775	5,556,337	30.2900	168,301,448
CNY	2,289,619	4.6560	10,660,466	697,862	4.8081	3,355,390
AUD	179,079	30.6492	5,488,628	161,431	30.7519	4,964,310

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XIII. Segment information

For management purposes, the Bank and its subsidiaries are organized into business units based on products and services and have four reportable segments as follows:

1. Corporate banking segment - syndication loans, large-sized loans, group loans and general loans, etc.
2. Retail banking segment - deposits and consumer loans, foreign exchange services, endorsement guarantees business, note discounting, disbursements and receipts, safe deposit boxes, credit card-related products, and trust business, etc.
3. Offshore banking segment - international banking department, offshore banking unit, overseas branches and representative office, etc.
4. Other segments - these parts contain the Bank's assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on operating profit or loss. Segments' accounting policies are the same as Notes IV mentioned above.

2013.7.1-2013.9.30	Corporate Banking		Retail Banking		Offshore Banking		Other Segment		Consolidated	
	Segment		Segment		Segment		Segment		Segment	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net interest income (from external customer)	\$1,605,746	\$54,321	\$1,058,006	\$35,792	\$2,122,751	\$71,812	\$738,807	\$24,993	\$5,525,310	\$186,918
Inter-segment revenues	\$(1,068,759)	\$(36,156)	\$2,647,120	\$89,551	\$(345,197)	\$(11,678)	\$(1,233,164)	\$(41,717)	\$-	\$-
Segment net income	\$658,072	\$22,262	\$2,741,678	\$92,750	\$1,882,834	\$63,695	\$(770,833)	\$(26,077)	\$4,511,751	\$152,630
Income tax expense									(554,235)	(18,749)
Net income after income taxes									\$3,957,516	\$133,881

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2012.7.1-2012.9.30	Corporate Banking		Retail Banking		Offshore Banking		Other Segment		Consolidated	
	Segment		Segment		Segment		Segment		Segment	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net interest income (from										
external customer)	\$1,843,123	\$62,927	\$1,098,735	\$37,512	\$1,750,031	\$59,749	\$801,213	\$27,354	\$5,493,102	\$187,542
Inter-segment revenues	\$(919,540)	\$(31,394)	\$2,178,436	\$74,374	\$(215,984)	\$(7,374)	\$(1,042,912)	\$(35,606)	\$-	\$-
Segment net income	\$703,353	\$24,013	\$2,062,150	\$70,405	\$1,295,521	\$44,231	\$313,973	\$10,719	\$4,374,997	\$149,368
Income tax expense									(533,868)	(18,227)
Net income after income taxes									\$3,841,129	\$131,141

2013.1.1-2013.9.30	Corporate Banking		Retail Banking		Offshore Banking		Other Segment		Consolidated	
	Segment		Segment		Segment		Segment		Segment	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net interest income (from										
external customer)	\$4,904,962	\$165,932	\$3,220,633	\$108,952	\$6,022,012	\$203,722	\$2,152,602	\$72,822	\$16,300,209	\$551,428
Inter-segment revenues	\$(3,091,736)	\$(104,592)	\$7,232,712	\$244,679	\$(818,355)	\$(27,685)	\$(3,322,621)	\$(112,402)	\$-	\$-
Segment net income	\$1,701,925	\$57,575	\$8,056,875	\$272,560	\$5,757,983	\$194,790	\$(1,986,123)	\$(67,190)	\$13,530,660	\$457,735
Income tax expense									(1,750,186)	(59,208)
Net income after income taxes									\$11,780,474	\$398,527

2012.1.1-2012.9.30	Corporate Banking		Retail Banking		Offshore Banking		Other Segment		Consolidated	
	Segment		Segment		Segment		Segment		Segment	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net interest income (from										
external customer)	\$5,561,966	\$189,893	\$3,109,376	\$106,158	\$4,768,377	\$162,799	\$2,556,701	\$87,289	\$15,996,420	\$546,139
Inter-segment revenues	\$(2,865,101)	\$(97,818)	\$6,365,848	\$217,338	\$(539,848)	\$(18,431)	\$(2,960,899)	\$(101,089)	\$-	\$-
Segment net income	\$2,139,214	\$73,036	\$7,330,298	\$250,266	\$4,388,324	\$149,823	\$(1,731,756)	\$(59,124)	\$12,126,080	\$414,001
Income tax expense									(1,474,980)	(50,358)
Net income after income taxes									\$10,651,100	\$363,643

Note:

1. No revenue from transactions with a single external customer amounted to 10% or more of the Bank and its subsidiaries' total revenue during the nine-month periods ended 30 September 2013 and 2012.

2. Operating segments' profit are measured at 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.
3. The Bank and its subsidiaries provide the average of deposits and loans to assess the performance, the disclosed measure amounts of assets and liabilities are zero.

XIV. First-time adoption of TIFRS

For all periods up to and including the year ended 31 December 2012, the Group prepared its financial statements in accordance with the generally accepted accounting principles in R.O.C. (R.O.C. GAAP). The consolidated financial statements for the three-month period ended 31 March 2013 are the first the Group has prepared in accordance with TIFRS.

Accordingly, the Group has prepared financial statements which comply with TIFRS and the Regulations Governing the Preparation of Financial Reports by Public Bank for periods beginning 1 January 2013 as described in the accounting policies under Notes IV. Furthermore, the first interim financial statements prepared under TIFRS also comply with the requirements under IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The Group's opening balance sheet was prepared as at 1 January 2012, the Group's date of transition to TIFRS.

For the impact of adopting IFRS on the Group's consolidated balance sheets as of 1 January 2012 (the transit date) and 31 December 2012 and consolidated comprehensive income statement for the year ended 31 December 2012, please refer to the Group's consolidated financial statements for the three-month periods ended 31 March 2013.

Exemptions applied in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS 1 *First-time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Group has applied the following exemptions:

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1. IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 January 2012. By applying this exemption, immediately after the business combination, the carrying amount in accordance with R.O.C. GAAP of assets acquired and liabilities assumed in that business combination, shall be their deemed costs in accordance with TIFRS at that date. The subsequent measurement of these assets and liabilities will be in accordance with TIFRS. Under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the carrying amount of goodwill in the opening balance sheet shall be its carrying amount in accordance with R.O.C. GAAP at 31 December 2011, after testing for impairment and reclassifying amounts to intangible assets that are required to be recognized. The Bank has performed goodwill impairment testing as at the date of transition to TIFRS and no impairment loss has been recognized as at that date.
2. The Bank has not elected to use previous GAAP revaluation of certain land and buildings under property and equipment as their deemed costs at the date of the revaluation.
3. IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. The Group needs not comply with these requirements for changes in such liabilities that occurred before the date of transition to TIFRS by adopting the first-time adoption exemption.
4. The Bank has recognized all cumulative actuarial gains and losses on pensions as at the date of transition to TIFRS directly in retained earnings.
5. The Bank has elected to disclose amounts required by Paragraph 120A (p) of IAS 19 prospectively from the date of transition to TIFRS.
6. Accumulative balance of exchange differences resulting from translating the financial statements of a foreign operation is not deemed to be zero as at the date of transition to TIFRS.

Impacts of transitioning to TIFRS

The following tables contain reconciliation of balance sheets as at 30 September 2012 and consolidated statements of comprehensive income for the three-month and nine-month period ended 30 September 2012:

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1. Reconciliation of consolidated balance sheet items as at 30 September 2012 (NT\$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Cash and cash equivalents	\$30,924,905	\$-	\$-	\$30,924,905	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	160,152,473	-	-	160,152,473	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	21,671,255	(413,383)	-	21,257,872	Financial assets at fair value through profit or loss	7.(1)
Securities purchased under agreements to resell	-	-	1,410,138	1,410,138	Derivative financial assets for hedging	7.(5)
Receivables, net	1,472,618	-	-	1,472,618	Securities purchased under agreements to resell	
Discounts and loans, net	44,671,476	3,772,774	(97,475)	48,346,775	Receivables, net	7.(1),7.(12)
Available-for-sale financial assets, net	984,041,867	-	-	984,041,867	Discounts and loans, net	
Held-to-maturity financial assets, net	59,749,242	(790,768)	3,870,160	62,828,634	Available-for-sale financial assets	7.(1),7.(10)
Investments accounted for using equity method, net	21,894,821	-	-	21,894,821	Held-to-maturity financial assets	
Other financial assets, net	1,555,281	-	-	1,555,281	Investments accounted for using equity method, net	
Investments in debt securities with no active market, net	4,782,656	-	(4,780,933)	1,723	Other financial assets, net	7.(5),7.(10)
Premises and equipment, net	453,748,431	-	-	453,748,431	Investments in debt securities with no active market, net	
Intangible assets, net	24,600,577	-	(1,639,261)	22,961,316	Premises and equipment, net	7.(4)
Other assets, net	-	-	2,876,349	2,876,349	Intangible assets, net	7.(4)
	7,558,774	-	(343,904)	7,214,870	Deferred tax assets	7.(7)
	-	516,217	642,735	1,158,952	Other assets, net	7.(11),7.(12)
	4,841,364	(44,802)	(979,917)	3,816,645		7.(4),7.(7),7.(8),7.(12)
Total assets	\$1,821,665,740	\$3,040,038	\$957,892	\$1,825,663,670	Total assets	
Liability						
Due to the Central Bank and call loans from banks	\$70,215,820	\$-	\$-	\$70,215,820	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	1,467,100	-	-	1,467,100	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	6,786,999	-	-	6,786,999	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	20,137,644	-	-	20,137,644	Securities sold under agreements to repurchase	
Payables	20,830,739	2,043,915	(228,954)	22,645,700	Payables	7.(1),7.(2),7.(9),7.(12)
Deposits and remittances	1,533,089,271	-	-	1,533,089,271	Deposits and remittances	
Financial debentures payable	42,691,599	-	-	42,691,599	Financial debentures payable	
Other financial liabilities	19,622,464	-	-	19,622,464	Other financial liabilities	
	-	1,077,367	870,846	1,948,213	Provisions	7.(3),7.(6),7.(8)
	-	87,086	495,690	582,776	Deferred tax liabilities	7.(11)
Other liabilities	3,479,370	1,148,701	(679,055)	3,949,016	Other liabilities	7.(2),7.(6),7.(11),7.(12)
Total liabilities	1,718,321,006	4,357,069	458,527	1,723,136,602	Total liabilities	
Equity attribute to equity holders of parent						
Capital stock	52,277,026	-	-	52,277,026	Capital stock	
Capital reserves	15,213,292	-	-	15,213,292	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	22,360,652	-	-	22,360,652	Legal reserves	
Special reserves	271,009	-	-	271,009	Special reserves	
Undistributed earnings	10,356,599	(2,038,579)	-	8,318,020	Undistributed earnings	7.(1),7.(2),7.(3),7.(8),7.(9),7.(11)
Other equity					Other equity	
Foreign currency translation adjustment	(553,086)	1	-	(553,085)	Foreign currency translation adjustment	7.(1)
Unrealized gains or losses on financial instruments	1,444,953	(79,604)	499,365	1,864,714	Unrealized gains or losses on available-for-sale financial assets	7.(1),7.(10),7.(11)
Net loss not recognized as net pension costs	(802,336)	801,151	-	(1,185)	Others	7.(8)
Minority interests	2,776,625	-	-	2,776,625	Non-controlling interest	
Total shareholders' equity	103,344,734	(1,317,031)	499,365	102,527,068	Total equity	
Total liabilities and shareholders' equity	\$1,821,665,740	\$3,040,038	\$957,892	\$1,825,663,670	Total liabilities and equity	

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1. Reconciliation of consolidated balance sheet items as at 30 September 2012 (US\$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Cash and cash equivalents	\$1,055,818	\$-	\$-	\$1,055,818	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	5,467,821	-	-	5,467,821	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	739,886	(14,114)	-	725,772	Financial assets at fair value through profit or loss	7.(1)
Securities purchased under agreements to resell	50,277	-	48,144	48,144	Derivative financial assets for hedging	7.(5)
Receivables, net	1,525,144	128,808	(3,328)	1,650,624	Receivables, net	7.(1),7.(12)
Discounts and loans, net	33,596,513	-	-	33,596,513	Discounts and loans, net	
Available-for-sale financial assets, net	2,039,919	(26,998)	132,133	2,145,054	Available-for-sale financial assets	7.(1),7.(10)
Held-to-maturity financial assets, net	747,519	-	-	747,519	Held-to-maturity financial assets	
Investments accounted for using equity method, net	53,099	-	-	53,099	Investments accounted for using equity method, net	
Other financial assets, net	163,286	-	(163,227)	59	Other financial assets, net	7.(5),7.(10)
Investments in debt securities with no active market, net	15,491,582	-	-	15,491,582	Investments in debt securities with no active market, net	
Premises and equipment, net	839,897	-	(55,967)	783,930	Property and equipment, net	7.(4)
	-	-	98,203	98,203	Investment property, net	7.(4)
Intangible assets, net	258,067	-	(11,742)	246,325	Intangible assets, net	7.(7)
	-	17,624	21,944	39,568	Deferred tax assets	7.(11),7.(12)
Other assets, net	165,291	(1,529)	(33,456)	130,306	Other assets, net	7.(4),7.(7), 7.(8),7.(12)
Total assets	\$62,194,119	\$103,791	\$32,704	\$62,330,614	Total assets	
Liability						
Due to the Central Bank and call loans from banks	\$2,397,262	\$-	\$-	\$2,397,262	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	50,089	-	-	50,089	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	231,717	-	-	231,717	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	687,526	-	-	687,526	Securities sold under agreements to repurchase	
Payables	711,189	69,783	(7,817)	773,155	Payables	7.(1),7.(2), 7.(9),7.(12)
Deposits and remittances	52,341,730	-	-	52,341,730	Deposits and remittances	
Financial debentures payable	1,457,549	-	-	1,457,549	Financial debentures payable	
Other financial liabilities	669,937	-	-	669,937	Other financial liabilities	
	-	36,783	29,732	66,515	Provisions	7.(3),7.(6),7.(8)
	-	2,973	16,924	19,897	Deferred tax liabilities	7.(11)
Other liabilities	118,791	39,218	(23,184)	134,825	Other liabilities	7.(2),7.(6), 7.(11),7.(12)
Total liabilities	58,665,790	148,757	15,655	58,830,202	Total liabilities	
Equity attribute to equity holders of parent					Equity attribute to equity holders of parent	
Capital stock	1,784,808	-	-	1,784,808	Capital stock	
Capital reserves	519,402	-	-	519,402	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	763,423	-	-	763,423	Legal reserves	
Special reserves	9,253	-	-	9,253	Special reserves	
Undistributed earnings	353,588	(69,600)	-	283,988	Undistributed earnings	7.(1),7.(2),7.(3), 7.(8),7.(9),7.(11)
Other equity					Other equity	
Foreign currency translation adjustment	(18,883)	-	-	(18,883)	Foreign currency translation adjustment	7.(1)
Unrealized gains or losses on financial instruments	49,333	(2,718)	17,049	63,664	Unrealized gains or losses on available-for-sale financial assets	7.(1),7.(10),7.(11)
Net loss not recognized as net pension costs	(27,393)	27,352	-	(41)	Others	7.(8)
Minority interests	94,798	-	-	94,798	Non-controlling interest	
Total shareholders' equity	3,528,329	(44,966)	17,049	3,500,412	Total equity	
Total liabilities and shareholders' equity	\$62,194,119	\$103,791	\$32,704	\$62,330,614	Total liabilities and equity	

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2. Reconciliation of statement of comprehensive income items of the three-month period ended 30 September 2012 (NT\$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Interest income	\$8,668,664	\$-	\$(19,202)	\$8,649,462	Interest income	7.(12)
Interest expense	(3,224,722)	22,219	46,143	(3,156,360)	Interest expense	7.(3)
Net interest income	5,443,942	22,219	26,941	5,493,102	Net interest income	
Noninterest income					Noninterest income	
Net fee income	1,910,828	(20,182)	-	1,890,646	Net fee income	7.(2)
Gain on financial assets and liabilities at fair value through profit or loss	342,919	27	19,202	362,148	Gain on financial assets and liabilities at fair value through profit or loss	7.(1),7.(12)
Realized gain on available-for-sale financial assets	640,756	80,115	53,949	774,820	Realized gain on available-for-sale financial assets	7.(1),7.(10)
Investment income recognized by the equity method	8,022	-	-	8,022	Investment income recognized by the equity method	
Gain on foreign currency exchange, net	252,223	-	-	252,223	Gain on foreign currency exchange, net	
Impairment loss of assets	(90,300)	-	-	(90,300)	Impairment loss of assets	
Others	103,506	-	294,272	397,778	Others	7.(10),7.(11)
Net noninterest income	8,611,896	82,179	394,364	9,088,439	Net noninterest income	
Bad debt expense	(41,133)	-	(328,454)	(369,587)	Bad debt expense and losses on guarantees	
Operating expenses					Operating expenses	
Personnel	(2,179,943)	20,118	29,655	(2,130,170)	Employee benefits expenses	7.(3),7.(8), 7.(12)
Depreciation and amortization	(286,341)	-	123	(286,218)	Depreciation and amortization expenses	7.(7)
Other general and administrative expenses	(1,856,003)	4,457	(75,921)	(1,927,467)	Other general and administrative expenses	7.(2),7.(7), 7.(9),7.(12)
Income from continuing operations before income taxes	4,248,476	106,754	19,767	4,374,997	Income from continuing operations before income taxes	
Income tax expense	(510,101)	(4,000)	(19,767)	(533,868)	Income tax expense	7.(11)
Net income	\$3,738,375	\$102,754	\$-	\$3,841,129	Net income	
					Other comprehensive income:	
					Exchange differences resulting from translating the financial statements of a foreign operation	(308,530)
					Unrealized losses from available-for-sale financial assets	457,802
					Share of other comprehensive income of associates and joint ventures accounted for using the equity method	4,005
					Income tax relating to components of others comprehensive income	20,640
				173,917	Other comprehensive income, net of tax	
				\$4,015,046	Total comprehensive income	

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2. Reconciliation of statement of comprehensive income items of the three-month period ended 30 September 2012 (US\$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Interest income	\$295,960	\$-	\$(656)	\$295,304	Interest income	7.(12)
Interest expense	(110,096)	758	1,575	(107,762)	Interest expense	7.(3)
Net interest income	185,864	758	920	187,542	Net interest income	
Noninterest income					Noninterest income	
Net fee income	65,238	(689)	-	64,549	Net fee income	7.(2)
Gain on financial assets and liabilities at fair value through profit or loss	11,708	1	655	12,364	Gain on financial assets and liabilities at fair value through profit or loss	7.(1),7.(12)
Realized gain on available-for-sale financial assets	21,876	2,736	1,842	26,454	Realized gain on available-for-sale financial assets	7.(1),7.(10)
Investment income recognized by the equity method	274	-	-	274	Investment income recognized by the equity method	
Gain on foreign currency exchange, net	8,611	-	-	8,611	Gain on foreign currency exchange, net	
Impairment loss of assets	(3,083)	-	-	(3,083)	Impairment loss of assets	
Others	3,533	-	10,047	13,580	Others	7.(10),7.(11)
Net noninterest income	294,021	2,806	13,464	310,291	Net noninterest income	
Bad debt expense	(1,404)	-	(11,214)	(12,618)	Bad debt expense and losses on guarantees	
Operating expenses					Operating expenses	
Personnel	(74,426)	687	1,012	(72,727)	Employee benefits expenses	7.(3),7.(8), 7.(12)
Depreciation and amortization	(9,776)	-	4	(9,772)	Depreciation and amortization expenses	7.(7)
Other general and administrative expenses	(63,366)	152	(2,592)	(65,806)	Other general and administrative expenses	7.(2),7.(7), 7.(9),7.(12)
Income from continuing operations before income taxes	145,049	3,645	674	149,368	Income from continuing operations before income taxes	
Income tax expense	(17,416)	(137)	(674)	(18,227)	Income tax expense	7.(11)
Net income	\$127,633	\$3,508	\$-	\$131,141	Net income	
					Other comprehensive income :	
					Exchange differences resulting from translating the financial statements of a foreign operation	(10,534)
					Unrealized losses from available-for-sale financial assets	15,630
					Share of other comprehensive income of associates and joint ventures accounted for using the equity method	137
					Income tax relating to components of others comprehensive income	705
					Other comprehensive income, net of tax	5,938
					Total comprehensive income	\$137,079

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3. Reconciliation of statement of comprehensive income items of the nine-month period ended 30 September 2012 (NT\$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Interest income	\$25,668,189	\$-	\$(77,729)	\$25,590,460	Interest income	7.(12)
Interest expense	(9,799,958)	66,111	139,807	(9,594,040)	Interest expense	7.(3)
Net interest income	15,868,231	66,111	62,078	15,996,420	Net interest income	
Noninterest income					Noninterest income	
Net fee income	5,462,291	(43,330)	-	5,418,961	Net fee income	7.(2)
Gain on financial assets and liabilities at fair value through profit or loss	930,042	24	77,729	1,007,795	Gain on financial assets and liabilities at fair value through profit or loss	7.(1),7.(12)
Realized gain on available-for-sale financial assets	1,083,916	80,832	148,540	1,313,288	Realized gain on available-for-sale financial assets	7.(1),7.(10)
Investment income recognized by the equity method	26,898	-	-	26,898	Investment income recognized by the equity method	
Gain on foreign currency exchange, net	792,992	-	-	792,992	Gain on foreign currency exchange, net	
Impairment loss of assets	(90,300)	-	-	(90,300)	Impairment loss of assets	
Others	902,666	-	(128,773)	773,893	Others	7.(10),7.(11)
Net noninterest income	24,976,736	103,637	159,574	25,239,947	Net noninterest income	
Bad debt expense	(41,133)	-	-	(41,133)	Bad debt expense and losses on guarantees	
Operating expenses					Operating expenses	
Personnel	(6,422,178)	61,478	98,935	(6,261,765)	Employee benefits expenses	7.(3),7.(8), 7.(12)
Depreciation and amortization	(877,982)	-	367	(877,615)	Depreciation and amortization expenses	7.(7)
Other general and administrative expenses	(5,700,079)	5,834	(239,109)	(5,933,354)	Other general and administrative expenses	7.(2),7.(7), 7.(9),7.(12)
Income from continuing operations before income taxes	11,935,364	170,949	19,767	12,126,080	Income from continuing operations before income taxes	
Income tax expense	(1,440,213)	(15,000)	(19,767)	(1,474,980)	Income tax expense	7.(11)
Net income	\$10,495,151	\$155,949	\$-	\$10,651,100	Net income	
					Other comprehensive income :	
					Exchange differences resulting from translating the financial statement of a foreign operation	
				(705,107)		
					Unrealized losses from Available-for-sale financial assets	
				824,264		
					Share of other comprehensive income of associates and joint ventures accounted for using the equity method	
				8,288		
					Income tax relating to components of other comprehensive income	
				45,671		
				173,116	Other comprehensive income, net of tax	
				\$10,824,216	Total comprehensive income	

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3. Reconciliation of statement of comprehensive income items of the nine-month period ended 30 September 2012 (US\$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Interest income	\$876,347	\$-	\$(2,654)	\$873,693	Interest income	7.(12)
Interest expense	(334,584)	2,257	4,773	(327,554)	Interest expense	7.(3)
Net interest income	541,763	2,257	2,119	546,139	Net interest income	
Noninterest income					Noninterest income	
Net fee income	186,490	(1,479)	-	185,011	Net fee income	7.(2)
Gain on financial assets and liabilities at fair value through profit or loss	31,753	1	2,654	34,408	Gain on financial assets and liabilities at fair value through profit or loss	7.(1),7.(12)
Realized gain on available-for-sale financial assets	37,006	2,760	5,071	44,837	Realized gain on available-for-sale financial assets	
Investment income recognized by the equity method	918	-	-	918	Investment income recognized by the equity method	
Gain on foreign currency exchange, net	27,074	-	-	27,074	Gain on foreign currency exchange, net	7.(1),7.(10)
Impairment loss of assets	(3,083)	-	-	(3,083)	Impairment loss of assets	
Others	30,818	-	(4,396)	26,422	Others	7.(10),7.(11)
Net noninterest income	852,739	3,539	5,448	861,726	Net noninterest income	
Bad debt expense	(1,404)	-	-	(1,404)	Bad debt expense and losses on guarantees	
Operating expenses					Operating expenses	
Personnel	(219,262)	2,099	3,378	(213,785)	Employee benefits expenses	7.(3),7.(8), 7.(12)
Depreciation and amortization	(29,975)	-	12	(29,963)	Depreciation and amortization expenses	7.(7)
Other general and administrative expenses	(194,608)	199	(8,164)	(202,573)	Other general and administrative expenses	7.(2),7.(7), 7.(9),7.(12)
Income from continuing operations before income taxes	407,490	5,837	674	414,001	Income from continuing operations before income taxes	
Income tax expense	(49,171)	(513)	(674)	(50,358)	Income tax expense	7.(11)
Net income	\$358,319	\$5,324	\$-	\$363,643	Net income	
					Other comprehensive income :	
					Exchange differences resulting from translating the financial statement of a foreign operation	(24,073)
					Unrealized losses from Available-for-sale financial assets	28,141
					Share of other comprehensive income of associates and joint ventures accounted for using the equity method	283
					Income tax relating to components of other comprehensive income	1,559
					Other comprehensive income, net of tax	5,910
					Total comprehensive income	\$369,553

4. Material adjustments to the consolidated statement of cash flows for the nine-month period ended 30 September 2012

The consolidated statement of cash flow prepared under R.O.C. GAAP was reported using the indirect method. Furthermore, cash flows from interest and dividends received and income tax and interest paid were classified as cash flows from operating activities and interest and dividends received and income tax paid were not disclosed separately. However, in accordance with IAS 7 “*Statement of Cash Flows*”, the interest received and the interest paid for the nine-month periods ended 30 September 2012 are disclosed in the statement of cash flow in the amount of NT\$25,174,174 (US\$859,480) and NT\$9,099,890 (US\$310,682), respectively, and are classified as cash flow from operating activities. The dividends received for the nine-month period ended 30 September 2012 are disclosed in the statement of cash flow in the amount of NT\$576,632 (US\$19,687) and NT\$25,744 (US\$879) are classified as cash flow from operating activities and investing activities, respectively.

Apart from the abovementioned differences and the illustration in Notes VI. 1, there were no material differences between the statements of cash flows prepared under R.O.C. GAAP and TIFRS.

5. Reconciliation between ROC GAAP to TIFRS that were recognized by the FSC

(1) Regular way purchase or sale of financial assets

According to IAS 39 “*Financial Instruments: Recognition and Measurement*”, the Bank changes the recognition of bond trading from settlement date accounting to trading date accounting. As of 30 September 2012, the adjustment resulted in a decrease of financial asset at fair value through profit or loss by NT\$413,383(US\$14,114), a decrease of available-for-sale financial assets by NT\$790,768 (US\$26,998), an increase of receivables by NT\$3,772,774 (US\$128,808), an increase of payables by NT\$2,562,020 (US\$87,471), an increase of foreign currency translation adjustment by NT\$1 (US\$0) and a decrease of unrealized gains on available-for-sale financial assets by NT\$74,254 (US\$2,535).

In addition, the adjustment resulted in an increase of gain on financial asset and liabilities at fair value through profit or loss by NT\$27 (US\$1) and an increase of realized gain on available-for-sale financial assets by NT\$80,115 (US\$2,735) in the consolidated statement of comprehensive income for the three-month period ended 30 September 2012.

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The adjustment resulted in an increase of gain on financial asset and liabilities at fair value through profit or loss by NT\$24 (US\$1) and an increase of available-for-sale financial assets by NT\$80,832 (US\$2,760) in the consolidated statement of comprehensive income for the nine-month period ended 30 September 2012. As of 30 September 2012, an increase of cumulative effect on retained earnings by NT\$80,856 (US\$2,761).

(2) Customer loyalty Programs

The Bank and its subsidiaries adjusted the recognition of credit card reward points under IFRIC 13 “Customer Loyalty Programs”. As of 30 September 2012, the adjustment resulted in a decrease of payables by NT\$522,790 (US\$17,849), an increase of other liabilities by NT\$1,148,701 (US\$39,218) and a decrease of beginning retained earnings by NT\$593,100 (US\$20,249).

The adjustment resulted in a decrease of services fees by NT\$20,182 (US\$689) and a decrease of other general and administrative expenses by NT\$6,607 (US\$226) in the consolidated statement of comprehensive income for the three-month period ended 30 September 2012.

The adjustment resulted in a decrease of services fees by NT\$43,330 (US\$1,479) and a decrease of other general and administrative expenses by NT\$10,518 (US\$359) in the consolidated statement of comprehensive income for the nine-month period ended 30 September 2012. As of 30 September 2012, a decrease of cumulative effect on retained earnings by NT\$625,912 (US\$21,369).

(3) Employee preferential interest rate deposits

The Bank recognized employee preferential interest rate deposits under the requirement of IAS 19. As of 30 September 2012, the adjustment resulted in an increase of provisions by NT\$549,004 (US\$18,744) and a decrease of beginning retained earnings by NT\$615,115 (US\$21,001).

The adjustment resulted in a decrease of interest expense by NT\$22,219 (US\$758) in the consolidated statement of comprehensive income for the three-month period ended 30 September 2012. The Bank reclassified interest expense to employee benefits expenses which increased employee benefits expenses by NT\$46,143 (US\$1,575).

The adjustment resulted in a decrease of interest expense by NT\$66,111 (US\$2,257) in the consolidated statement of comprehensive income for the nine-month period ended 30 September 2012. The Bank reclassified interest expense to employee benefits expenses which increased employee benefits expenses by NT\$139,807 (US\$4,773). As of 30 September 2012, the cumulative effect on retained earnings decreased by NT\$549,004 (US\$18,744).

(4) Investment property

Properties held to be leased out or for long-term capital appreciation are currently classified under premises and equipment and other assets as idle assets, as there is no clear guidance under R.O.C. GAAP. However under IAS 40 “*Investment Property*”, properties which meet the definition of investment property shall be classified as such. As of 30 September 2012, premises and equipment reclassified to investment properties amounted to NT\$1,639,261 (US\$55,967) and other assets reclassified to investment properties amounted to NT\$1,237,088 (US\$42,236).

(5) Derivative financial assets for hedging

In compliance with “Regulations Governing the Preparation of Financial Reports by Public Banks”, the Bank shall separate derivative financial assets for hedging from other financial assets in the financial statement. As of 30 September 2012, other financial assets reclassified to derivative financial assets for hedging was NT\$1,410,138 (US\$48,144).

(6) Provisions

In compliance with IAS 1 that was recognized by FSC, the Bank shall separate provisions in the financial statements. As of 30 September 2012, the Bank reclassified under other liabilities as accrued pension liability and reserves for loss on guarantees to provision. The reclassified adjustments of accrued pension liability and reserves for loss on guarantees by NT\$845,954 (US\$28,882) and NT\$24,892 (US\$850), respectively.

(7) Reclassification of land use rights to prepaid rent

Land use rights were classified as intangible assets under R.O.C. GAAP. Upon transitioning to TIFRS, in accordance with IAS 17 “*Leases*”, land use rights were reclassified to prepaid rent under other assets. As of 30 September 2012, land use rights reclassified to prepaid rent was NT\$343,904 (US\$11,742).

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The amortization expenses reclassified to rent expenses was NT\$123 (US\$4) for the three-month period ended 30 September 2012.

The amortization expenses reclassified to rent expenses was NT\$367 (US\$12) for the nine-month period ended 30 September 2012.

(8) Employee benefits

The Group used actuarial techniques to calculate the defined benefit obligation and recognized related pension costs and accrued pension liabilities under R.O.C. GAAP. Upon transitioning to TIFRS, actuarial calculations were made in accordance with IAS 19 “*Employee Benefits*”.

As of 30 September 2012, the adjustments resulted in an increase of provisions by NT\$528,363 (US\$18,039), a decrease of deferred pension costs by NT\$44,802 (US\$1,529), the reverse of the net loss not recognized as net pension costs by NT\$801,151 (US\$27,352) and a decrease of beginning retained earnings by NT\$1,435,794 (US\$49,020).

In addition, the adjustments resulted in a decrease of employee benefits expenses by NT\$20,118 (US\$687) in the consolidated statements of comprehensive income for the three-month period ended 30 September 2012.

The adjustments resulted in a decrease of employee benefits expenses by NT\$61,478 (US\$2,099) in the consolidated statements of comprehensive income for the nine-month period ended 30 September 2012. As of 30 September 2012, the cumulative effect on retained earnings decreased by NT\$1,374,316 (US\$46,921).

Above adjustment due to the following reasons:

- A. The Bank re-performed actuarial calculation in accordance with the requirements of IAS 19 on defined benefit obligations as of 1 January 2012 and 31 December 2012;
- B. The Bank recognized all cumulative actuarial gains and losses on pensions as at the date of transition to TIFRS directly in retained earnings.
- C. The Bank recognized all remaining balance of unrecognized transitional net assets (or net benefit obligation).

(9) The rent expenses should be recognized under straight-line basis

The Bank adopted IAS 17 to recognize rent expense under the straight-line basis during the lease term. As of 30 September 2012, the adjustment resulted in an increases of accrued expenses by NT\$4,684 (US\$160).

The adjustment resulted in an increases of other general and administrative expenses by NT\$2,150 (US\$73) for the three-month period ended 30 September 2012.

The adjustment resulted in an increase of other general and administrative expenses by NT\$4,684 (US\$160) for the nine-month period ended 30 September 2012. As of 30 September 2012, a decrease of cumulative effect on retained earnings by NT\$4,684 (US\$160).

(10) Financial assets carried at cost

According to IAS 39, the Bank and its subsidiaries reclassified financial assets carried at cost to available-for-sale financial assets and measured at fair value. As of 30 September 2012, the reclassification adjustment resulted in an increases of available-for-sale financial assets by NT\$3,870,160 (US\$132,133), a decrease under other financial assets as financial assets carried at cost by NT\$3,370,795 (US\$115,083), and an increase of unrealized gains on available-for-sale financial assets by NT\$499,365 (US\$17,049).

The adjustment resulted in an increase of realized gain on available-for-sale financial assets and a decreases of other net noninterest income by NT\$53,949 (US\$1,842) for the three-month period ended 30 September 2012.

The adjustment resulted in an increase of realized gain on available-for-sale financial assets and a decrease of other net noninterest income by NT\$148,540 (US\$5,071) for the nine-month period ended 30 September 2012.

(11) Income tax

Classification and valuation of deferred tax

According to IAS 12, the Bank and its subsidiaries reviewed income tax effects of the above adjustment items. As of 30 September 2012, the adjustments resulted in an increase of deferred tax assets by NT\$516,217 (US\$17,624), an increase of deferred tax liabilities by NT\$87,086 (US\$2,973), an increase of beginning retained earnings by NT\$469,248 (US\$16,021) and a decrease of unrealized gains on available-for-sale financial assets by NT\$5,350 (US\$183).

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The adjustments resulted in an increase of income tax expenses NT\$4,000 (US\$137) for the three-month period ended 30 September 2012. In addition, land value increment tax for disposition of investments property reclassified to income tax expense was NT\$19,767 (US\$674).

The adjustments resulted in an increase of income tax expenses NT\$15,000 (US\$513). In addition, land value increment tax under other liabilities reclassified to income tax expense was NT\$19,767 (US\$674), and reserve for land value increment tax under other liabilities reclassified to deferred tax liabilities was NT\$37,163 (US\$1,269). Furthermore, deferred tax assets and liabilities were presented in gross amount and both increased by NT\$458,527 (US\$15,655). As of 30 September 2012, an increase of cumulate effect on retained earnings by NT\$434,481 (US\$14,834)

(12) Reclassifications made in compliance with “Regulations Governing the Preparation of Financial Reports by Public Banks”

As of 30 September 2012, receivables were reclassified to other assets by NT\$97,475 (US\$3,328), payables were reclassified to other liabilities by NT\$228,954 (US\$7,817) and other assets were reclassified to deferred tax assets by NT\$184,208 (US\$6,289).

For the three-month period ended 30 September 2012, the amount of NT\$19,202 (US\$656) was reclassified from interest income of financial assets at fair value through profit or loss to gains on financial assets and liabilities at fair value through profit or loss. In addition, the security guard expenses were reclassified from employee benefit expenses to other general and administration expenses by NT\$75,798 (US\$2,588).

For the nine-month period ended 30 September 2012, the amount of NT\$77,729 (US\$2,654) was reclassified from interest income of financial assets at fair value through profit or loss to gains on financial assets and liabilities at fair value through profit or loss. In addition, the security guard expenses were reclassified from employee benefit expenses to other general and administration expenses by NT\$238,742 (US\$8,151).

- (13) In accordance with the Explanatory Letter No. 1010012865 issued by FSC on April 6, 2012, at first-time adoption of FIRSs, an entity shall appropriate a corresponding amount to special reserve same as the IFRS adjustment, in which case an entity elects to use exemption application specified in IFRS 1 and resets unrealized revaluation increment and cumulative translation differences under stockholders' equity to zero, and its retained earnings is being increased accordingly. The Bank and its subsidiaries do not elect to use exemption under IFRS 1 for its cumulative translation adjustments, therefore, no special reserve was appropriated.

(14) Others

Certain items in the financial statements prepared based on R.O.C. GAAP have been reclassified for comparison purposes.