Cathay United Bank and Its Subsidiaries
Consolidated Financial Statements
For The Years Ended
31 December 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.

安永聯合會計師事務所

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Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

The Board of Directors
Cathay United Bank

We have audited the accompanying consolidated balance sheets of Cathay United Bank and its subsidiaries as of 31 December 2013, 31 December 2012 and 1 January 2012, and the related consolidated statements of comprehensive income changes in equity and cash flows for the years ended 31 December 2013 and 2012. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants" and auditing standards generally accepted in the Republic of China ("ROC"). Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of 31 December 2013, 31, December 2012 and 1 January 2012, and the consolidated results of its operations and its cash flows for the years then ended in conformity with requirements of 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", International Financial Reporting Standards, International Accounting Standards, and relevant interpretations and interpretative bulletins recognized by the Financial Supervisory Commission.

In addition, we have also audited the financial statements of the Bank as of and for the years ended 31 December 2013 and 2012, on which we have issued unqualified opinion.

Ernst & Young

ERNST & YOUNG
Taipei, Taiwan
The Republic of China
14 March 2014

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 the 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

31 December 2013, 31 December 2012 and 1 January 2012

(Expressed in thousands of dollars)

		2013.12.31		2012.12.31		2012.1.1	
Assets	Notes	NT$	US$	NT$	US$	NT$	US$
Cash and cash equivalents	IV, VI and VII	$68,239,741	$2,287,621	$34,974,286	$1,203,934	$30,125,121	$995,214
Due from the Central Bank and call loans to banks	VI and VII	151,945,066	5,093,700	109,003,762	3,752,281	100,101,541	3,306,955
Financial assets at fair value through profit or loss	IV, V and VI	163,059,557	5,466,294	67,937,886	2,338,654	21,914,109	723,955
Derivative financial assets for hedging	IV and VI	837,179	28,065	1,203,138	41,416	1,438,773	47,531
Securities purchased under agreements to resell	IV	7,645,763	256,311	-	-	2,308,788	76,273
Receivables, net	IV, V, VI and VII	120,778,165	4,048,882	50,742,276	1,746,722	45,910,753	1,516,708
Assets held for sale, net	IV	68,479	2,296	-	-	-	-
Discounts and loans, net	IV, V, VI and VII	1,031,105,321	34,566,052	1,003,183,193	34,532,984	1,001,925,794	33,099,630
Available-for-sale financial assets, net	IV, V and VI	67,908,890	2,276,530	63,955,328	2,201,560	47,839,435	1,580,424
Held-to-maturity financial assets, net	IV, V and VI	51,395,078	1,722,933	21,668,974	745,920	19,346,851	639,143
Investments accounted for using equity method, net	IV and VI	1,626,674	54,531	1,565,227	53,881	1,547,828	51,134
Other financial assets, net	IV and V	22,154	743	13,821	476	3,402,027	112,389
Investments in debt securities with no active market, net	IV, V and VI	280,272,013	9,395,642	424,043,663	14,597,028	425,140,266	14,044,938
Property and equipment, net	IV, VI and VII	22,616,823	758,190	22,395,935	770,944	23,135,646	764,310
Investment property, net	IV, V and VI	2,716,584	91,069	2,725,846	93,833	3,069,511	101,404
Intangible assets, net	IV, V and VI	7,374,860	247,230	7,488,272	257,772	7,292,648	240,920
Deferred tax assets	IV and V	1,446,414	48,489	1,544,882	53,180	988,305	32,650
Other assets, net	IV, VI and VII	7,681,266	257,501	4,922,516	169,450	3,136,428	103,615
Total assets		$1,986,740,027	$66,602,079	$1,817,369,005	$62,560,035	$1,738,623,824	$57,437,193

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)

31 December 2013, 31 December 2012 and 1 January 2012

(Expressed in thousands of dollars)

		2013.12.31		2012.12.31		2012.1.1	
Liabilities and equity	Notes	NT$	US$	NT$	US$	NT$	US$
Liabilities							
Due to the Central Bank and call loans from banks	VI and VII	$56,985,225	$1,910,333	$56,931,773	$1,959,786	$62,275,073	$2,057,320
Funds borrowed from the Central Bank and other banks		1,497,500	50,201	1,456,800	50,148	1,514,500	50,033
Financial liabilities at fair value through profit or loss	IV, V and VI	11,271,187	377,847	4,967,738	171,006	4,835,152	159,734
Securities sold under agreements to repurchase	IV, VI and VII	58,681,600	1,967,201	20,369,249	701,179	13,546,462	447,521
Payables	VI and VII	15,156,034	508,080	22,153,186	762,588	20,377,945	673,206
Deposits and remittances	VI and VII	1,615,860,463	54,168,973	1,539,774,066	53,004,271	1,484,029,187	49,026,402
Financial debentures payable	IV and VI	52,417,213	1,757,198	42,518,631	1,463,636	36,023,825	1,190,083
Other financial liabilities	VI	36,145,158	1,211,705	17,426,191	599,869	10,611,073	350,548
Provisions	IV, V and VI	2,035,564	68,239	2,009,384	69,170	2,075,802	68,576
Deferred tax liabilities	IV and V	554,656	18,594	538,050	18,522	513,965	16,980
Other liabilities	VI and VII	4,882,804	163,687	4,219,338	145,244	3,246,252	107,243
Total liabilities		1,855,487,404	62,202,058	1,712,364,406	58,945,419	1,639,049,236	54,147,646
Equity							
Equity attribute to equity holders of parent							
Capital stock	VI	64,668,494	2,167,901	52,277,026	1,799,554	52,277,026	1,727,025
Capital reserves	VI	23,971,498	803,604	15,213,292	523,693	15,213,292	502,586
Retained earnings	VI						
Legal reserves		26,281,089	881,029	22,360,652	769,730	19,009,053	627,983
Special reserves		271,009	9,085	271,009	9,329	271,009	8,953
Undistributed earnings		11,639,373	390,190	10,512,233	361,866	8,618,159	284,710
Other equity		982,170	32,926	1,403,373	48,309	1,036,878	34,254
Subtotal		127,813,633	4,284,735	102,037,585	3,512,481	96,425,417	3,185,511
Non-controlling interests	VI	3,438,990	115,286	2,967,014	102,135	3,149,171	104,036
Total equity		131,252,623	4,400,021	105,004,599	3,614,616	99,574,588	3,289,547
Total liabilities and equity		$1,986,740,027	$66,602,079	$1,817,369,005	$62,560,035	$1,738,623,824	$57,437,193

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 years ended 31 December 2013 and 2012

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

Items	Notes	2013 NT$	2013 US$	2012 NT$	2012 US$
Interest income	IV, VI and VII	$35,136,614	$1,177,895	$34,013,753	$1,170,869
Interest expense	VI and VII	(13,221,163)	(443,217)	(12,729,395)	(438,189)
Net interest income		21,915,451	734,678	21,284,358	732,680
Non-interest income					
Net fee income	IV, VI and VII	9,203,707	308,539	7,330,217	252,331
Gain on financial assets and liabilities at fair value through profit or loss	VI and VII	3,255,481	109,134	1,278,267	44,003
Realized gain on available-for-sale financial assets		1,110,773	37,237	1,434,165	49,369
Gain on foreign currency exchange, net	IV	975,482	32,701	1,100,973	37,899
Impairment loss of assets		(77,403)	(2,595)	(151,084)	(5,201)
Investment income recognized by the equity method		138,738	4,651	47,194	1,625
Gain on investment in debt securities with no active market		229,309	7,687	25,250	869
Gain on disposal of property and equipment		1,329	45	1,631,477	56,161
Others	IV, VI and VII	867,470	29,080	966,234	33,261
Net noninterest income		15,704,886	526,479	13,662,693	470,317
Net operating income		37,620,337	1,261,157	34,947,051	1,202,997
Bad debt expense and losses on guarantees		(541,510)	(18,153)	(2,126,095)	(73,187)
Operating expenses					
Employee benefits expenses	IV, V and VI	(9,346,021)	(313,309)	(8,572,600)	(295,098)
Depreciation and amortization expenses	VI	(1,186,093)	(39,762)	(1,204,845)	(41,475)
Other general and administrative expenses	IV, VI and VII	(9,748,477)	(326,801)	(8,062,874)	(277,552)
Total operating expenses		(20,280,591)	(679,872)	(17,840,319)	(614,125)
Income from continuing operations before income taxes		16,798,236	563,132	14,980,637	515,685
Income tax expense	IV and VI	(2,164,640)	(72,566)	(1,714,731)	(59,027)
Net income		14,633,596	490,566	13,265,906	456,658
Other comprehensive income					
Exchange differences on translation of foreign operations	VI	436,266	14,625	(782,870)	(26,949)
Net gains (losses) on available-for-sale financial assets		(680,383)	(22,809)	903,727	31,109
Share of other comprehensive profit of associates		(39,794)	(1,334)	(2,061)	(71)
Income tax relating to components of other comprehensive income		(33,006)	(1,106)	127,512	4,389
Other comprehensive income		(316,917)	(10,624)	246,308	8,478
Total comprehensive income		$14,316,679	$479,942	$13,512,214	$465,136
Net income attributable to:					
Equity holders of the parent		$14,387,907	$482,330	$13,066,070	449,779
Non-controlling interests		245,689	8,236	199,836	6,879
Net income		$14,633,596	$490,566	$13,265,906	$456,658
Net comprehensive income attributable to:					
Equity holders of the parent		$13,966,704	$468,210	$13,432,565	$462,394
Non-controlling interests		349,975	11,732	79,649	2,742
Total comprehensive income		$14,316,679	$479,942	$13,512,214	$465,136
Earnings per share (In dollars)					
Net income from continuing operations	VI	$2.31	$0.0774	$2.13	$0.0733

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 years ended 31 December 2013 and 2012

(Expressed in thousands of dollars)

	Equity attributable to equity holders of the parent																					
					Retained earnings						Equity adjustment											
	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		Non-controlling interests		Total Equity	
Items	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Balance, 1 January 2012	$52,277,026	$1,799,554	$15,213,292	$523,693	$19,009,053	$654,356	$271,009	$9,329	$8,618,159	$296,666	$(51,219)	$(1,763)	$1,089,282	$37,497	$(1,185)	$(40)	$96,425,417	$3,319,292	$3,149,171	$108,405	$99,574,588	$3,427,697
Earning appropriation and distribution (Note)																						
Legal reserves	-	-	-	-	3,351,599	115,374	-	-	(3,351,599)	(115,374)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(7,820,397)	(269,205)	-	-	-	-	-	-	(7,820,397)	(269,205)	-	-	(7,820,397)	(269,205)
Net income for the years ended 31 December 2012	-	-	-	-	-	-	-	-	13,066,070	449,779	-	-	-	-	-	-	13,066,070	449,779	199,836	6,879	13,265,906	456,658
Other comprehensive income for the year ended 31 December 2012	-	-	-	-	-	-	-	-	-	-	(550,028)	(18,934)	916,568	31,551	(45)	(2)	366,495	12,615	(120,187)	(4,137)	246,308	8,478
Total comprehensive income for the year ended 31 December 2012	-	-	-	-	-	-	-	-	13,066,070	449,779	(550,028)	(18,934)	916,568	31,551	(45)	(2)	13,432,565	462,394	79,649	2,742	13,512,214	465,136
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(261,806)	(9,012)	(261,806)	(9,012)
Balance, 31 December 2012	$52,277,026	$1,799,554	$15,213,292	$523,693	$22,360,652	$769,730	$271,009	$9,329	$10,512,233	$361,866	$(601,247)	$(20,697)	$2,005,850	$69,048	$(1,230)	$(42)	$102,037,585	$3,512,481	$2,967,014	$102,135	$105,004,599	$3,614,616
Balance, 1 January 2013	$52,277,026	$1,752,498	$15,213,292	$510,000	$22,360,652	$749,603	$271,009	$9,085	$10,512,233	$352,405	$(601,247)	$(20,156)	$2,005,850	$67,243	$(1,230)	$(41)	$102,037,585	$3,420,637	$2,967,014	$99,464	$105,004,599	$3,520,101
Earning appropriation and distribution (Note)																						
Legal reserves	-	-	-	-	3,920,437	131,426	-	-	(3,920,437)	(131,426)	-	-	-	-	-	-	-	-	-	-	-	-
Stock dividends	9,147,688	306,661	-	-	-	-	-	-	(9,147,688)	(306,661)	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the years ended 31 December 2013	-	-	-	-	-	-	-	-	14,387,907	482,330	-	-	-	-	-	-	14,387,907	482,330	245,689	8,236	14,633,596	490,566
Other comprehensive income for the year ended 31 December 2013	-	-	-	-	-	-	-	-	-	-	292,165	9,795	(713,645)	(23,924)	277	9	(421,203)	(14,120)	104,286	3,496	(316,917)	(10,624)
Total comprehensive income for the year ended 31 December 2013	-	-	-	-	-	-	-	-	14,387,907	482,330	292,165	9,795	(713,645)	(23,924)	277	9	13,966,704	468,210	349,975	11,732	14,316,679	479,942
Capital addition	3,243,780	108,742	8,758,206	293,604	-	-	-	-	-	-	-	-	-	-	-	-	12,001,986	402,346	-	-	12,001,986	402,346
Price difference between book value and fair value on purchase of subsidiary equity	-	-	-	-	-	-	-	-	(192,642)	(6,458)	-	-	-	-	-	-	(192,642)	(6,458)	-	-	(192,642)	(6,458)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	122,001	4,090	122,001	4,090
Balance, 31 December 2013	$64,668,494	$2,167,901	$23,971,498	$803,604	$26,281,089	$881,029	$271,009	$9,085	$11,639,373	$390,190	$(309,082)	$(10,361)	$1,292,205	$43,319	$(953)	$(32)	$127,813,633	$4,284,735	$3,438,990	$115,286	$131,252,623	$4,400,021

Notes: Bonus to employees NT$1,500 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 years ended 31 December 2013 and 2012
(Expressed in thousands of dollars)

Items	2013		2012	
	NT$	US$	NT$	US$
Operating activities				
Net income before income tax	$16,798,236	$563,132	$14,980,637	$515,685
Adjustment items:				
Non-cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation expenses	975,630	32,706	991,242	34,122
Amortization expenses	210,463	7,056	213,603	7,353
Bad debt expenses	541,510	18,153	2,126,095	73,187
Interest expense	13,221,163	443,217	12,729,395	438,189
Interest income	(35,136,614)	(1,177,895)	(34,013,753)	(1,170,869)
Dividends income	(548,827)	(18,398)	(503,710)	(17,340)
Proportionate share of gains from associates or joint venture under equity method	(138,738)	(4,651)	(47,194)	(1,625)
(Gain) loss on disposal of property and equipment	461	15	(1,623,165)	(55,875)
Gain on disposal of investment properties	-	-	(205,864)	(7,087)
Impairment loss of financial assets	89,123	2,988	151,084	5,201
Impairment loss of non-financial assets	25,825	866	-	-
Impairment loss reversal of non-financial asset	(37,544)	(1,259)	-	-
Gain on disposal of foreclosed properties	-	-	(1,000)	(34)
Foreign currency translation adjustment	(21,258)	(713)	72,536	2,497
Change in operating assets and liabilities				
Increase in due from the Central Bank and call loans to banks	(1,831,124)	(61,385)	(789,914)	(27,192)
Increase in financial assets at fair value through profit or loss	(95,117,513)	(3,188,653)	(45,967,748)	(1,582,367)
Decrease in derivative financial assets for hedging	365,959	12,268	235,636	8,111
Increase in receivables	(71,366,679)	(2,392,447)	(5,242,551)	(180,466)
Increase in discounts and loans	(28,222,788)	(946,121)	(4,182,131)	(143,963)
Increase in available-for-sale financial assets	(747,815)	(25,069)	(11,972,620)	(412,138)
Increase in held-to-maturity financial assets	(29,691,246)	(995,349)	(2,380,214)	(81,935)
(Increase) decrease in other financial assets	(3,825,639)	(128,248)	78,287	2,695
Decrease in investments in debt securities with no active market	143,682,527	4,816,712	945,519	32,548
(Increase) decrease in other assets	399,773	13,402	(1,240,064)	(42,687)
Decrease in due to the Central Bank and other banks	(174,907)	(5,863)	(4,663,699)	(160,540)
Increase in financial liabilities at fair value through profit or loss	6,303,448	211,312	132,586	4,564
Increase in securities sold under agreements to repurchase	38,312,351	1,284,356	6,822,787	234,863
Increase (decrease) in payables	(6,606,724)	(221,479)	1,262,821	43,471
Increase in deposits and remittances	75,595,239	2,534,202	54,529,724	1,877,099
Increase in other financial liabilities	18,718,967	627,522	6,815,118	234,600
Increase (decrease) in provisions	26,180	878	(78,769)	(2,712)
Increase (decrease) in other liabilities	(274,368)	(9,198)	559,262	19,252
Cash flows from operating activities	41,525,071	1,392,057	(10,266,064)	(353,393)
Interest received	34,206,391	1,146,711	33,580,934	1,155,970
Cash dividends received	548,827	18,399	503,710	17,339
Interest paid	(11,982,348)	(401,688)	(12,505,073)	(430,467)
Income tax paid	(389,603)	(13,061)	(364,846)	(12,559)
Net cash provided by operating activities	63,908,338	2,142,418	10,948,661	376,890
Investing activities				
Investing in a Subsidiary	(338,612)	(11,352)	(654,930)	(22,545)
Capital return due to capital decrease in equity-accounted investee	-	-	1,990	69
Purchase of property and equipment	(1,272,318)	(42,652)	(536,916)	(18,482)
Proceeds from sale of property and equipment	3,992	134	1,926,428	66,314
Purchase of intangible assets	(55,784)	(1,870)	(51,004)	(1,756)
Proceeds from sale of foreclosed properties	-	-	1,000	35
Cash received through merger	-	-	687,361	23,661
Proceeds from sale of investment properties	-	-	651,948	22,442
Increase in other assets	(2,619,222)	(87,805)	(304,585)	(10,485)
Cash dividends received	37,496	1,257	25,743	886
Net cash provided by (used in) investing activities	(4,244,448)	(142,288)	1,747,035	60,139
Financing activities				
Increase (decrease) in funds borrowed from the Central Bank and call loans from banks	40,700	1,364	(57,700)	(1,986)
Increase in financial debentures payable	9,898,582	331,833	6,561,927	225,884
Increase (decrease) in other liabilities	(201,070)	(6,740)	232,098	7,990
Capital addition	12,001,986	402,346	-	-
Distribution of cash dividends	-	-	(7,820,397)	(269,205)
Net cash provided by (used in) financing activities	21,740,198	728,803	(1,084,072)	(37,317)
Effects of foreign exchange rate changes	590,511	19,796	(1,147,999)	(39,518)
Net increase in cash and cash equivalents	81,994,599	2,748,729	10,463,625	360,194
Cash and cash equivalents at beginning of the period	102,950,210	3,451,231	92,486,585	3,183,703
Cash and cash equivalents at end of the period	$184,944,809	$6,199,960	$102,950,210	$3,543,897
The components of cash and cash equivalents				
Cash and cash equivalents in balance sheet	$68,239,741	$2,287,621	$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	109,059,305	3,656,028	67,975,924	2,339,963
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	7,645,763	256,311	-	-
Cash and cash equivalents at end of the period	$184,944,809	$6,199,960	$102,950,210	$3,543,897

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

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 1 January 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 31 December 2013 and 2012, the Bank and its subsidiaries employed 8,902 and 7,669 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 years ended 31 December 2013 and 2012 were authorized for issue in accordance with the Board of Directors' resolution on 14 March 2014.

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 IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below.

Standards or interpretations	Effective date (Note I)
Improvements to IFRSs 2010:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Annual periods beginning on or after 1 January 2011
IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 July 2010
IFRS 7 *Financial Instruments: Disclosures*	Annual periods beginning on or after 1 January 2011
IAS 1 *Presentation of Financial Statements*	Annual periods beginning on or after 1 January 2011
IAS 34 *Interim Financial Reporting*	Annual periods beginning on or after 1 January 2011
IFRIC 13 *Customer Loyalty Programmes*	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

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

Standards or interpretations	Effective date (Note I)
Improvements to IFRSs 2010-2012 Cycle:	
IFRS 2 *Share-based Payment*	Note II
IFRS 3 *Business Combinations*	Note III
IFRS 8 *Operating Segments*	Annual periods beginning on or after 1 July 2014
IFRS 13 *Fair Value Measurement*	-
IAS 16 *Property, Plant and Equipment*	Annual periods beginning on or after 1 July 2014
IAS 24 *Related Party Disclosures*	Annual periods beginning on or after 1 July 2014
IAS 38 *Intangible Assets*	Annual periods beginning on or after 1 July 2014
Improvements to IFRSs 2011-2013 Cycle:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	-
IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 July 2014
IFRS 13 *Fair Value Measurement*	-
IAS 40 *Investment Property*	Annual periods beginning on or after 1 July 2014
IFRS 14 *Regulatory Deferral Accounts*	Annual periods beginning on or after 1 January 2016

Note I: The newly issued or revised standards and interpretations is beginning on the effective date.

Note II: The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

Note III: The amendments apply prospectively to business combinations for which the acquisition date is on or after 1 July 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 International Financial Reporting Standards (issued in 2010)

IFRS 7 *Financial Instruments: Disclosures*

The amendment emphasizes the interaction between qualitative and quantitative disclosures 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 present those requirements in a single IFRS.

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.

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.

IAS 36 "Impairment of Assets" (Amendment)

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

IFRIC 21 "Levies"

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain).

IAS 39 "Financial Instruments: Recognition and Measurement" (Amendment)

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.

IAS 19 "Employee Benefits" (Defined benefit plans: employee contributions)

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Improvements to International Financial Reporting Standards (2010-2012 cycle)

IFRS 13 "Fair Value Measurement"

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement* as consequential amendments from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

Improvements to International Financial Reporting Standards (2011-2013 cycle)

IFRS 13 "Fair Value Measurement"

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*.

The above-mentioned standards and interpretations issued by IASB have not yet recognized by FSC at the date of issuance of the Group's financial statements, the local effective dates are to determined by FSC. As the Bank is still currently determining the potential impact of the standards and interpretations, it is not practicable to estimate their impact on the Bank at this point in time.

IV. Summary of significant accounting policies

1. Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 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", International Financial Reporting Standards, International Accounting Standards, and relevant interpretations and interpretative bulletins recognized by the Financial Supervisory Commission.

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.

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:

		Business	Percentage of ownership (%)		
Investor	Subsidiary	nature	2013.12.31	2012.12.31	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%

		Business	Percentage of ownership (%)		
Investor	Subsidiary	nature	2013.12.31	2012.12.31	2012.1.1
The Bank	Cathay United Bank (Cambodia) Corporation Limited ("CUBC Bank") SBC Bank was incorporated in Cambodia on 5 July 1993, and renamed as CUBC as of 14 January 2014.	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, and renamed as Cathay United Bank (Cambodia) Corporation Limited ("CUBC Bank") on 14 January 2014.

As of 31 December 2013, 31 December 2012, and 1 January 2012 and for the years ended 31 December 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.

		Business	Percentage of ownership (%)		
Investor	Subsidiary	nature	2013.12.31	2012.12.31	2012.1.1
The Bank	Seaward Card Co., Ltd. ("Seaward Card") Seaward Card was incorporated on 9 April 1999.	Dispatched work	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:

(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:

(1) 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.

(2) 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.

(3) 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.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

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 then:

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

① 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.

② 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.

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.

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. Assets held for sale

Assets are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition.

Property and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

21. 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.

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.

22. 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. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

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

23. 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:

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

24. 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.

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.

25. 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.

26. 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.

27. 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.

28. 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.

29. 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.

30. Basis for converting financial statements

The consolidated financial statements are stated in NT dollars. Translations of the 31 December 2013, 31 December 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$29.83, NT$29.05 and NT$30.27 to US$1.00 on 31 December 2013, 31 December 2012 and 1 January 2012, respectively, as provided by the Federal Reserve Bank of New York. The translation amounts are unaudited. 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 counties 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.

(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

	2013.12.31	
	NT$	US$
Cash on hand	$14,268,298	$478,320
Checks for clearance	3,315,374	111,142
Due from commercial banks	50,656,069	1,698,159
Total	$68,239,741	$2,287,621

	2012.12.31	
	NT$	US$
Cash on hand	$13,255,565	$456,302
Checks for clearance	8,353,592	287,559
Due from commercial banks	13,365,129	460,073
Total	$34,974,286	$1,203,934

	2012.1.1	
	NT$	US$
Cash on hand	$11,995,509	$396,284
Checks for clearance	8,641,631	285,485
Due from commercial banks	9,487,981	313,445
Total	$30,125,121	$995,214

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

	2013.12.31	
	NT$	US$
Cash and cash equivalents in balance sheet	$68,239,741	$2,287,621
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	109,059,305	3,656,028
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	7,645,763	256,311
Cash and cash equivalents at end of the period in statement of cash flows	$184,944,809	$6,199,960

	2012.12.31	
	NT$	US$
Cash and cash equivalents in balance sheet	$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	67,975,924	2,339,963
Cash and cash equivalents at end of the period in statement of cash flows	$102,950,210	$3,543,897

	2012.1.1	
	NT$	US$
Cash and cash equivalents in balance sheet	$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	60,052,676	1,983,900
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	2,308,788	76,273
Cash and cash equivalents at end of the period in statement of cash flows	$92,486,585	$3,055,387

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

	2013.12.31	
	NT$	US$
Call loans to banks	$91,421,834	$3,064,762
Due from the Central Bank - Statutory reserve on deposits	42,885,761	1,437,672
Due from the Central Bank - General deposits	17,637,471	591,266
Total	$151,945,066	$5,093,700

	2012.12.31	
	NT$	US$
Call loans to banks	$30,984,776	$1,066,602
Due from the Central Bank - Statutory reserve on deposits	41,027,838	1,412,318
Due from the Central Bank - General deposits	36,991,148	1,273,361
Total	$109,003,762	$3,752,281

	2012.1.1	
	NT$	US$
Call loans to banks	$30,729,847	$1,015,191
Due from the Central Bank - Statutory reserve on deposits	40,048,865	1,323,055
Due from the Central Bank - General deposits	29,322,829	968,709
Total	$100,101,541	$3,306,955

(1) The Bank

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

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$41,504,190 (US$1,391,357), NT$39,842,844 (US$1,371,526) and NT$39,432,413 (US$1,302,690) as of 31 December 2013, 31 December 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 31 December 2013, 31 December 2012, and 1 January 2012, the balances of foreign-currency deposit reserves were NT$278,535 (US$9,337), NT$215,606 (US$7,422) 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$790,488 (US$26,500), NT$758,109 (US$26,097) and NT$449,857 (US$14,861) as of 31 December 2013, 31 December 2012 and 1 January 2012, respectively.

(3) CUBC Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the National Bank of Cambodia were NT$312,548 (US$10,478), NT$211,279 (US$7,273) as of 31 December 2013 and 2012, respectively.

3. Financial assets at fair value through profit or loss

	2013.12.31	
	NT$	US$
Financial assets for trading :		
Short-term bills	$143,666,541	$4,816,176
Bonds	8,238,507	276,182
Overseas financial instruments	636,548	21,339
Derivative financial instruments	10,517,961	352,597
Total	$163,059,557	$5,466,294

	2012.12.31	
	NT$	US$
Financial assets for trading :		
Short-term bills	$59,110,475	$2,034,784
Bonds	3,197,378	110,065
Overseas financial instruments	974,079	33,531
Derivative financial instruments	4,655,954	160,274
Total	$67,937,886	$2,338,654

	2012.1.1	
	NT$	US$
Financial assets for trading :		
Short-term bills	$14,865,231	$491,088
Bonds	1,228,191	40,575
Overseas financial instruments	533,120	17,612
Derivative financial instruments	5,287,567	174,680
Total	$21,914,109	$723,955

(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.

(2) As of 31 December 2013, 31 December 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):

	2013.12.31	2012.12.31	2012.1.1
Currency and swap forward contracts	$29,310,866	$21,601,412	$26,055,155
Interest rate swap	17,012,021	9,443,064	8,678,165
Cross currency swap	1,866,877	872,607	54,079
Options	7,771,967	5,654,976	837,744
Futures	-	500	-

(3) Net gains arising from financial assets at fair value through profit or loss for the years ended 31 December 2013 and 2012 were NT$4,448,419 (US$149,125) and NT$4,273,110 (US$147,095), respectively.

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 31 December 2013, 31 December 2012 and 1 January 2012 were NT$837,179 (US$28,065), NT$1,203,138 (US$41,416) and NT$1,438,773 (US$47,531), respectively. For the years ended 31 December 2013 and 2012, net gains on the hedging derivative financial instrument amounted to NT$16,185 (US$543) and NT$181,564 (US$6,250), respectively. For the years ended 31 December 2013 and 2012, net gains from the hedged risk of the hedged items amounted to NT$368,739 (US$12,361) and NT$199,043 (US$6,852), respectively.

The hedge is regarded as highly effective, at inception and throughout the life of the hedge, the Bank can except 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

	2013.12.31	
	NT$	US$
Notes receivable	$7,776	$261
Accounts receivable	46,194,040	1,548,577
Interest receivable	3,277,826	109,884
Related party receivables for allocation of linked-tax system	256,312	8,592
Foreign currency receivable	103,526	3,470
Acceptances	1,378,174	46,201
Factoring receivable	69,249,723	2,321,479
Others	2,400,211	80,463
Total	122,867,588	4,118,927
Adjustment for discounts and premiums	(6,519)	(219)
Less: allowance for doubtful accounts	(2,082,904)	(69,826)
Net balance	$120,778,165	$4,048,882

	2012.12.31	
	NT$	US$
Accounts receivable	$36,746,133	$1,264,927
Interest receivable	3,248,886	111,838
Related party receivables for allocation of linked-tax system	246,573	8,488
Foreign currency receivable	88,657	3,052
Acceptances	1,639,720	56,445
Factoring receivable	9,151,418	315,023
Others	1,632,947	56,211
Total	52,754,334	1,815,984
Adjustment for discounts and premiums	(5,603)	(193)
Less: allowance for doubtful accounts	(2,006,455)	(69,069)
Net balance	$50,742,276	$1,746,722

	2012.1.1	
	NT$	US$
Notes receivable	$15	$1
Accounts receivable	39,796,588	1,314,720
Interest receivable	2,810,652	92,853
Related party receivables for allocation of linked-tax system	554,163	18,307
Foreign currency receivable	2,078,037	68,650
Acceptances	1,249,855	41,290
Factoring receivable	1,370,952	45,291
Others	807,640	26,681
Total	48,667,902	1,607,793
Adjustment for discounts and premiums	(2,638)	(87)
Less: allowance for doubtful accounts	(2,754,511)	(90,998)
Net balance	$45,910,753	$1,516,708

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

	2013					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$116,138	$3,893	$1,890,317	$63,370	$2,006,455	$67,263
Reversal of doubtful accounts	(198,285)	(6,647)	-	-	(198,285)	(6,647)
Write-offs	(313,236)	(10,501)	-	-	(313,236)	(10,501)
Debt counseling recoveries	133,567	4,478	-	-	133,567	4,478
Recoveries	585,707	19,635	-	-	585,707	19,635
Reclassification	(179,429)	(6,015)	45,862	1,537	(133,567)	(4,478)
Effects of exchange rates change	-	-	2,263	76	2,263	76
Balance, end of the period	$144,462	$4,843	$1,938,442	$64,983	$2,082,904	$69,826

	2012					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$129,860	$4,470	$2,624,651	$90,349	$2,754,511	$94,819
Reversal of doubtful accounts	(997,174)	(34,326)	-	-	(997,174)	(34,326)
Write-offs	(311,791)	(10,733)	-	-	(311,791)	(10,733)
Debt counseling recoveries	148,839	5,124	-	-	148,839	5,124
Recoveries	561,498	19,329	-	-	561,498	19,329
Reclassification	584,906	20,134	(733,745)	(25,258)	(148,839)	(5,124)
Effects of exchange rates change	-	-	(589)	(20)	(589)	(20)
Balance, end of the period	$116,138	$3,998	$1,890,317	$65,071	$2,006,455	$69,069

(2) Impairment assessment of receivables – the Bank

Item		Receivables	
		2013.12.31	
		NT$	US$
With objective evidence of impairment	Individual assessment	$34,082	$1,142
	Collective assessment	168,765	5,658
Without objective evidence of impairment	Collective assessment	121,931,547	4,087,547

Item		Receivables	
		2012.12.31	
		NT$	US$
With objective evidence of impairment	Individual assessment	$37,241	$1,282
	Collective assessment	140,445	4,835
Without objective evidence of impairment	Collective assessment	52,562,725	1,809,388

Item		Receivables	
		2012.1.1	
		NT$	US$
With objective evidence of impairment	Individual assessment	$22,516	$744
	Collective assessment	154,121	5,092
Without objective evidence of impairment	Collective assessment	48,158,858	1,590,977

Item		Allowance for doubtful accounts	
		2013.12.31	
		NT$	US$
With objective evidence of impairment	Individual assessment	$15,853	$532
	Collective assessment	128,609	4,311
Without objective evidence of impairment	Collective assessment	1,938,442	64,983

Item		Allowance for doubtful accounts	
		2012.12.31	
		NT$	US$
With objective evidence of impairment	Individual assessment	$5,208	$179
	Collective assessment	110,930	3,819
Without objective evidence of impairment	Collective assessment	1,890,317	65,071

Item		Allowance for doubtful accounts 2012.1.1	
		NT$	US$
With objective evidence of impairment	Individual assessment	$4,327	$143
	Collective assessment	125,533	4,147
Without objective evidence of impairment	Collective assessment	2,624,651	86,708

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

6. Discounts and loans, net

	2013.12.31	
	NT$	US$
Outward documentary bills	$6,669,210	$223,574
Overdrafts	867,731	29,089
Short-term loans	289,442,041	9,703,052
Medium-term loans	321,832,295	10,788,880
Long-term loans	422,175,426	14,152,713
Delinquent accounts	3,721,958	124,772
Total	1,044,708,661	35,022,080
Adjustment for discounts and premium	982,481	32,936
Less: allowance for doubtful accounts	(14,585,821)	(488,964)
Net balance	$1,031,105,321	$34,566,052

	2012.12.31	
	NT$	US$
Outward documentary bills	$1,764,969	$60,756
Overdrafts	594,231	20,455
Short-term loans	221,898,435	7,638,500
Medium-term loans	347,094,239	11,948,167
Long-term loans	439,958,850	15,144,883
Delinquent accounts	4,177,439	143,802
Total	1,015,488,163	34,956,563
Adjustment for discounts and premium	1,097,491	37,780
Less: allowance for doubtful accounts	(13,402,461)	(461,359)
Net balance	$1,003,183,193	$34,532,984

	2012.1.1	
	NT$	US$
Outward documentary bills	$355,418	$11,741
Overdrafts	497,529	16,436
Short-term loans	264,838,787	8,749,217
Medium-term loans	284,204,215	9,388,973
Long-term loans	457,332,942	15,108,456
Delinquent accounts	3,429,956	113,312
Total	1,010,658,847	33,388,135
Adjustment for discounts and premium	866,690	28,632
Less: allowance for doubtful accounts	(9,599,743)	(317,137)
Net balance	$1,001,925,794	$33,099,630

(1) As of 31 December 2013, 31 December 2012 and 1 January 2012, the accounts without interest accrued were NT$3,001,620 (US$100,624), NT$3,802,624 (US$130,899) and NT$2,987,964 (US$98,710), respectively. The non-accrued interest on such accounts amounted to NT$173,934 (US$5,831) and NT$62,563 (US$2,154) for the years ended 31 December 2013 and 2012, respectively.

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

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

① The Bank

	2013					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$3,838,785	$128,689	$9,198,147	$308,352	$13,036,932	$437,041
Provision of doubtful accounts	776,050	26,016	-	-	776,050	26,016
Write-offs	(941,929)	(31,577)	-	-	(941,929)	(31,577)
Debt counseling recoveries	115,565	3,874	-	-	115,565	3,874
Recoveries	1,233,367	41,346	-	-	1,233,367	41,346
Reclassification	(754,469)	(25,292)	888,036	29,770	133,567	4,478
Effects of exchange rates change	-	-	32,849	1,101	32,849	1,101
Balance, end of the period	$4,267,369	$143,056	$10,119,032	$339,223	$14,386,401	$482,279

	2012					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$3,059,807	$105,329	$6,247,744	$215,069	$9,307,551	$320,398
Provision of doubtful accounts	3,047,459	104,904	-	-	3,047,459	104,904
Write-offs	(1,072,929)	(36,934)	-	-	(1,072,929)	(36,934)
Debt counseling recoveries	131,902	4,541	-	-	131,902	4,541
Recoveries	1,530,884	52,698	-	-	1,530,884	52,698
Reclassification	(2,858,338)	(98,394)	3,007,177	103,517	148,839	5,123
Effects of exchange rates change	-	-	(56,774)	(1,954)	(56,774)	(1,954)
Balance, end of the period	$3,838,785	$132,144	$9,198,147	$316,632	$13,036,932	$448,776

② Indovina Bank

	2013		2012	
	NT$	US$	NT$	US$
Balance, beginning of the period	$355,255	$11,909	$292,192	$10,058
Provision (reversal) of doubtful accounts	(54,701)	(1,834)	75,353	2,594
Effects of exchange rates change, etc.	(129,978)	(4,357)	(12,290)	(423)
Balance, end of the period	$170,576	$5,718	$355,255	$12,229

③ CUBC Bank

	2013		2012	
	NT$	US$	NT$	US$
Balance, beginning of the period	$10,274	$345	$11,406	$393
Provision of doubtful accounts	18,446	618	457	15
Effects of exchange rates change, etc.	124	4	(1,589)	(54)
Balance, end of the period	$28,844	$967	$10,274	$354

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

Item		Discounts and loans	
		2013.12.31	
		NT$	US$
With objective evidence of impairment	Individual assessment	$16,255,187	$544,927
	Collective assessment	5,712,550	191,504
Without objective evidence of impairment	Collective assessment	1,005,159,299	33,696,255

Item		Discounts and loans 2012.12.31 NT$	Discounts and loans 2012.12.31 US$
With objective evidence of impairment	Individual assessment	$24,407,642	$840,194
	Collective assessment	2,346,283	80,767
Without objective evidence of impairment	Collective assessment	971,701,928	33,449,292

Item		Discounts and loans 2012.1.1 NT$	Discounts and loans 2012.1.1 US$
With objective evidence of impairment	Individual assessment	$13,764,770	$454,733
	Collective assessment	1,864,050	61,581
Without objective evidence of impairment	Collective assessment	976,913,511	32,273,324

Item		Allowance for doubtful account 2013.12.31 NT$	Allowance for doubtful account 2013.12.31 US$
With objective evidence of impairment	Individual assessment	$3,280,804	$109,983
	Collective assessment	986,565	33,073
Without objective evidence of impairment	Collective assessment	10,119,032	339,223

Item		Allowance for doubtful account 2012.12.31 NT$	Allowance for doubtful account 2012.12.31 US$
With objective evidence of impairment	Individual assessment	$3,413,547	$117,506
	Collective assessment	425,238	14,638
Without objective evidence of impairment	Collective assessment	9,198,147	316,632

Item		Allowance for doubtful account 2012.1.1 NT$	Allowance for doubtful account 2012.1.1 US$
With objective evidence of impairment	Individual assessment	$2,645,588	$87,400
	Collective assessment	414,219	13,684
Without objective evidence of impairment	Collective assessment	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

	2013.12.31	
	NT$	US$
Stocks	$14,172,615	$475,113
Mutual funds and beneficiary securities	469,473	15,738
Bonds	36,358,499	1,218,857
Overseas financial instruments	16,908,303	566,822
Net balance	$67,908,890	$2,276,530

	2012.12.31	
	NT$	US$
Stocks	$11,217,884	$386,158
Mutual funds and beneficiary securities	1,271,338	43,764
Bonds	34,012,397	1,170,822
Overseas financial instruments	17,453,709	600,816
Net balance	$63,955,328	$2,201,560

	2012.1.1	
	NT$	US$
Stocks	$6,765,923	$223,519
Mutual funds and beneficiary securities	1,230,942	40,666
Bonds	30,538,020	1,008,854
Overseas financial instruments	9,304,550	307,385
Net balance	$47,839,435	$1,580,424

(1) Impairment assessment of available-for-sale financial assets above, please refer to Notes XII.4(7).

(2) As of 31 December 2013, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT$14,414,200 (US$483,212). Such repurchase agreements amounting to NT$14,071,807 (US$471,734) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2013 was settled at NT$14,079,632 (US$471,996) prior to 30 June 2014, and repurchase agreements amounting to NT$1,411,144 (US$47,306) was without settlement date.

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 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$1,473,453 (US$49,395), NT$1,603,158 (US$55,186) and NT$1,504,328 (US$49,697) as of 31 December 2013, 31 December 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

	2013.12.31	
	NT$	US$
Bonds	$951,287	$31,891
Overseas financial instruments	50,443,791	1,691,042
Net balance	$51,395,078	$1,722,933

	2012.12.31	
	NT$	US$
Bonds	$962,740	$33,141
Overseas financial instruments	20,706,234	712,779
Net balance	$21,668,974	$745,920

	2012.1.1	
	NT$	US$
Bonds	$1,275,423	$42,135
Overseas financial instruments	18,071,428	597,008
Net balance	$19,346,851	$639,143

(1) As of 31 December 2013, certain held-to-maturity financial assets was sold under repurchase agreements with notional amounts of NT$42,319,350 (US$1,418,684). Such repurchase agreements amounting to NT$39,394,999 (US$1,320,650) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2013 was settled at NT$39,411,066 (US$1,321,189) prior to 31 January 2014.

(2) Held-to-maturity financial assets of NT$862,710 (US$28,921), NT$610,570 (US$21,018) and NT$635,080 (US$20,981) as of 31 December 2013, 31 December 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

	2013.12.31		
	Carrying value		% of
	NT$	US$	ownership
Investment in subsidiaries			
Seaward Card Co., Ltd.	$39,107	$1,311	100.00
Investment in associates			
Taiwan Real-estate Management Corp.	99,359	3,331	30.15
Taiwan Finance Corp.	1,487,419	49,863	24.57
Vista Technology Venture Capital Corp.	789	26	4.76
Subtotal	1,587,567	53,220	
Total	$1,626,674	$54,531	

	2012.12.31		
	Carrying value		% of
	NT$	US$	ownership
Investment in subsidiaries			
Seaward Card Co., Ltd.	$39,752	$1,368	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.	1,419	49	4.76
Subtotal	1,525,475	52,513	
Total	$1,565,227	$53,881	

	2012.1.1		
	Carrying value		% of
	NT$	US$	ownership
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.

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

	2013.12.31		2012.12.31		2012.1.1	
	NT$	US$	NT$	US$	NT$	US$
Total assets	$45,654,713	$1,530,497	$39,117,543	$1,346,559	$36,474,475	$1,204,971
Total liabilities	(39,254,783)	(1,315,950)	(36,188,347)	(1,245,726)	(30,320,142)	(1,001,656)

	2013		2012	
	NT$	US$	NT$	US$
Revenue	$499,441	$16,743	$483,761	$16,653
Net income	569,065	19,077	147,151	5,065

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

	2013.12.31	
	NT$	US$
Preferred stocks	$549,730	$18,429
Short-term bills	272,300,000	9,128,394
Overseas financial instruments	7,422,283	248,819
Net balance	$280,272,013	$9,395,642

	2012.12.31	
	NT$	US$
Preferred stocks	$549,730	$18,923
Short-term bills	410,100,000	14,117,040
Overseas financial instruments	13,393,933	461,065
Net balance	$424,043,663	$14,597,028

	2012.1.1	
	NT$	US$
Preferred stocks	$549,730	$18,161
Short-term bills	407,350,000	13,457,218
Overseas financial instruments	17,240,536	569,559
Net balance	$425,140,266	$14,044,938

(1) Impairment assessment of investments in debt securities with no active market assets above, please refer to Note XII.4(7).

(2) As of 31 December 2013, certain investments in debt securities with no active market assets was sold under repurchase agreement with notional amounts of NT$10,739,833 (US$360,035). Such repurchase agreements amounting to NT$3,803,650 (US$127,511) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2013 was settled at NT$3,805,024 (US$127,557) prior to 31 January 2014.

(3) NT$50,100,000 (US$1,679,517), NT$50,100,000 (US$1,724,613) and NT$38,500,000 (US$1,271,886) of certificates of deposit as of 31 December 2013 31 December 2012 and 1 January 2012, respectively, were pledged to other parties as collateral for business reserves and guarantees.

11. Property and equipment, net

	Land		Buildings		Office equipment		Transportation Equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Cost:																
2012.1.1	$14,062,240	$484,070	$10,057,230	$346,204	$4,391,157	$151,159	$86,580	$2,980	$16,115	$555	$6,228,352	$214,401	$136,041	$4,683	$34,977,715	$1,204,052
Additions	-	-	59	2	114,674	3,947	3,630	125	111	4	74,555	2,566	343,887	11,838	536,916	18,482
Acquirement of M&A	126,327	4,348	27,151	935	139,248	4,793	21,814	751	11,244	387	8,707	300	-	-	334,491	11,514
Transfers	(66,248)	(2,280)	(175,830)	(6,053)	80,775	2,781	-	-	-	-	110,257	3,796	(170,104)	(5,856)	(221,150)	(7,612)
Disposals	(368,571)	(12,687)	(75,049)	(2,584)	(164,082)	(5,648)	(1,504)	(52)	(10,238)	(352)	(321,576)	(11,070)	-	-	(941,020)	(32,393)
Exchange differences	-	-	(4,276)	(147)	(6,154)	(212)	(2,062)	(71)	(1,377)	(48)	223	8	(4,690)	(161)	(18,336)	(631)
2012.12.31	$13,753,748	$473,451	$9,829,285	$338,357	$4,555,618	$156,820	$108,458	$3,733	$15,855	$546	$6,100,518	$210,001	$305,134	$10,504	$34,668,616	$1,193,412

	Land		Buildings		Office equipment		Transportation equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
2013.1.1	$13,753,748	$461,071	$9,829,285	$329,510	$4,555,618	$152,719	$108,458	$3,636	$15,855	$532	$6,100,518	$204,509	$305,134	$10,229	$34,668,616	$1,162,206
Additions	9,259	310	45,653	1,530	507,192	17,003	4,491	151	692	23	112,333	3,766	592,698	19,869	1,272,318	42,652
Transfers	(186,672)	(6,258)	218,046	7,310	95,706	3,208	(80)	(3)	625	21	125,244	4,199	(387,917)	(13,004)	(135,048)	(4,527)
Disposals	-	-	(922)	(31)	(426,635)	(14,302)	(16,387)	(549)	(314)	(11)	(67,384)	(2,259)	-	-	(511,642)	(17,152)
Exchange differences	3,529	119	3,617	121	14,057	471	2,094	70	452	15	(1,110)	(37)	4,013	135	26,652	894
2013.12.31	$13,579,864	$455,242	$10,095,679	$338,440	$4,745,938	$159,099	$98,576	$3,305	$17,310	$580	$6,269,601	$210,178	$513,928	$17,229	$35,320,896	$1,184,073

	Land		Buildings		Office equipment		Transportation equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Depreciations and impairment：																
2012.1.1	$-	$-	$3,134,943	$107,916	$3,618,720	$124,569	$65,373	$2,250	$12,359	$425	$5,010,674	$172,484	$-	$-	$11,842,069	$407,644
Depreciation	-	-	203,423	7,003	378,840	13,041	5,995	206	2,186	75	333,651	11,486	-	-	924,095	31,811
Acquirement of M&A	-	-	11,663	401	79,463	2,735	11,612	400	6,117	211	6,852	236	-	-	115,707	3,983
Transfers	-	-	(55,010)	(1,894)	756	26	(8)	-	-	-	-	-	-	-	(54,262)	(1,868)
Disposals	-	-	(60,134)	(2,070)	(164,059)	(5,648)	(1,504)	(52)	(10,238)	(352)	(308,765)	(10,628)	-	-	(544,700)	(18,750)
Exchange difference	-	-	(1,585)	(55)	(5,059)	(174)	(1,292)	(44)	(909)	(31)	(1,383)	(48)	-	-	(10,228)	(352)
2012.12.31	$-	$-	$3,233,300	$111,301	$3,908,661	$134,549	$80,176	$2,760	$9,515	$328	$5,041,029	$173,530	$-	$-	$12,272,681	$422,468

	Land		Buildings		Office equipment		Transportation equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
2013.1.1	$-	$-	$3,233,300	$108,391	$3,908,661	$131,031	$80,176	$2,688	$9,515	$319	$5,041,029	$168,992	$-	$-	$12,272,681	$411,421
Depreciation	-	-	202,087	6,775	387,881	13,003	7,665	257	2,454	82	312,308	469	-	-	912,395	30,586
Transfers	-	-	11,576	388	21,654	726	37	1	-	-	(4,464)	(149)	-	-	28,803	966
Disposals	-	-	(509)	(17)	(402,904)	(13,507)	(14,880)	(499)	(314)	(10)	(65,622)	(2,200)	-	-	(484,229)	(16,233)
Exchange difference	-	-	1,565	52	(29,030)	(973)	1,250	42	263	9	375	13	-	-	(25,577)	(857)
2013.12.31	$-	$-	$3,448,019	$115,589	$3,886,262	$130,280	$74,248	$2,489	$11,918	$400	$5,283,626	$177,125	$-	$-	$12,704,073	$425,883
Net carrying amount:																
2013.12.31	$13,579,864	$455,242	$6,647,660	$222,851	$859,676	$28,819	$24,328	$816	$5,392	$180	$985,975	$33,053	$513,928	$17,229	$22,616,823	$758,190
2012.12.31	$13,753,748	$473,451	$6,595,985	$227,056	$646,957	$22,271	$28,282	$973	$6,340	$218	$1,059,489	$36,471	$305,134	$10,504	$22,395,935	$770,944
2012.1.1	$14,062,240	$484,070	$6,922,287	$238,288	$772,437	$26,590	$21,207	$730	$3,756	$130	$1,217,678	$41,917	$136,041	$4,683	$23,135,646	$796,408

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 Properties, net

	Land		Buildings		Total	
	NT$	US$	NT$	US$	NT$	US$
Cost：						
2012.1.1	$1,944,663	$66,943	$1,660,981	$57,176	$3,605,644	$124,119
Transfers	66,248	2,280	175,830	6,053	242,078	8,333
Disposals	(228,900)	(7,880)	(282,744)	(9,733)	(511,644)	(17,613)
2012.12.31	$1,782,011	$61,343	$1,554,067	$53,496	$3,336,078	$114,839
2013.1.1	$1,782,011	$59,739	$1,554,067	$52,098	$3,336,078	$111,837
Transfers	121,331	4,068	(67,093)	(2,250)	54,238	1,818
2013.12.31	$1,903,342	$63,807	$1,486,974	$49,848	$3,390,316	$113,655

	Land		Buildings		Total	
	NT$	US$	NT$	US$	NT$	US$
Depreciation and impairment :						
2012.1.1	$181,024	$6,231	$355,109	$12,224	$536,133	$18,455
Depreciation	-	-	67,147	2,311	67,147	2,311
Transfers	-	-	55,010	1,894	55,010	1,894
Disposals	(6,500)	(223)	(41,558)	(1,431)	(48,058)	(1,654)
2012.12.31	$174,524	$6,008	$435,708	$14,998	$610,232	$21,006

	Land		Buildings		Total	
	NT$	US$	NT$	US$	NT$	US$
2013.1.1	$174,524	$5,851	$435,708	$14,606	$610,232	$20,457
Depreciation	-	-	63,235	2,120	63,235	2,120
Impairment losses	23,871	800	1,954	66	25,825	866
Transfers	(8,135)	(273)	(17,425)	(584)	(25,560)	(857)
2013.12.31	$190,260	$6,378	$483,472	$16,208	$673,732	$22,586
Net carrying amount:						
2013.12.31	$1,713,082	$57,429	$1,003,502	$33,640	$2,716,584	$91,069
2012.12.31	$1,607,487	$55,335	$1,118,359	$38,498	$2,725,846	$93,833
2012.1.1	$1,763,639	$60,712	$1,305,872	$44,952	$3,069,511	$105,664

Accumulated impairment of investment property:

	2013		2012	
	NT$	US$	NT$	US$
Balance, beginning of the period	$230,555	$7,729	$237,055	$8,160
Impairment losses	25,825	865	-	-
Transfers	(9,018)	(302)	-	-
Disposals	-	-	(6,500)	(224)
Balance, end of the period	$247,362	$8,292	$230,555	$7,936

	2013		2012	
	NT$	US$	NT$	US$
Rental income from investment property	$83,189	$2,789	$78,435	$2,700
Less:				
Direct operating expenses from investment property generating rental income	(10,672)	(358)	(13,507)	(465)
Direct operating expenses from investment property not generating rental income	(4,223)	(142)	(5,003)	(172)
Total	$68,294	$2,289	$59,925	$2,063

(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.

(3) The fair value of investment property were NT$5,376,817 (US$180,249), NT$5,109,776 (US$175,896) and NT$5,292,456 (US$174,842), as at 31 December 2013, 31 December 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	$229,710	$1,640,066	$56,457	$8,313,149	$286,167
Additions-acquired separately	-	-	51,004	1,756	51,004	1,756
Acquirement of M&A	307,980	10,602	20,981	722	328,961	11,324
Disposals	-	-	(127,993)	(4,406)	(127,993)	(4,406)
Transfers	-	-	44,669	1,538	44,669	1,538
Exchange differences	-	-	(1,610)	(56)	(1,610)	(56)
2012.12.31	$6,981,063	$240,312	$1,627,117	$56,011	$8,608,180	$296,323
2013.1.1	$6,981,063	$234,028	$1,627,117	$54,547	$8,608,180	$288,575
Additions-acquired separately	-	-	55,784	1,870	55,784	1,870
Disposals	-	-	(228,194)	(7,650)	(228,194)	(7,650)
Transfers	-	-	47,128	1,580	47,128	1,580
Exchange differences	8,604	289	1,721	57	10,325	346
2013.12.31	$6,989,667	$234,317	$1,503,556	$50,404	$8,493,223	$284,721

	Goodwill		Computer software		Total	
	NT$	US$	NT$	US$	NT$	US$
Amortization and impairment:						
2012.1.1	$-	$-	$1,020,501	$35,129	$1,020,501	$35,129
Amortization	-	-	213,603	7,353	213,603	7,353
Acquirement of M&A	-	-	14,884	512	14,884	512
Disposals	-	-	(127,993)	(4,406)	(127,993)	(4,406)
Transfers	-	-	8	-	8	-
Exchange differences	-	-	(1,095)	(37)	(1,095)	(37)
2012.12.31	$-	$-	$1,119,908	$38,551	$1,119,908	$38,551

	Goodwill		Computer software		Total	
	NT$	US$	NT$	US$	NT$	US$
2013.1.1	$-	$-	$1,119,908	$37,543	$1,119,908	$37,543
Amortization	-	-	210,463	7,056	210,463	7,056
Disposals	-	-	(228,194)	(7,650)	(228,194)	(7,650)
Transfers	-	-	14,884	499	14,884	499
Exchange differences	-	-	1,302	43	1,302	43
2013.12.31	$-	$-	$1,118,363	$37,491	$1,118,363	$37,491
Net carrying amount:						
2013.12.31	$6,989,667	$234,317	$385,193	$12,913	$7,374,860	$247,230
2012.12.31	$6,981,063	$240,312	$507,209	$17,460	$7,488,272	$257,772
2012.1.1	$6,673,083	$229,710	$619,565	$21,328	$7,292,648	$251,038

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.

14. Other assets, net

	2013.12.31	
	NT$	US$
Prepayment	$808,073	$27,089
Temporary payments	84,037	2,817
Interbank settlement fund	2,572,275	86,231
Refundable deposits, net	3,495,971	117,196
Operating deposits, net	452,270	15,162
Foreclosed properties, net	89,686	3,007
Others	178,954	5,999
Total	$7,681,266	$257,501

	2012.12.31	
	NT$	US$
Prepayment	$687,055	$23,650
Temporary payments	198,030	6,817
Interbank settlement fund	2,552,473	87,865
Refundable deposits, net	827,482	28,485
Operating deposits, net	486,290	16,740
Others	171,186	5,893
Total	$4,922,516	$169,450

	2012.1.1	
	NT$	US$
Prepayment	$574,225	$18,970
Temporary payments	22,573	746
Interbank settlement fund	1,363,563	45,047
Refundable deposits, net	583,149	19,265
Operating deposits, net	409,200	13,518
Others	183,718	6,069
Total	$3,136,428	$103,615

As of 31 December 2013, 31 December 2012 and 1 January 2012, the amounts of land use rights of NT$350,413 (US$11,747), NT$341,370 (US$11,751) and NT$355,390 (US$11,741) were recognized under prepayment, respectively.

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

	2013.12.31	
	NT$	US$
Due to commercial banks	$5,409,342	$181,339
Due to Post Co., Ltd.	19,703,976	660,542
Overdrafts from banks	123,569	4,143
Call loans from banks	31,748,338	1,064,309
Total	$56,985,225	$1,910,333

	2012.12.31	
	NT$	US$
Due to commercial banks	$3,596,299	$123,797
Due to Post Co., Ltd.	19,919,402	685,694
Overdrafts from banks	108,340	3,729
Call loans from banks	33,307,732	1,146,566
Total	$56,931,773	$1,959,786

	2012.1.1	
	NT$	US$
Due to commercial banks	$2,660,943	$87,907
Due to Post Co., Ltd.	19,407,169	641,136
Overdrafts from banks	86,387	2,854
Call loans from banks	40,120,574	1,325,423
Total	$62,275,073	$2,057,320

16. Financial liabilities at fair value through profit or loss

	2013.12.31	
	NT$	US$
Financial liabilities for trading:		
Bond investments	$497,002	$16,661
Derivative financial instruments	10,774,185	361,186
	$11,271,187	$377,847

	2012.12.31	
	NT$	US$
Financial liabilities for trading:		
Derivative financial instruments	$4,967,738	$171,006

	2012.1.1	
	NT$	US$
Financial liabilities for trading:		
Derivative financial instruments	$4,835,152	$159,734

Net losses arising from financial liabilities at fair value through profit or loss for the years ended 31 December 2013 and 2012 were NT$1,192,938 (US$39,991) and NT$2,994,843 (US$103,092), respectively.

17. Payables

	2013.12.31	
	NT$	US$
Accounts payable	$3,497,080	$117,234
Accrued interest payable	2,531,091	84,850
Accrued expenses	4,957,366	166,187
Foreign currency payable	134,504	4,509
Acceptance	1,381,544	46,314
Tax payable	153,679	5,152
Dividends payable	119,800	4,016
Receipts under custody	388,419	13,021
Others	1,992,551	66,797
Total	$15,156,034	$508,080

	2012.12.31	
	NT$	US$
Accounts payable	$8,408,434	$289,447
Accrued interest payable	2,620,033	90,191
Accrued expenses	3,874,061	133,359
Foreign currency payable	68,653	2,363
Acceptance	1,644,088	56,595
Tax payable	152,317	5,243
Dividends payable	407,904	14,041
Receipts under custody	228,744	7,874
Others	4,748,952	163,475
Total	$22,153,186	$762,588

	2012.1.1	
	NT$	US$
Accounts payable	$8,725,729	$288,263
Accrued interest payable	2,582,401	85,312
Accrued expenses	3,402,477	112,405
Foreign currency payable	742,049	24,514
Acceptance	1,256,741	41,518
Tax payable	134,845	4,455
Receipts under custody	232,540	7,682
Others	3,301,163	109,057
Total	$20,377,945	$673,206

18. Deposits and remittances

	2013.12.31	
	NT$	US$
Check deposits	$17,006,177	$570,103
Demand deposits	319,832,288	10,721,833
Demand savings deposits	619,830,238	20,778,754
Time deposits	349,502,641	11,716,482
Negotiable certificates of deposit	6,271,400	210,238
Time savings deposits	302,030,267	10,125,051
Outward remittances	868,120	29,102
Remittances payable	519,332	17,410
Total	$1,615,860,463	$54,168,973

	2012.12.31	
	NT$	US$
Check deposits	$17,115,953	$589,189
Demand deposits	266,645,938	9,178,862
Demand savings deposits	579,112,495	19,935,025
Time deposits	384,716,809	13,243,264
Negotiable certificates of deposit	6,922,200	238,286
Time savings deposits	283,700,913	9,765,952
Outward remittances	395,743	13,623
Remittances payable	1,164,015	40,070
Total	$1,539,774,066	$53,004,271

	2012.1.1	
	NT$	US$
Check deposits	$15,025,841	$496,394
Demand deposits	234,041,131	7,731,785
Demand savings deposits	561,876,492	18,562,157
Time deposits	394,828,523	13,043,559
Negotiable certificates of deposit	1,581,400	52,243
Time savings deposits	276,089,504	9,120,895
Outward remittances	313,280	10,350
Remittances payable	273,016	9,019
Total	$1,484,029,187	$49,026,402

19. Financial debentures payable

	2013.12.31	
	NT$	US$
Subordinated financial debentures	$51,705,031	$1,733,323
Discount in financial debentures	(16,366)	(548)
Valuation adjustment	728,548	24,423
Total	$52,417,213	$1,757,198

	2012.12.31	
	NT$	US$
Subordinated financial debentures	$41,438,544	$1,426,456
Discount in financial debentures	(23,666)	(815)
Valuation adjustment	1,103,753	37,995
Total	$42,518,631	$1,463,636

	2012.1.1	
	NT$	US$
Subordinated financial debentures	$34,724,925	$1,147,173
Discount in financial debentures	(32,218)	(1,065)
Valuation adjustment	1,331,118	43,975
Total	$36,023,825	$1,190,083

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.

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.

20. Other financial liabilities

	2013.12.31	
	NT$	US$
Borrowed funds	$31,849	$1,068
Principal received from the sale of structured products	36,113,309	1,210,637
Total	$36,145,158	$1,211,705

	2012.12.31	
	NT$	US$
Borrowed funds	$85,500	$2,943
Principal received from the sale of structured products	17,340,691	596,926
Total	$17,426,191	$599,869

	2012.1.1	
	NT$	US$
Borrowed funds	$135,518	$4,477
Principal received from the sale of structured products	10,475,555	346,071
Total	$10,611,073	$350,548

21. Provisions

	2013.12.31	
	NT$	US$
Employee benefits provision – Defined benefits plan	$1,358,410	$45,538
Employee benefits provision – Preferential interest rate deposits	629,582	21,106
Reserve for losses on guarentees	24,892	835
Reserve for other operating	22,680	760
Total	$2,035,564	$68,239

	2012.12.31	
	NT$	US$
Employee benefits provision – Defined benefits plan	$1,354,200	$46,616
Employee benefits provision – Preferential interest rate deposits	630,292	21,697
Reserve for losses on guarentees	24,892	857
Total	$2,009,384	$69,170

	2012.1.1	
	NT$	US$
Employee benefits provision - Defined benefits plan	$1,435,795	$47,433
Employee benefits provision - Preferential interest rate deposits	615,115	20,321
Reserve for losses on guarentees	24,892	822
Total	$2,075,802	$68,576

	2013.1.1		Addition-other		Used		2013.12.31	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Defined benefits plan	$1,354,200	$45,397	$4,210	$141	$-	$-	$1,358,410	$45,538
Preferential interest rate deposits	630,292	21,129	88,737	2,975	(89,447)	(2,998)	629,582	21,106
Reserve for losses on guarantees	24,892	835	-	-	-	-	24,892	835
Reserve for other operating	-	-	22,680	760	-	-	22,680	760
Total	$2,009,384	$67,361	$115,627	$3,876	$(89,447)	$(2,998)	$2,035,564	$68,239

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 employees' salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2013 and 2012 were NT$212,240 (US$7,115) and NT$174,227 (US$5,997), 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 recognized in profit or loss for the years ended 31 December 2013 and 2012:

	2013		2012	
	NT$	US$	NT$	US$
Current period service costs	$157,895	$5,293	$139,903	$4,816
Interest cost	58,985	1,977	60,484	2,082
Expected return on plan assets	(43,672)	(1,464)	(35,357)	(1,217)
Benefits impairment	74	3	-	-
Exchange difference	(407)	(13)	2,539	87
Others	8,300	278	-	-
Total	$181,175	$6,074	$167,569	$5,768

Pension costs amounted to NT$181,175 (US$6,074) and NT$167,569 (US$5,768) were recognized for the years ended 31 December 2013 and 2012, and recorded as "Employee benefits expenses".

Reconciliations of liability (asset) of the defined benefit plan are as follows:

	2013.12.31		2012.12.31		2012.1.1	
	NT$	US$	NT$	US$	NT$	US$
Defined benefit obligation	$(4,207,320)	$(141,043)	$(3,932,340)	$(135,364)	$(3,456,244)	$(114,180)
Plan assets at fair value	2,201,514	73,802	2,183,577	75,166	2,020,449	66,747
Funded status	(2,005,806)	(67,241)	(1,748,763)	(60,198)	(1,435,795)	(47,433)
Unrecognized past service cost	647,396	21,703	394,563	13,582	-	-
Accrued pension liabilities recognized on the consolidated balance sheets	$(1,358,410)	$(45,538)	$(1,354,200)	$(46,616)	$(1,435,795)	$(47,433)

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

	2013		2012	
	NT$	US$	NT$	US$
Defined benefit obligation at the beginning	$3,932,340	$131,825	$3,456,244	$118,976
Current service cost	157,895	5,293	139,903	4,816
Interest cost	58,985	1,977	60,484	2,082
Benefits paid	(179,120)	(6,004)	(105,242)	(3,623)
Actuarial losses (gains)	237,220	7,952	380,951	13,113
Defined benefit obligation at the end	$4,207,320	$141,043	$3,932,340	$135,364

Changes in fair value of plan assets are as follows:

	2013		2012	
	NT$	US$	NT$	US$
Plan assets, at fair value at the beginning	$2,183,577	$73,201	$2,020,449	$69,551
Expected return on plan assets	27,985	938	21,745	748
Contributions by employer	169,072	5,668	246,625	8,490
Benefits paid	(179,120)	(6,005)	(105,242)	(3,623)
Plan assets, at fair value at the end	$2,201,514	$73,802	$2,183,577	$75,166

The Bank expects to contribute NT$169,072 (US$5,668) to its defined benefit plan during the 12 months beginning on 31 December 2013.

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

	Pension plan (%) as at		
	2013.12.31	2012.12.31	2012.1.1
Cash	21.06	22.49	22.76
Equity instruments	40.69	40.88	18.99
Debt instruments	18.20	17.44	19.81
Others	20.05	19.19	38.44

Actual return on plan assets amounted to NT$27,985 (US$938) and NT$21,745 (US$748) were recognized during 2013 and 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:

	2013.12.31	2012.12.31	2012.1.1
Discount rate	1.92%	1.50%	1.75%
Expected rate of return on plan assets	1.68%	2.00%	1.75%
Expected rate of salary increases	2.00%	2.00%	2.00%

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

	2013			
	Discount rate increase by 0.5%		Discount rate decrease by 0.5%	
	NT$	US$	NT$	US$
Effect on the defined benefit obligation	$253,516	$8,499	$277,739	$9,311

	2012			
	Discount rate increase by 0.5%		Discount rate decrease by 0.5%	
	NT$	US$	NT$	US$
Effect on the defined benefit obligation	$258,273	$8,891	$297,565	$10,243

Other information on the defined benefit plan is as follows:

	2013	
	NT$	US$
Defined benefit obligation at present value	$4,207,320	$141,043
Plan assets at fair value	(2,201,514)	(73,802)
Surplus in plan	$2,005,806	$67,241
Experience adjustments on plan liabilities	$310,221	$10,400
Experience adjustments on plan assets	$15,686	$526

	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	$251,814	$8,668
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$294,476 (US$9,872), NT$289,956 (US$9,981) were recognized for the years ended 31 December 2013 and 2012, respectively, and recorded as “Employee benefits expenses”.

Reconciliations of liability (asset) of the defined benefit plan are as follows:

	2013.12.31		2012.12.31		2012.1.1	
	NT$	US$	NT$	US$	NT$	US$
Defined benefit obligation	$629,582	$21,106	$630,292	$21,697	$615,115	$20,321
Plan assets at fair value	-	-	-	-	-	-
Funded status	629,582	21,106	630,292	21,697	615,115	20,321
Unrecognized past service cost	-	-	-	-	-	-
Accrued pension liabilities recognized on the consolidated balance sheets	$629,582	$21,106	$630,292	$21,697	$615,115	$20,321

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

	2013		2012	
	NT$	US$	NT$	US$
Defined benefit obligation at the beginning	$630,292	$21,129	$615,115	$21,174
Interest cost	9,454	317	10,765	371
Past service cost amortization	-	-	11,980	412
Benefits paid	(89,447)	(2,998)	(88,325)	(3,040)
Actuarial losses (gains)	79,283	2,658	80,756	2,780
Defined benefit obligation at the end	$629,582	$21,106	$630,292	$21,697

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

	2013.12.31	2012.12.31	2012.1.1
Discount rate	4.00%	4.00%	4.00%
Expected rate of return on deposited fund	2.00%	2.00%	2.00%
Withdrawal rate of preferential interest rate deposits	1.00%	1.00%	1.00%

23. Other liabilities

	2013.12.31	
	NT$	US$
Unearned receipts	$1,091,919	$36,605
Temporary receipts	1,014,243	34,001
Guarantee deposits received	1,117,779	37,471
Deferred income	1,233,330	41,345
Others	425,533	14,265
Total	$4,882,804	$163,687

	2012.12.31	
	NT$	US$
Unearned receipts	$695,017	$23,925
Temporary receipts	844,181	29,060
Guarantee deposits received	1,278,507	44,010
Deferred income	1,123,325	38,669
Others	278,308	9,580
Total	$4,219,338	$145,244

	2012.1.1	
	NT$	US$
Unearned receipts	$382,624	$12,641
Temporary receipts	441,911	14,599
Guarantee deposits received	1,044,328	34,500
Deferred income	1,105,371	36,517
Others	272,018	8,986
Total	$3,246,252	$107,243

24. Capital Stock

As of 31 December 2013, 31 December 2012 and 1 January 2012, the Bank had issued and outstanding capital stock of NT$64,668,494, NT$52,277,026 and NT$52,277,026 divided into 6,466,849, 5,227,703 and 5,227,703 thousand common shares, respectively, 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 offer recapitalization.

The Bank increased its capital by NT$3,243,780 and issued 324,378 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

	2013.12.31	
	NT$	US$
Capital reserves from the merger Bank	$10,949,303	$367,057
Additional paid-in capital	13,007,302	436,048
Others	14,893	499
Total	$23,971,498	$803,604

	2012.12.31	
	NT$	US$
Capital reserves from the merger Bank	$10,949,303	$376,912
Additional paid-in capital	4,249,096	146,268
Others	14,893	513
Total	$15,213,292	$523,693

	2012.1.1	
	NT$	US$
Capital reserves from the merger Bank	$10,949,303	$361,721
Additional paid-in capital	4,249,096	140,373
Others	14,893	492
Total	$15,213,292	$502,586

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.

(3) The estimation of employee bonus and remuneration of directors for the years ended 31 December 2013 and 2012 were both NT$1,500 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 14 March 2014 and 30 April 2013, 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:

	2013			
	Amount		Dividend per share	
	NT$	US$	NT$	US$
Adjustment of retain earnings as of 31 December 2012 under first-time adoption of IFRSs	$2,555,892	$85,682	$-	$-
Difference between net value and equity investments of mergers	192,642	6,458	-	-
Legal reserves	3,491,812	117,057	0.69	0.023
Cash dividends	5,703,293	191,193	1.13	0.038
Stock dividends	2,444,268	81,940	0.49	0.016
Total	$14,387,907	$482,330	$2.31	$0.077

	2012			
	Amount		Dividend per share	
	NT$	US$	NT$	US$
Legal reserves	$3,920,437	$131,426	$0.75	$0.025
Stock dividends	9,147,688	306,661	1.75	0.059
Total	$13,068,125	$438,087	$2.50	$0.084

Note: bonus to employees in the amount of NT$1,500 (US$50) 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 31 December 2012.

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

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

	2013		2012	
	NT$	US$	NT$	US$
Beginning balance	$2,005,850	$67,243	$1,089,282	$37,497
Unrealized gains or losses on available-for-sale financial assets	(720,435)	(24,152)	903,728	31,109
Income tax of unrealized gains or losses on available-for-sale financial assets	26,835	900	14,856	511
Share of unrealized gains or losses on available-for-sale financial assets of associates and joint ventures accounted for using the equity method	(20,045)	(672)	(2,016)	(69)
Ending balance	$1,292,205	$43,319	$2,005,850	$69,048

27. Non-controlling interests

	2013		2012	
	NT$	US$	NT$	US$
Beginning balance	$2,967,014	$99,464	$3,149,171	$108,405
Profit attributable to non-controlling interests	245,689	8,236	199,836	6,879
Other comprehensive income, attributable to non-controlling interests, net of tax:				
Exchange differences resulting from translating the financial statements of a foreign operation	84,260	2,825	(120,187)	(4,137)
Unrealized gains (losses) from available-for-sale financial assets	20,026	671	-	-
Change in non-controlling interests	122,001	4,090	(261,806)	(9,012)
Ending balance	$3,438,990	$115,286	$2,967,014	$102,135

28. Net interest income

	2013		2012	
	NT$	US$	NT$	US$
Interest income				
Discounts and loans	$24,172,085	$810,328	$23,175,555	$797,781
Factoring receivable	1,106,234	37,084	76,004	2,616
Due from banks and call loans to banks	1,167,361	39,134	1,830,154	63,000
Securities	6,588,037	220,853	6,774,800	233,212
Credit cards	2,076,754	69,620	2,119,331	72,955
Others	26,143	876	37,909	1,305
Subtotal	35,136,614	1,177,895	34,013,753	1,170,869
Interest expense				
Deposits	10,370,747	347,662	10,191,566	350,828
Due to Central Bank and other banks	285,113	9,558	283,987	9,776
Funds borrowed from the Central Bank and other banks	490,711	16,450	580,830	19,994
Financial debentures	1,281,879	42,973	1,313,567	45,218
Others	792,713	26,574	359,445	12,373
Subtotal	13,221,163	443,217	12,729,395	438,189
Net interest income	$21,915,451	$734,678	$21,284,358	$732,680

29. Net fee income

	2013		2012	
	NT$	US$	NT$	US$
Fee income:				
Trust business	$2,548,390	$85,431	$1,724,498	$59,363
Cross-selling marketing	2,544,145	85,288	2,113,055	72,739
Credit card business	3,541,502	118,723	3,160,865	108,808
Loan business	1,026,489	34,411	607,214	20,902
Others	1,531,747	51,349	1,274,107	43,859
Subtotal	11,192,273	375,202	8,879,739	305,671
Fee expense:				
Credit card business	1,314,287	44,059	977,446	33,647
Others	674,279	22,604	572,076	19,693
Subtotal	1,988,566	66,663	1,549,522	53,340
Net fee income	$9,203,707	$308,539	$7,330,217	$252,331

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

	2013		2012	
	NT$	US$	NT$	US$
Short-term bills	$501,193	$16,801	$85,917	$2,958
Bonds	180,110	6,038	34,589	1,191
Beneficiary securities	3,301	111	-	-
Derivative financial instruments	2,529,090	84,783	1,059,891	36,485
Others	41,787	1,401	97,870	3,369
Total	$3,255,481	$109,134	$1,278,267	$44,003

Realized gains on financial assets and liabilities at fair value through profit or loss include disposal gains NT$2,540,185 (US$85,155) and NT$1,159,800 (US$39,924) and the interest income NT$673,966 (US$22,594) and NT$143,479 (US$4,939) during the years ended 31 December 2013 and 2012, respectively.

31. Other net non-interest income

	2013		2012	
	NT$	US$	NT$	US$
Rental income from operating assets	$368,739	$12,361	$199,043	$6,852
Rental income from investment properties	139,702	4,683	124,342	4,280
Gain on disposal of property and equipment	-	-	205,864	7,087
Gain on disposal of investment properties	83,189	2,789	78,435	2,700
Others	275,840	9,247	358,550	12,342
Total	$867,470	$29,080	$966,234	$33,261

32. Employee benefits expenses

	2013		2012	
	NT$	US$	NT$	US$
Salary	$7,413,023	$248,509	$6,775,230	$233,227
Insurance	913,606	30,627	867,837	29,874
Post-employment benefit	483,881	16,221	445,665	15,341
Others	535,511	17,952	483,868	16,656
Total	$9,346,021	$313,309	$8,572,600	$295,098

33. Depreciation and amortization expenses

	2013		2012	
	NT$	US$	NT$	US$
Depreciation expenses - property and equipment	$912,395	$30,586	$924,095	$31,811
Depreciation expenses – investment properties	63,235	2,120	67,147	2,311
Amortization expense – intangibles assets	210,463	7,056	213,603	7,353
Total	$1,186,093	$39,762	$1,204,845	$41,475

34. Other general and administrative expenses

	2013		2012	
	NT$	US$	NT$	US$
Utilities expenses	$232,139	$7,782	$196,057	$6,749
Postage expenses	424,330	14,225	378,511	13,030
Rental expenses	1,261,835	42,301	1,106,517	38,090
Business promotion expenses	1,339,458	44,903	740,386	25,486
Product promotion expenses	1,497,525	50,202	1,091,203	37,563
Cash delivery expenses	289,402	9,702	280,615	9,660
Insurance expenses	578,676	19,399	546,571	18,815
Donation expenses	945,708	31,703	911,235	31,368
Other	3,179,404	106,584	2,811,779	96,791
Total	$9,748,477	$326,801	$8,062,874	$277,552

35. Components of other comprehensive income

2013

	Arsing during the period		Income tax relating to components of other comprehensive income (expense)		Other comprehensive income, net of tax	
	NT$	US$	NT$	US$	NT$	US$
Exchange differences resulting from translating the financial statements of a foreign operation	$436,266	$14,625	$(59,841)	$(2,006)	$376,425	$12,619
Unrealized gains (losses) from available-for-sale financial assets	(680,383)	(22,809)	26,835	900	(653,548)	(21,909)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(39,794)	(1,334)	-	-	(39,794)	(1,334)
Total of other comprehensive income	$(283,911)	$(9,518)	$(33,006)	$(1,106)	$(316,917)	$(10,624)

2012

	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	$(782,870)	$(26,949)	$112,656	$3,878	$(670,214)	$(23,071)
Unrealized gains (losses) from available-for-sale financial assets	903,727	31,109	14,856	511	918,583	31,620
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,061)	(71)	-	-	(2,061)	(71)
Total of other comprehensive income	$118,796	$4,089	$127,512	$4,389	$246,308	$8,478

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		2012	
	NT$	US$	NT$	US$
Current income tax (expense) income:				
Current income tax charge	$(1,945,204)	$(65,210)	$(2,011,524)	$(69,244)
Adjustments in respect of current income tax of prior periods	(52,792)	(1,770)	21,717	748
Deferred tax (expense) income:				
Deferred tax (expense) income relating to origination and reversal of temporary differences	30,996	1,039	408,053	14,047
Income tax of overseas subsidiaries	(197,640)	(6,625)	(132,977)	(4,578)
Income tax expense	$(2,164,640)	$(72,566)	$(1,714,731)	$(59,027)

Income tax relating to components of other comprehensive income

	2013		2012	
	NT$	US$	NT$	US$
Deferred tax (expense) income:				
Exchange differences resulting from translating the financial statements of a foreign operation	$(59,841)	$(2,006)	$112,656	$3,878
Unrealized gains (losses) from available-for-sale financial assets	26,835	900	14,856	511
Income tax relating to components of other comprehensive income	$(33,006)	$(1,106)	$127,512	$4,389

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

	2013		2012	
	NT$	US$	NT$	US$
Accounting profit (loss) before tax from continuing operations	$16,798,236	$563,132	$14,980,637	$515,685
At the Bank's statutory income tax rate of 17%	$(2,855,700)	$(95,732)	$(2,546,708)	$(87,666)
Tax effect of revenues exempt from taxation	1,107,415	37,124	1,212,347	41,733
Tax effect of expenses not deductible for tax purposes	(6,800)	(228)	(6,110)	(210)
Tax effect of deferred tax assets/liabilities	71,193	2,387	(159,294)	(5,484)
Income tax of overseas subsidiaries	(197,640)	(6,626)	(132,977)	(4,578)
Income tax of overseas branches	(230,316)	(7,721)	(103,706)	(3,570)
Adjustments in respect of current income tax of prior periods	(52,792)	(1,770)	21,717	748
Total income tax expense recognized in profit or loss	$(2,164,640)	$(72,566)	$(1,714,731)	$(59,027)

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

2013

	2013.1.1		Deferred tax income (expense) recognized in profit or loss		Deferred tax income (expense) recognized in other comprehensive income		2013.12.31	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Temporary differences								
Allowance for bad debt	$631,710	$21,177	$(19,406)	$(651)	$-	$-	$612,304	$20,526
Impairment on foreclosed properties	4,983	167	(1,127)	(38)	-	-	3,856	129
Revaluations of financial assets at fair value through profit or loss	(14,755)	(495)	3,951	133	-	-	(10,804)	(362)
Revaluations of available-for-sale investments to fair value	(11,586)	(388)	-	-	26,835	900	15,249	512
Impairment on property and equipment	87,117	2,920	8,064	270	-	-	95,181	3,190
Investments accounted for using the equity method	(77,649)	(2,603)	(8,622)	(289)	-	--	(86,271)	(2,892)
Fair value adjustments arising in business combinations	(261,404)	(8,763)	(60,820)	(2,039)	-	-	(322,224)	(10,802)
Reserve for land value increment tax	(37,163)	(1,246)	-	-	-	-	(37,163)	(1,246)
Pensions	230,214	7,718	716	24	-	-	230,930	7,742
Preferential interest rate deposits	107,150	3,592	(121)	(4)	-	-	107,029	3,588
Exchange differences resulting from translating the financial statements of a foreign operation	123,147	4,128	-	-	(59,841)	(2,006)	63,306	2,122
Deferred income on customer loyalty programmes	102,821	3,447	106,845	3,582	-	-	209,666	7,029
Others	6,766	227	1,516	51	-	-	8,282	278
Deferred tax expense / (income)			$30,996	$1,039	$(33,006)	$(1,106)		
Net deferred tax assets/(liabilities)	$891,351	$29,881					$889,341	$29,814
Net deferred income tax assets / (liabilities) of overseas branches	$119,660	$4,012					$61,208	$2,052
Net deferred income tax assets / (liabilities) of overseas subsidiaries	$(4,179)	$(140)					$(58,791)	$(1,971)
Reflected in balance sheet as follows:								
Deferred tax assets	$1,544,882	$51,790					$1,446,414	$48,489
Deferred tax liabilities	$538,050	$18,037					$554,656	$18,594

2012

	2012.1.1		Deferred tax income (expense) recognized in profit or loss		Deferred tax income (expense) recognized in other comprehensive income		2012.12.31	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Temporary differences								
Allowance for bad debt	$178,983	$6,161	$452,727	$15,584	$-	$-	$631,710	$21,745
Impairment on foreclosed properties	5,979	206	(996)	(34)	-	-	4,983	172
Revaluations of financial assets at fair value through profit or loss	(15,064)	(519)	309	11	-	-	(14,755)	(508)
Revaluations of available-for-sale investments to fair value	(26,442)	(910)	-	-	14,856	511	(11,586)	(399)
Impairment on property and equipment	78,364	2,698	8,753	301	-	-	87,117	2,999
Investments accounted for using the equity method	(113,464)	(3,906)	35,815	1,233	-	-	(77,649)	(2,673)
Fair value adjustments arising in business combinations	(200,584)	(6,905)	(60,820)	(2,094)	-	-	(261,404)	(8,999)
Reserve for land value increment tax	(37,986)	(1,308)	823	28	-	-	(37,163)	(1,280)
Pensions	244,085	8,402	(13,871)	(477)	-	-	230,214	7,925
Preferential interest rate deposits	104,570	3,600	2,580	89	-	-	107,150	3,689
Exchange differences resulting from translating the financial statements of a foreign operation	10,491	361	-	-	112,656	3,878	123,147	4,239
Deferred income on customer loyalty programmes	100,827	3,471	1,994	69	-	-	102,821	3,540
Others	26,027	896	(19,261)	(663)	-	-	6,766	233
Deferred tax expense / (income)			$408,053	$14,047	$127,512	$4,389		
Net deferred tax assets/(liabilities)	$355,786	$12,247					$891,351	$30,683
Net deferred income tax assets / (liabilities) of overseas branches	$106,506	$3,666					$119,660	$4,119
Net deferred income tax assets / (liabilities) of overseas subsidiaries	$12,048	$415					$(4,179)	$(144)
Reflected in balance sheet as follows:								
Deferred tax assets	$988,305	$34,021					$1,544,882	$53,180
Deferred tax liabilities	$513,965	$17,693					$538,050	$18,522

(5) Unrecognized deferred tax assets

As of 31 December 2013, 31 December 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$166,699 (US$5,588), NT$162,526 (US$5,595) and 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

	2013.12.31	
	NT$	US$
Balances of imputation credit amount	$2,863	$96

	2012.12.31	
	NT$	US$
Balances of imputation credit amount	$111,496	$3,838

	2012.1.1	
	NT$	US$
Balances of imputation credit amount	$146,413	$4,837

The expected creditable ratio for 2013 and the actual creditable ratio for 2012 were 2.12% and 1.22%, respectively.

The Bank's earnings generated in the year ended 31 December 1997 and prior years have been fully appropriated. As of 31 December 2013, the undistributed earnings amounted to NT$11,639,373 (US$390,190) 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.

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		2012	
	NT$	US$	NT$	US$
Profit attributable ordinary to equity holders of the parent (in thousands dollars)	$14,387,907	$482,330	$13,066,070	$449,779
Retroactive adjustment weight-average shares outstanding (in thousands shares)	6,223,566		6,142,471	
Earnings per share (in dollar)	$2.31	$0.0774	$2.13	$0.0733

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 offer recapitalization.

The Bank increased its capital by NT$3,243,780 and issued 324,378 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.

The recapitalization mentioned above were adjusted retrospectively the calculation of the current and previous periods in accordance with IAS 33 *Earnings per Shree*.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of financial statements.

38. Business Combinations

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

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

VII. Related parties transactions

Significant transactions with the related parties are summarized as follows:

1. Loans and Deposits

Accounts/Related parties	2013.12.31 Account balance NT$	US$	% of Account
Loans			
Associates			
Taiwan Real-estate Management Corp.	$60,000	$2,011	0.01%
Other related parties			
Cathay Real Estate Development Co., Ltd.	100,000	3,352	0.01%
Cathay General Hospital	99,000	3,319	0.01%
Tien-Tai energy Corp.	120,859	4,052	0.01%
Others	890,965	29,868	0.08%
Subtotal	1,210,824	40,591	0.11%
Total	$1,270,824	$42,602	0.12%
Deposits			
Parent company			
Cathay Financial Holding Co., Ltd.	$3,982	$134	-
Other related parties			
Cathay Life Insurance Co., Ltd.	25,559,790	856,849	1.58%
Cathay Century Insurance Co., Ltd.	1,470,311	49,290	0.09%
Cathay Securities Corp.	1,300,263	43,589	0.08%
Cathay Futures Corp.	1,920,210	64,372	0.12%
Cathay Pacific Venture Capital Co., Ltd.	44,992	1,508	-
Cathay Securities Investment Trust Co., Ltd.	344,818	11,559	0.02%
Cathay Real Estate Development Co., Ltd.	226,980	7,609	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	5,226	175	-
Cathay Century Insurance (Vietnam) Co., Ltd.	179,870	6,030	0.01%
Cathay Dragon Fund etc.	1,970,907	66,071	0.12%
Symbox Information Co., Ltd.	142,617	4,781	0.01%
Others	8,558,652	286,914	0.53%
Subtotal	41,724,636	1,398,747	2.58%
Total	$41,728,618	$1,398,881	2.58%

	2012.12.31		
	Account balance		
Accounts/Related parties	NT$	US$	% of Account
Loans			
Associates			
Taiwan Real-estate Management Corp.	$65,000	$2,238	-
Other related parties			
Cathay General Hospital	103,000	3,546	0.01%
Others	385,830	13,281	0.04%
Subtotal	488,830	16,827	0.05%
Total	$553,830	$19,065	0.05%
Deposits			
Parent company			
Cathay Financial Holding Co., Ltd.	$93,389	$3,215	0.01%
Other related parties			
Cathay Life Insurance Co., Ltd.	73,919,996	2,544,578	4.80%
Cathay Century Insurance Co., Ltd.	1,285,715	44,259	0.08%
Cathay Securities Corp.	1,797,618	61,880	0.12%
Cathay Futures Corp.	1,978,796	68,117	0.13%
Cathay Pacific Venture Capital Co., Ltd.	65,757	2,263	-
Cathay Securities Investment Trust Co., Ltd.	1,745,795	60,096	0.11%
Cathay Real Estate Development Co., Ltd.	279,019	9,605	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	1,595	55	-
Cathay Century Insurance (Vietnam) Co., Ltd.	326,295	11,232	0.02%
Cathay Dragon Fund etc.	3,258,081	112,154	0.21%
Symphox Information Co., Ltd.	167,730	5,774	0.01%
Others	7,234,987	249,053	0.47%
Subtotal	92,061,384	3,169,066	5.97%
Total	$92,154,773	$3,172,281	5.98%

	2012.1.1		
	Account balance		
Accounts/Related parties	NT$	US$	% of Account
Loans			
Associates			
Taiwan Real-estate Management Corp.	$80,000	$2,643	0.01%
Other related parties			
Cathay General Hospital	103,000	3,402	0.01%
Others	363,719	12,016	0.03%
Subtotal	466,719	15,418	0.04%
Total	$546,719	$18,061	0.05%

Accounts/Related parties	2012.1.1 Account balance NT$	US$	% of Account
Deposits			
Parent company			
Cathay Financial Holding Co., Ltd.	$60,579	$2,001	-
Other related parties			
Cathay Life Insurance Co., Ltd.	62,695,468	2,071,208	4.23%
Cathay Century Insurance Co., Ltd.	1,335,125	44,107	0.09%
Cathay Securities Corp.	746,384	24,658	0.05%
Cathay Futures Corp.	2,289,023	75,620	0.15%
Cathay Pacific Venture Capital Co., Ltd.	17,239	569	-
Cathay Securities Investment Trust Co., Ltd.	1,695,233	56,004	0.12%
Cathay Real Estate Development Co., Ltd.	215,767	7,128	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	57,752	1,908	-
Cathay Century Insurance (Vietnam) Co., Ltd.	433,340	14,316	0.03%
Cathay Dragon Fund etc.	3,533,073	116,719	0.24%
Symphox Information Co., Ltd.	277,215	9,158	0.02%
Others	6,719,624	221,990	0.45%
Subtotal	80,015,243	2,643,385	5.40%
Total	$80,075,822	$2,645,386	5.40%

	Interest Income			
	2013		2012	
Accounts/Related parties	NT$	US$	NT$	US$
Loans				
Associates				
Taiwan Real-estate Management Corp.	$1,174	$39	$1,397	$48
Other related parties				
Cathay Real Estate Development Co., Ltd.	11,677	391	602	21
Cathay General Hospital	2,950	99	3,047	105
Tien-Tai energy Corp.	1,932	65	-	-
Others	17,138	575	5,506	189
Subtotal	33,697	1,130	9,155	315
Total	$34,871	$1,169	$10,552	$363

	Interest Expense			
	2013		2012	
Accounts/Related parties	NT$	US$	NT$	US$
Deposits				
Parent company				
Cathay Financial Holding Co., Ltd.	$(1,831)	$(61)	$(2,274)	$(78)
Other related parties				
Cathay Life Insurance Co., Ltd.	(324,350)	(10,873)	(460,387)	(15,848)
Cathay Century Insurance Co., Ltd.	(9,449)	(317)	(11,091)	(382)
Cathay Securities Corp.	(8,560)	(287)	(7,040)	(242)
Cathay Futures Corp.	(25,717)	(862)	(21,587)	(743)
Cathay Pacific Venture Capital Co., Ltd.	(775)	(26)	(41)	(1)
Cathay Securities Investment Trust Co., Ltd.	(7,003)	(235)	(12,388)	(426)
Cathay Real Estate Development Co., Ltd.	(177)	(6)	(189)	(7)
Cathay Life Insurance (Vietnam) Co., Ltd.	(3,637)	(122)	(58)	(2)
Cathay Century Insurance (Vietnam) Co., Ltd.	(116,380)	(3,901)	(24,397)	(840)
Cathay Dragon Fund etc.	(14,680)	(492)	(19,652)	(677)
Symphox Information Co., Ltd.	(1,425)	(48)	(2,306)	(79)
Others	(94,286)	(3,161)	(67,847)	(2,336)
Subtotal	(606,439)	(20,330)	(626,983)	(21,583)
Total	$(608,270)	$(20,391)	$(629,257)	$(21,661)

	Account balance					
	2013.12.31		2012.12.31		2012.1.1	
Accounts / Related parties	NT$	US$	NT$	US$	NT$	US$
Call loans to banks						
Other related parties						
Vietinbank	$6,554,374	$219,724	$6,376,067	$219,486	$5,731,948	$189,361
Due from commercial banks						
Other related parties						
Vietinbank	16,175	542	5,722	197	23,666	782
Call loans from banks						
Other related parties						
Vietinbank	3,844,124	128,868	2,797,772	96,309	4,072,018	134,523
Due to commercial banks						
Other related parties						
Vietinbank	1,601	54	5,722	197	1,395	46

Accounts / Related parties	Interest income (expense) 2013 NT$	2013 US$	2012 NT$	2012 US$
Call loans to banks				
Other related parties				
Vietinbank	$273,916	$9,183	$217,002	$7,470
Due from commercial banks				
Other related parties				
Vietinbank	24	1	-	-
Call loans from banks				
Other related parties				
Vietinbank	(241,197)	(8,086)	(132,414)	(4,558)

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

(2) Guarantees and transactions of derivative financial instruments

Guarantees

Related Parties	2013.1.1-2013.12.31 Maximum balance NT$	US$	2013.12.31 Account balance NT$	US$	2013.1.1-2013.12.31 Service fees NT$	US$
Cathay Hospitality Management Co., Ltd.	$21,816	$731	$-	$-	$-	$-

Related Parties	2012.1.1-2012.12.31 Maximum balance NT$	US$	2012.12.31 Account balance NT$	US$	2012.1.1-2012.12.31 Service fees NT$	US$
Cathay Hospitality Management Co., Ltd.	$21,816	$751	$21,816	$751	$1,010	$35

Transactions of derivative financial instruments

Related parties	Category of agreements	Term of agreements	Notional amount NT$	Notional amount US$	Valuation gains (losses) NT$	Valuation gains (losses) US$
2013.12.31						
Cathay Life Insurance Co., Ltd.	Currency swap	2012.4.27-2015.3.6	$31,297,750	$1,049,204	$793,534	$26,602
Cathay Century Insurance Co., Ltd.	Currency swap	2013.1.7-2014.11.4	1,720,628	57,681	35,879	1,203
	Interest rate swap	2007.9.27-2015.4.30	400,000	13,409	(17,358)	(582)
Cathy Dragon fund etc.	Currency swap	-	-	-	3,672	123

Related parties	Category of agreements	Term of agreements	Notional amount NT$	Notional amount US$	Valuation gains (losses) NT$	Valuation gains (losses) US$
2012.12.31						
Cathay Life Insurance Co., Ltd.	Currency swap	2012.4.27-2014.12.15	$28,698,960	$987,916	$(845,949)	$(29,120)
Cathay Century Insurance Co., Ltd.	Currency swap	2012.1.9-2013.11.15	2,260,544	77,816	(27,887)	(960)
	Interest rate swap	2007.9.27-2015.4.30	400,000	13,769	(27,691)	(953)
Cathy Dragon fund etc.	Currency swap	2012.12.26-2013.1.31	174,816	6,018	3,909	135

2. Transactions under resale and repurchase agreements

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

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

Accounts/Related parties	Interest Expense 2013 NT$	Interest Expense 2013 US$	Interest Expense 2012 NT$	Interest Expense 2012 US$
Securities sold under agreements to repurchase				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	$(797)	$(27)	$(492)	$(17)
Others	(121)	(4)	(251)	(9)
Total	$(918)	$(31)	$(743)	$(26)

3. Lease

Accounts/Related parties	2013 NT$	2013 US$	2012 NT$	2012 US$	Payment term
Rental income					
Other related parties					
Cathay Life Insurance Co., Ltd.	$57,080	$1,914	$37,320	$1,285	Monthly
Cathay Century Insurance Co., Ltd.	8,527	286	7,681	264	Monthly
Cathay Securities Corp.	8,363	280	8,207	283	Monthly
Culture and Charity Foundation of Cathay United Bank	4,819	162	2,643	91	Monthly
Rental expense					
Other related parties					
Cathay Life Insurance Co., Ltd.	376,345	12,616	352,726	12,142	Monthly
Cathay Real Estate Development Co., Ltd.	61,352	2,057	30,112	1,037	Monthly

Accounts/Related parties	2013.12.31 NT$	2013.12.31 US$	2012.12.31 NT$	2012.12.31 US$	2012.1.1 NT$	2012.1.1 US$
Refundable deposits						
Other related parties						
Cathay Life Insurance Co., Ltd.	$95,045	$3,186	$85,466	$2,942	$71,365	$2,358
Cathay Real Estate Development Co., Ltd.	13,932	467	13,932	480	3,786	125

Accounts/Related parties	2013.12.31 NT$	2013.12.31 US$	2012.12.31 NT$	2012.12.31 US$	2012.1.1 NT$	2012.1.1 US$
Guarantee deposit received						
Other related parties						
Cathay Life Insurance Co., Ltd.	$15,172	$509	$14,790	$509	$8,921	$295
Cathay Securities Corp.	2,536	85	2,536	87	2,299	76
Cathay Century Insurance Co., Ltd.	2,221	74	2,085	72	1,661	55

Accounts/Related parties	2013 NT$	2013 US$	2012 NT$	2012 US$
4. Commissions and handling fees income				
Other related parties				
Cathay Life Insurance Co., Ltd.	$2,957,714	$99,152	$2,505,535	$86,249
Cathay Century Insurance Co., Ltd.	82,764	2,775	78,201	2,692
Cathay Securities Co., Ltd.	11,649	391	6,898	237
Cathay Securities Investment Trust Co., Ltd.	31,185	1,045	37,435	1,289
Cathay Securities Investment Consulting Co., Ltd.	20,787	697	7,943	273
5. Other operating income				
Parent company				
Cathay Financial Holdings Co., Ltd.	3,313	111	2,383	82
Other related parties				
Cathay Life Insurance Co., Ltd.	3,274	110	580	20
Cathay Century Insurance Co., Ltd.	607	20	3,107	107
6. Operating expenses				
Subsidiaries				
Seaward Card Co., Ltd.	212,710	7,131	227,914	7,846
Other related parties				
Cathay Life Insurance Co., Ltd.	122,537	4,108	94,630	3,257
Symphox Information Co., Ltd.	429,214	14,389	430,341	14,814
Cathay Real Estate Development Co., Ltd.	5,292	177	5,675	195
Cathay General Hospital	1,932	65	656	23
Lin Yuan Property Management and Maintenance Co., Ltd.	7,664	257	8,335	287
Cathay Healthcare Inc.	4,939	166	4,788	165
7. Insurance expenses				
Other related parties				
Cathay Life Insurance Co., Ltd.	428,978	14,381	651,850	22,439
Cathay Century Insurance Co., Ltd.	101,014	3,386	98,341	3,385

	2013.12.31		2012.1.1		2012.1.1	
Accounts/Related parties	NT$	US$	NT$	US$	NT$	US$
8. Related party receivables for allocation of linked-tax system						
Parent company						
Cathay Financial Holdings Co., Ltd.	$256,312	$8,592	$246,573	$8,488	$554,163	$18,307
9. Refundable deposit						
Other related parties						
Cathay Futures Corp.	52,448	1,758	64,345	2,215	72,544	2,397
10. Dividends payable						
Other related parties						
Vietinbank	119,800	4,016	407,904	14,041	-	-
11. Accrued expenses						
Subsidiaries						
Seaward Card Co., Ltd.	24,857	833	26,131	900	27,223	899
12. Accounts payable						
Other related parties						
Cathay Century Insurance Co., Ltd.	39,745	1,332	4,855	167	44,226	1,461
Symphox Information Co., Ltd.	15,655	525	12,396	427	10,272	339

	2013		2012	
Accounts/Related parties	NT$	US$	NT$	US$
13. Key management personnel compensation				
Short-term employee benefits	$128,701	$4,314	$55,107	$1,897
Post-employment benefits	6,737	226	4,362	150
Total	$135,438	$4,540	$59,469	$2,047

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

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$5,013 (US$168), and NT$4,006 (US$138) during the years ended 31 December 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 31 December 2013, 31 December 2012 and 1 January 2012, the unconverted bonus points amounted to NT$26,049 (US$873), NT$26,517 (US$913) and NT$32,817 (US$1,084), respectively.

(3) The Bank sold its land and buildings to Cathay Real Estate Development Co., Ltd. for NT$1,925,949 (US$66,298) (taxes were deducted) during the year ended 31 December 2012, the relevant carrying values were NT$388,064 (US$13,359) and the disposal gains of premises and equipment were NT$1,537,885 (US$52,939).

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 31 December 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

	NT$	US$
(1) Entrusted Items and Guarantees:		
Trust and security held for safekeeping	$438,098,386	$14,686,503
Travelers checks for sale	559,217	18,747
Bills for collection	44,881,814	1,504,586
Book-entry for government bonds and depository for short-term marketable securities under management	573,257,300	19,217,476
Entrusted financial management business	3,190,719	106,963
Guarantees on duties and contracts	11,270,885	377,837
Unused commercial letters of credit	3,202,955	107,374
Irrevocable loan commitments	165,615,358	5,551,973
Credit card line commitments	379,793,417	12,731,928
Stamp tax, securities and memorial currency consignments	1,006	34

(2) As of 31 December 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$104 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.

(3) According to the operating leases agreement, rentals for lease that should be paid in future are disclosed in Notes XII.

2. Indovina Bank

(1) Entrusted Item and Guarantees:

	NT$	US$
Financial guarantee contracts	$535,478	$17,951
Unused commercial letters of credit	1,080,247	36,213

(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	$31,503	$1,056
Later than one year and not later than five year	51,630	1,731
Later than five years	2,132	71

3. CUBC Bank

Entrusted Item and Guarantees:

	NT$	US$
Financial guarantee contracts	$39,806	$1,335
Unused commercial letters of credit	1,965	66
Irrevocable loan commitments	143,134	4,798
Credit card line commitments	201,715	6,762

X. Losses due to major disasters

None.

XI. Significant subsequent events

None.

XII. Other

1. Disclosure of financial instruments information

(1) Information of fair value

	2013.12.31			
	Carrying value		Fair value	
	NT$	US$	NT$	US$
Financial assets				
Assets:				
Financial assets at fair value through profit or loss	$163,059,557	$5,466,294	$163,059,557	$5,466,294
Available-for-sale financial assets	67,908,890	2,276,530	67,908,890	2,276,530
Held-to-maturity financial assets	51,395,078	1,722,933	52,465,600	1,758,820
Investment in debt securities with no active market	280,272,013	9,395,642	280,671,503	9,409,035
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	53,971,443	1,809,301	53,971,443	1,809,301
Due from the Central Bank and call loan to banks	151,945,066	5,093,700	151,945,066	5,093,700
Securities purchased under agreements to resell	7,645,763	256,311	7,645,763	256,311
Receivable, net	120,778,165	4,048,882	120,778,165	4,048,882
Discounts and loans, net	1,031,105,321	34,566,052	1,031,105,321	34,566,052
Other financial assets, net	22,154	743	22,154	743
Other assets, net	3,948,241	132,358	3,948,241	132,358
Subtotal	1,369,416,153	45,907,347	1,369,416,153	45,907,347
Derivative financial assets for hedging	837,179	28,065	837,179	28,065
Total	$1,932,888,870	$64,796,811	$1,934,358,882	$64,846,091
Financial liabilities				
Financial assets at fair value through profit or loss	$11,271,187	$377,847	$11,271,187	$377,847
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	56,985,225	1,910,333	56,985,225	1,910,333
Funds borrowed from the Central Bank and other banks	1,497,500	50,201	1,497,500	50,201
Securities sold under agreements to repurchase	58,681,600	1,967,201	58,681,600	1,967,201
Payables	15,156,034	508,080	15,156,034	508,080
Deposits and remittances	1,615,860,463	54,168,973	1,615,860,463	54,168,973
Financial debentures payable	52,417,213	1,757,198	52,417,213	1,757,198
Other financial liabilities	36,145,158	1,211,705	36,145,158	1,211,705
Others	1,117,779	37,471	1,117,779	37,471
Subtotal	1,837,860,972	61,611,162	1,837,860,972	61,611,162
Total	$1,849,132,159	$61,989,009	$1,849,132,159	$61,989,009

	2012.12.31			
	Carrying value		Fair value	
	NT$	US$	NT$	US$
Financial assets				
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
Financial liabilities				
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

	2012.1.1			
	Carrying value		Fair value	
	NT$	US$	NT$	US$
Financial assets				
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	639,187
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	1,172,770,864	38,743,668	1,172,770,864	38,743,668
Derivative financial assets for hedging	1,438,773	47,531	1,438,773	47,531
Total	$1,688,450,298	$55,779,659	$1,687,968,962	$55,763,757
Financial liabilities				
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	1,629,422,393	53,829,613	1,629,422,393	53,829,613
Total	$1,634,257,545	$53,989,347	$1,634,257,545	$53,989,347

(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.

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:

	2013.12.31							
	Total		1st Level		2nd Level		3rd Level	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Non-derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Bonds	$8,812,709	$295,431	$4,309,686	$144,475	$4,503,023	$150,956	$-	$-
Others	143,666,541	4,816,176	-	-	143,666,541	4,816,176	-	-
Available-for-sale financial assets								
Stocks	14,208,356	476,311	10,631,376	356,399	3,576,980	119,912	-	-
Bonds	51,887,035	1,739,425	15,528,536	520,568	36,358,499	1,218,857	-	-
Others	951,174	31,886	951,174	31,886	-	-	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	497,002	16,661	-	-	497,002	16,661	-	-
Financial debentures payable	10,517,213	352,572	-	-	10,517,213	352,572	-	-
Derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss	10,517,961	352,597	-	-	10,517,961	352,597	-	-
Derivative financial assets for hedging	837,179	28,065	-	-	837,179	28,065	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	10,774,185	361,186	-	-	10,774,185	361,186	-	-

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	2012.12.31							
	Total		1st Level		2nd Level		3rd Level	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Non-derivative financial instruments								
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	-	-
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	-	-
Derivative financial instruments								
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	-	-

	2012.1.1							
	Total		1st Level		2nd Level		3rd Level	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Non-derivative financial instruments								
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	-	-
Derivative financial instruments								
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 additional, the Bank also measures the potential impact of interest rate changes on the profit and economic value of the Bank. The Bank analyzes and monitors the interest risk limits and each target of interest risk management monthly. The results of analysis and monitoring are regularly reported to not only the risk management committee but also the board of directors.

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

(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.

2013.12.31						
	Average balance		Maximum balance		Minimum balance	
Factors of market risk	NT$	US$	NT$	US$	NT$	US$
Interest rate	$555,070	$18,608	$772,357	$25,892	$311,553	$10,444
Foreign exchange	148,142	4,966	154,844	5,191	144,266	4,836
Equity Securities price	231,969	7,776	352,855	11,829	133,386	4,472

2012.12.31						
	Average balance		Maximum balance		Minimum balance	
Factors of market risk	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

2012.1.1						
	Average balance		Maximum balance		Minimum balance	
Factors of market risk	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.

Stress Test			
Market/ Product	Scenarios	2013.12.31	
		NT$	US$
Stock Market	Major Stock Exchanges + 15%	$1,211,069	$40,599
	Major Stock Exchanges - 15%	(1,211,069)	(40,599)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,564,436)	(153,015)
	Major Interest Rate - 100bp	4,796,889	160,808
Foreign Exchange Market	Major Currencies + 3%	1,703,503	57,107
	Major Currencies - 3%	(1,703,201)	(57,097)
Composite	Major Stock Exchanges -15%	(4,072,002)	(136,507)
	Major Interest Rate + 100bp		
	Major Currencies +3%		

Stress Test			
Market/ Product	Scenarios	2012.12.31	
		NT$	US$
Stock Market	Major Stock Exchanges + 15%	$1,025,960	$35,317
	Major Stock Exchanges - 15%	(1,025,960)	(35,317)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(2,821,676)	(97,132)
	Major Interest Rate - 100bp	2,496,083	85,924
Foreign Exchange Market	Major Currencies + 3%	1,450,437	49,929
	Major Currencies - 3%	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15%	(2,397,199)	(82,520)
	Major Interest Rate + 100bp		
	Major Currencies +3%		

Stress Test			
Market/ Product	Scenarios	2012.1.1	
		NT$	US$
Stock Market	Major Stock Exchanges +15%	$656,831	$21,699
	Major Stock Exchanges -15%	(656,831)	(21,699)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(2,034,384)	(67,208)
	Major Interest Rate - 100bp	2,018,467	66,682
Foreign Exchange Market	Major Currencies +3%	1,331,738	43,995
	Major Currencies -3%	(1,254,207)	(41,434)
Composite	Major Stock Exchanges -15%	(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.

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

	2013.12.31			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT$	US$	NT$	US$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	$463,690	$15,544	$1,294	$43
HKD+1%	123,647	4,145	-	-
JPY+1%	-	-	3,736	125
AUD+1%	16,696	560	-	-
CNY+1%	4,261	143	-	-
NTD+1%	(594,806)	(19,940)	(6,258)	(210)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(249)	(8)	(27,121)	(909)
Yield curves (HKD) parallel shift+1bp	-	-	(29)	(1)
Yield curves (AUD) parallel shift+1bp	-	-	(923)	(31)
Yield curves (CNY) parallel shift+1bp	-	-	(637)	(21)
Yield curves (NTD) parallel shift+1bp	(5,171)	(173)	(12,667)	(425)
Equity securities price factor sensitivity (Equity Delta)	-	-	80,738	2,707

	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

	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.

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.

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	
	2013.12.31	
	NT$	US$
Irrevocable loan commitments	$165,615,358	$5,551,973
Credit card commitments	424,006,617	14,214,100
Unused commercial letters of credit	3,202,955	107,374
Guarantees on duties and contracts	11,270,885	377,837
Total	$604,095,815	$20,251,284

Off balance sheet items	Maximum exposure to credit risk	
	2012.12.31	
	NT$	US$
Irrevocable loan commitments	$34,415,264	$1,184,691
Credit card commitments	328,719,949	11,315,661
Unused commercial letters of credit	4,281,218	147,374
Guarantees on duties and contracts	12,081,454	415,885
Total	$379,497,885	$13,063,611

Off balance sheet items	Maximum exposure to credit risk	
	2012.1.1	
	NT$	US$
Irrevocable loan commitments	$51,897,159	$1,714,475
Credit card commitments	316,507,785	10,456,154
Unused commercial letters of credit	4,308,561	142,338
Guarantees on duties and contracts	13,245,165	437,567
Total	$385,958,670	$12,750,534

B. Indovina Bank

Off balance sheet items	Maximum exposure to credit risk	
	2013.12.31	
	NT$	US$
Finance guarantee contracts	$535,478	$17,951
Unused commercial letters of credit	1,080,247	36,213
Total	$1,615,725	$54,164

Off balance sheet items	Maximum exposure to credit risk	
	2012.12.31	
	NT$	US$
Finance guarantee contracts	$852,596	$29,349
Unused commercial letters of credit	652,199	22,451
Total	$1,504,795	$51,800

Off balance sheet items	Maximum exposure to credit risk	
	2012.1.1	
	NT$	US$
Finance guarantee contracts	$643,612	$21,262
Unused commercial letters of credit	1,169,380	38,632
Total	$1,812,992	$59,894

C. CUBC Bank

Off balance sheet items	Maximum exposure to credit risk	
	2013.12.31	
	NT$	US$
Finance guarantee contracts	$39,806	$1,335
Irrevocable loan commitments	143,134	4,798
Credit card commitments	201,715	6,762
Unused commercial letters of credit	1,965	66
Total	$386,620	$12,961

Off balance sheet items	Maximum exposure to credit risk	
	2012.12.31	
	NT$	US$
Finance guarantee contracts	$20,350	$701
Irrevocable loan commitments	99,998	3,442
Credit card commitments	199,925	6,882
Unused commercial letters of credit	60,683	2,089
Total	$380,956	$13,114

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.

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:

	2013.12.31		
Item	NT$	US$	%
Industry type			
Manufacturing	$108,789,196	$3,646,973	10.28
Financial institutions and insurance	28,292,338	948,452	2.67
Leasing and real estate	83,652,734	2,804,315	7.91
Individuals	477,139,793	15,995,300	45.10
Others	360,081,097	12,071,106	34.04
Total	$1,057,955,158	$35,466,146	100.00

	2012.12.31		
Item	NT$	US$	%
Industry type			
Manufacturing	$125,610,955	$4,323,957	12.20
Financial institutions and insurance	29,912,516	1,029,691	2.90
Leasing and real estate	83,834,530	2,885,870	8.14
Individuals	492,107,196	16,940,007	47.77
Others	298,671,240	10,281,282	28.99
Total	$1,030,136,437	$35,460,807	100.00

Item	2012.1.1 NT$	2012.1.1 US$	2012.1.1 %
Industry type			
Manufacturing	$138,134,019	$4,563,397	13.47
Financial institutions and insurance	31,290,029	1,033,698	3.05
Leasing and real estate	90,742,485	2,997,769	8.85
Individuals	484,825,562	16,016,702	47.26
Others	280,810,821	9,276,869	27.37
Total	$1,025,802,916	$33,888,435	100.00

Item	2013.12.31 NT$	2013.12.31 US$	2013.12.31 %
Geographic Region			
Domestic	$898,556,006	$30,122,561	84.93
Asia	68,771,004	2,305,431	6.50
America	23,009,706	771,361	2.18
Others	67,618,442	2,266,793	6.39
Total	$1,057,955,158	$35,466,146	100.00

Item	2012.12.31 NT$	2012.12.31 US$	2012.12.31 %
Geographic Region			
Domestic	$876,857,476	$30,184,423	85.12
Asia	69,497,214	2,392,331	6.75
America	22,560,687	776,616	2.19
Others	61,221,060	2,107,437	5.94
Total	$1,030,136,437	$35,460,807	100.00

Item	2012.1.1 NT$	2012.1.1 US$	2012.1.1 %
Geographic Region			
Domestic	$891,970,478	$29,467,145	86.95
Asia	44,761,460	1,478,740	4.37
America	15,206,114	502,350	1.48
Others	73,864,864	2,440,200	7.20
Total	$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

2013.12.31 (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	$30,215,292	$7,679,461	$3,204,791	$41,099,544	$130,931	$151,472	$41,381,947	$125,544	$1,609,517	$39,646,886
Others	80,203,880	447,702	45,872	80,697,454	3,618	51,375	80,752,447	18,918	328,925	80,404,604
Discounts and loans	739,025,064	228,815,151	36,817,565	1,004,657,780	501,519	21,967,737	1,027,127,036	4,267,369	10,119,032	1,012,740,635

2013.12.31 (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	$1,012,916	$257,441	$107,435	$1,377,792	$4,389	$5,078	$1,387,259	$4,209	$53,956	$1,329,094
Others	2,688,699	15,008	1,538	2,705,245	121	1,722	2,707,088	634	11,027	2,695,427
Discounts and loans	24,774,558	7,670,639	1,234,246	33,679,443	16,812	736,431	34,432,686	143,056	339,223	33,950,407

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2012.12.31 (NT$)	Neither past due nor impaired							Impairment allowances (D)		
	Excellent	Good	Average	Subtotal (A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	With objective evidence of impairment individual	Without objective evidence of impairment individual	Net balance (A)+(B)+(C)-(D)
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

2012.12.31 (US$)	Neither past due nor impaired							Impairment allowances (D)		
	Excellent	Good	Average	Subtotal (A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	With objective evidence of impairment individual	Without objective evidence of impairment individual	Net balance (A)+(B)+(C)-(D)
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

2012.1.1 (NT$)	Neither past due nor impaired							Impairment allowances (D)		
	Excellent	Good	Average	Subtotal (A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	With objective evidence of impairment individual	Without objective evidence of impairment individual	Net balance (A)+(B)+(C)-(D)
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

2012.1.1 (US$)	Neither past due nor impaired							Impairment allowances (D)		
	Excellent	Good	Average	Subtotal (A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	With objective evidence of impairment individual	Without objective evidence of impairment individual	Net balance (A)+(B)+(C)-(D)
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

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

	Excellent		Good		Average		Total	
2013.12.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Consumer banking								
Residential mortgage loans	$195,160,827	$6,542,435	$55,381,641	$1,856,575	$9,553,020	$320,249	$260,095,488	$8,719,259
Unsecured personal loans	8,689,745	291,309	4,770,432	159,921	1,242,249	41,644	14,702,426	492,874
Other	160,151,631	5,368,811	40,060,781	1,342,969	6,522,148	218,644	206,734,560	6,930,424
Corporate banking								
Secured	134,047,160	4,493,703	54,414,909	1,824,168	17,794,173	596,519	206,256,242	6,914,390
Unsecured	240,975,701	8,078,300	74,187,388	2,487,006	1,705,975	57,190	316,869,064	10,622,496
Total	$739,025,064	$24,774,558	$228,815,151	$7,670,639	$36,817,565	$1,234,246	$1,004,657,780	$33,679,443

	Excellent		Good		Average		Total	
2012.12.31	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

	Excellent		Good		Average		Total	
2012.1.1	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

2013.12.31 (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	$49,647,356	$2,239,679	$51,887,035	$-	$-	$51,887,035	$-	$51,887,035
Stocks	4,545,008	9,663,348	14,208,356	-	163,785	14,372,141	163,785	14,208,356
Others	100,148	851,026	951,174	-	-	951,174	-	951,174
Held-to-maturity financial assets								
Bonds	50,117,106	594,572	50,711,678	-	-	50,711,678	-	50,711,678
Investments in debt securities with no active market								
Bonds	7,060,075	362,208	7,422,283	-	1,294,912	8,717,195	1,294,912	7,422,283
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	272,300,000	-	272,300,000	-	-	272,300,000	-	272,300,000

2013.12.31 (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	$1,664,343	$75,082	$1,739,425	$-	$-	$1,739,425	$-	$1,739,425
Stocks	152,364	323,947	476,311	-	5,491	481,802	5,491	476,311
Others	3,357	28,529	31,886	-	-	31,886	-	31,886
Held-to-maturity financial assets								
Bonds	1,680,091	19,932	1,700,023	-	-	1,700,023	-	1,700,023
Investments in debt securities with no active market								
Bonds	236,677	12,142	248,819	-	43,410	292,229	43,410	248,819
Preferred Stocks	-	18,429	18,429	-	-	18,429	-	18,429
Others	9,128,394	-	9,128,394	-	-	9,128,394	-	9,128,394

2012.12.31 (NT$)	Neither past due nor impaired: Investment grade	Neither past due nor impaired: Non-investment grade and non-credit rating	Neither past due nor impaired: Subtotal(A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
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

2012.12.31 (US$)	Neither past due nor impaired: Investment grade	Neither past due nor impaired: Non-investment grade and non-credit rating	Neither past due nor impaired: Subtotal(A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
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

2012.1.1 (NT$)	Neither past due nor impaired: Investment grade	Neither past due nor impaired: Non-investment grade and non-credit rating	Neither past due nor impaired: Subtotal(A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
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

2012.1.1 (US$)	Neither past due nor impaired: Investment grade	Non-investment grade and non-credit rating	Subtotal(A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
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.

	Less than 30 days		31 - 60 days		Total	
2013.12.31	NT$	US$	NT$	US$	NT$	US$
Receivables						
Credit card business	$70,578	$2,366	$60,353	$2,023	$130,931	$4,389
Others	2,263	76	1,355	45	3,618	121
Discounts and loans						
Consumer banking						
Residential mortgage loans	191,508	6,420	65,998	2,212	257,506	8,632
Unsecured personal loans	19,377	650	9,937	333	29,314	983
Others	142,730	4,784	70,097	2,350	212,827	7,134
Corporate banking						
Secured	-	-	1,872	63	1,872	63

	Less than 30 days		31 - 60 days		Total	
2012.12.31	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

	Less than 30 days		31 - 60 days		Total	
2012.1.1	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

(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$163,785 (US$5,491) and NT$438,311 (US$15,088) as of 31 December 2013 and 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$1,199,326 (US$40,205), NT$1,167,518 (US$40,190) and NT$1,425,790 (US$47,102) as of 31 December 2013, 31 December 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$3,204), NT$106,215 (US$3,656) and NT$121,794 (US$4,024) as of 31 December 2013, 31 December 2012 and 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 31 December 2012, and 1 January 2012, the carrying amounts were NT$29,311 (US$1,009) 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 CUBC Bank was NT$89,686 (US$3,007) at 31 December 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.

2013.12.31 (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	$29,171,990	$9,424,870	$7,667,625	$4,516,515	$50,781,000
Funds borrowed from Central Bank and other banks	1,497,640	-	-	-	1,497,640
Financial liabilities at fair value through profit or loss	-	-	500,298	-	500,298
Securities sold under agreements to repurchase	56,051,595	2,640,870	2,677	-	58,695,142
Payables	8,272,115	1,057,094	1,030,517	2,061,034	12,420,760
Deposits and remittances	265,034,724	655,147,509	615,056,779	62,792,426	1,598,031,438
Financial debentures payable	-	-	-	52,064,160	52,064,160
Other capital outflow at maturity	16,425,665	13,555,552	4,233,144	2,053,266	36,267,627

2013.12.31 (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	$977,941	$315,953	$257,044	$151,409	$1,702,347
Funds borrowed from Central Bank and other banks	50,206	-	-	-	50,206
Financial liabilities at fair value through profit or loss	-	-	16,772	-	16,772
Securities sold under agreements to repurchase	1,879,034	88,531	90	-	1,967,655
Payables	277,309	35,437	34,546	69,093	416,385
Deposits and remittances	8,884,838	21,962,706	20,618,732	2,105,009	53,571,285
Financial debentures payable	-	-	-	1,745,362	1,745,362
Other capital outflow at maturity	550,642	454,427	141,909	68,832	1,215,810

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

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

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:

2013.12.31 (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	$315,261	$471,071	$(53,722)	$2,722	$735,332
- Interest rate derivative instruments	434	20,450	55,428	3,745,737	3,822,049
Total	$315,695	$491,521	$1,706	$3,748,459	$4,557,381

2013.12.31 (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	$10,569	$15,792	$(1,801)	$91	$24,651
- Interest rate derivative instruments	14	685	1,858	125,570	128,127
Total	$10,583	$16,477	$57	$125,661	$152,778

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

2012.1.1 (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.

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:

2013.12.31 (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	$(1,971,525)	$(1,549,325)	$(329,735)	$21,208	$(3,829,377)
-Cash inflow	72,633	80,445	75,659	13,976	242,713
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	55,641	173,683	68,360	109,897	407,581
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,915,884)	(1,375,642)	(261,375)	131,105	(3,421,796)
Cash inflow subtotal	72,633	80,445	75,659	13,976	242,713
Net cash flow	$(1,843,251)	$(1,295,197)	$(185,716)	$145,081	$(3,179,083)

2013.12.31 (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	$(66,092)	$(51,938)	$(11,054)	$711	$(128,373)
-Cash inflow	2,435	2,697	2,536	469	8,137
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	1,865	5,822	2,292	3,684	13,663
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(64,227)	(46,116)	(8,762)	4,395	(114,710)
Cash inflow subtotal	2,435	2,697	2,536	469	8,137
Net cash flow	$(61,792)	$(43,419)	$(6,226)	$4,864	$(106,573)

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)	(8,026)
-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)

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)

(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	
2013.12.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Irrevocable commitments	$209,239,328	$7,014,392	$125,932,919	$4,221,687	$254,449,728	$8,529,994	$589,621,975	$19,766,073
Financial guarantee contracts	13,695,430	459,116	763,290	25,588	15,120	507	14,473,840	485,211
Leasing commitments								
Non-cancellable operating lease payments	597,184	20,020	740,153	24,812	63,081	2,115	1,400,418	46,947
Total	$223,531,942	$7,493,528	$127,436,362	$4,272,087	$254,527,929	$8,532,616	$605,496,233	$20,298,231

	Not later than 1 year		1~5 year		Later than 5 year		Total	
2012.12.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
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
Total	$74,505,244	$2,564,724	$137,954,017	$4,748,848	$168,145,492	$5,788,141	$380,604,753	$13,101,713

	Not later than 1 year		1~5 year		Later than 5 year		Total	
2012.1.1	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
Total	$94,055,355	$3,107,214	$130,443,433	$4,309,330	$162,936,737	$5,382,780	$387,435,525	$12,799,324

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 31 December 2013 and 2012, the ratio of the Bank and its subsidiaries' eligible capital to its consolidated risk-weighted assets were 13.46% and 12.62%, respectively.

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

(1) In accordance with Article 17 of "Enforcement Rules of the Trust Enterprise Act", the balance sheet and income statement based on trust and details of trust properties are as follows:

Balance Sheet Based on Trust
31 December 2013

Trust Assets			Trust Liabilities		
	NT$	US$		NT$	US$
Bank deposits	$11,821,107	$396,282	Custody securities payable	$139,135,308	$4,664,274
Bonds	124,139,353	4,161,561	Other liabilities	56	2
Common stock	2,177,368	72,993	Trust capital	331,968,150	11,128,667
Mutual funds	169,565,359	5,684,390	Accumulated Losses		
Insurance product	2,346,762	78,671	Earnings distribution	(203,923)	(6,836)
Real estate			Net income	129,300	4,335
Land	21,625,755	724,967	Retained Losses	(184,594)	(6,188)
Buildings, net	33,285	1,116	Net assets		
Custody securities	139,135,308	4,664,274	Capital account	-	-
			Distributable revenue	-	-
Total	$470,844,297	$15,784,254	Total	$470,844,297	$15,784,254

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Balance Sheet Based on Trust
31 December 2012

Trust Assets			Trust Liabilities		
	NT$	US$		NT$	US$
Bank deposits	$9,884,730	$340,266	Custody securities payable	$130,206,039	$4,482,136
Bonds	138,012,675	4,750,867	Other liabilities	56	2
Common stock	2,134,850	73,489	Trust capital	344,689,275	11,865,379
Mutual funds	171,649,666	5,908,766	Accumulated Losses		
Insurance product	2,088,083	71,879	Earnings distribution	(214,655)	(7,389)
Real estate			Net income	230,347	7,929
Land	20,711,177	712,949	Retained Losses	(200,884)	(6,915)
Buildings, net	34,132	1,175	Net assets		
Custody securities	130,206,039	4,482,136	Capital account	10,688	368
			Distributable revenue	486	17
Total	$474,721,352	$16,341,527	Total	$474,721,352	$16,341,527

Income Statement Based on Trust

Items	2013 NT$	2013 US$
Trust revenue		
Interest income	$46,057	$1,544
Rental income	336	11
Cash dividend income	83,755	2,808
Investment income-stock	7,270	244
Investment income-funds	19,525	654
Subtotal	156,943	5,261
Trust expense		
Management fee	11,100	372
Supervisor fee	258	9
Taxes	1,727	58
Processing fee	1,545	52
Investment loss-stock	1,953	65
Investment loss-funds	11,060	371
Subtotal	27,643	927
Income equalization	-	-
Net income before tax	129,300	4,334
Net income	$129,300	$4,334

Items	2012 NT$	2012 US$
Trust revenue		
Interest income	$42,608	$1,467
Rental income	336	11
Cash dividend income	111,222	3,828
Investment income-stock	3,069	106
Investment income-funds	17,078	588
Investment income-loans and related security interest	75,729	2,607
Subtotal	250,042	8,607
Trust expense		
Management fee	10,256	353
Supervisor fee	249	9
Taxes	2,360	81
Processing fee	858	30
Service fee	430	15
Investment loss-stock	2,134	73
Investment loss-funds	3,343	115
Others	5	-
Subtotal	19,635	676
Income equalization	(60)	(2)
Net income before tax	230,347	7,929
Net income	$230,347	$7,929

Details of Trust Properties

Items	2013.12.31 NT$	2013.12.31 US$
Bank deposits	$11,821,107	$396,282
Bonds	124,139,353	4,161,561
Common stock	2,177,368	72,993
Mutual fund	169,565,359	5,684,390
Insurance product	2,346,762	78,671
Real estate		
Land	21,625,755	724,967
Buildings, net	33,285	1,116
Custody securities	139,135,308	4,664,274
Total	$470,844,297	$15,784,254

Items	2012.12.31	
	NT$	US$
Bank deposits	$9,884,730	$340,266
Bonds	138,012,675	4,750,867
Common stock	2,134,850	73,489
Mutual fund	171,649,666	5,908,766
Insurance product	2,088,083	71,879
Real estate		
Land	20,711,177	712,949
Buildings, net	34,132	1,175
Custody securities	130,206,039	4,482,136
Total	$474,721,352	$16,341,527

(2) The Bank conducts trust business by Trust Enterprise Act Article 3. The related trust business information as of 31 December 2013 and 2012 are as follows:

Items	2013.12.31	
	NT$	US$
Special trust of money that invest in foreign securities	$249,177,285	$8,353,245
Special trust money that invest in domestic securities	44,009,963	1,475,359
Trust of money-custody securities	139,135,308	4,664,274
Trust of real estate	23,427,461	785,366
Trust of real estate price	4,891,569	163,981
Trust of insurance claims	126,525	4,242
Personal and corporate trust	5,790,564	194,119
Trust of business employee’s savings	2,514,042	84,279
Trust of securities	1,771,580	59,389
Total	$470,844,297	$15,784,254

Items	2012.12.31	
	NT$	US$
Special trust of money that invest in foreign securities	$259,637,181	$8,937,596
Special trust money that invest in domestic securities	49,589,176	1,707,028
Trust of money-custody securities	130,206,039	4,482,136
Trust of real estate	22,295,109	767,474
Trust of real estate price	3,338,306	114,916
Trust of insurance claims	105,607	3,635
Personal and corporate trust	5,196,831	178,893
Trust of business employee’s savings	2,547,184	87,683
Trust of securities	1,795,343	61,802
Collective investment trust funds	10,576	364
Total	$474,721,352	$16,341,527

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:

	2013.12.31		
	Foreign Currency	Exchange Rate	NTD
Financial Assets Monetary Items			
USD	$7,427,530	29.9500	$222,454,524
HKD	2,937,369	3.8627	11,346,175
CNY	12,209,077	4.9431	60,350,689
Financial liabilities Monetary Items			
USD	7,367,326	29.9500	220,651,414
CNY	6,031,058	4.9431	29,812,123
AUD	421,709	26.7004	11,259,799

	2012.12.31		
	Foreign Currency	Exchange Rate	NTD
Financial Assets Monetary Items			
USD	$6,041,510	29.1360	$176,025,435
HKD	3,600,008	3.7586	13,530,990
CNY	1,304,373	4.6794	6,103,683
Financial liabilities Monetary Items			
USD	6,740,878	29.1360	196,402,221
CNY	1,774,508	4.6794	8,303,633
AUD	183,671	30.2650	5,558,803

	2012.1.1		
	Foreign Currency	Exchange Rate	NTD
Financial Assets Monetary Items			
USD	$5,841,400	30.2900	$176,936,006
HKD	3,476,868	3.8985	13,554,570
CNY	582,973	4.8081	2,802,992
Financial liabilities Monetary Items			
USD	5,556,337	30.2900	168,301,448
CNY	697,862	4.8081	3,355,390
AUD	161,431	30.7519	4,964,310

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.

1. Information on profit or loss, assets and liabilities of the reportable segments:

2013	Corporate Banking Segment		Retail Banking Segment		Offshore Banking Segment		Other Segment		Consolidated	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Net interest income (from external customer)	$6,472,698	$216,986	$4,270,036	$143,146	$8,197,438	$274,805	$2,975,279	$99,741	$21,915,451	$734,678
Inter-segment revenues	$(4,085,434)	$(136,957)	$9,965,686	$334,082	$(1,199,088)	$(40,197)	$(4,681,164)	$(156,928)	$-	$-
Segment net income	$2,102,638	$70,487	$9,856,133	$330,410	$7,159,715	$240,017	$(2,320,250)	$(77,782)	$16,798,236	$563,132
Income tax expense									(2,164,640)	(72,566)
Net income after income taxes									$14,633,596	$490,566

2012	Corporate Banking Segment		Retail Banking Segment		Offshore Banking Segment		Other Segment		Consolidated	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Net interest income (from external customer)	$7,267,891	$250,185	$4,200,626	$144,600	$6,375,679	$219,473	$3,440,162	$118,422	$21,284,358	$732,680
Inter-segment revenues	$(3,728,114)	$(128,335)	$8,641,468	$297,469	$(708,881)	$(24,402)	$(4,204,473)	$(144,732)	$-	$-
Segment net income	$2,624,010	$90,328	$9,481,755	$326,394	$5,735,910	$197,450	$(2,861,038)	$(98,487)	$14,980,637	$515,685
Income tax expense									(1,714,731)	(59,027)
Net income after income taxes									$13,265,906	$456,658

2. Geographical information

Revenue from external customers

	For the years ended 31 December			
	2013		2012	
	NT$	US$	NT$	US$
Taiwan	$18,301,447	$613,525	$18,630,613	$641,329
Other countries	3,614,004	121,153	2,653,745	91,351
Total	$21,915,451	$734,678	$21,284,358	$732,680

The revenue information above is based on the location of the customer.

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 years ended 31 December 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 year ended 31 December 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.

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:

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 1 January 2012 (transition date) and 31 December 2012, and consolidated statement of comprehensive income for the year ended 31 December 2012:

1. Reconciliation of consolidated balance sheet items as at 1 January 2012 (NT$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	$30,125,121	$-	$-	$30,125,121	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	100,101,541	-	-	100,101,541	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	21,914,109	-	-	21,914,109	Financial assets at fair value through profit or loss	
	-	-	1,438,773	1,438,773	Derivative financial assets for hedging	5.(5)
Securities purchased under agreements to resell	2,308,788	-	-	2,308,788	Securities purchased under agreements to resell	
Receivables, net	46,032,043	-	(121,290)	45,910,753	Receivables, net	5.(12)
Discounts and loans, net	1,001,925,794	-	-	1,001,925,794	Discounts and loans, net	
Available-for-sale financial assets, net	47,839,435	-	-	47,839,435	Available-for-sale financial assets	
Held-to-maturity financial assets, net	19,346,851	-	-	19,346,851	Held-to-maturity financial assets	
Investments accounted for using equity method, net	1,547,828	-	-	1,547,828	Investments accounted for using equity method, net	
Other financial assets, net	4,840,800	-	(1,438,773)	3,402,027	Other financial assets, net	5.(5)
Investments in debt securities with no active market, net	425,140,266	-	-	425,140,266	Investments in debt securities with no active market, net	
Premises and equipment, net	24,925,909	(323,707)	(1,466,556)	23,135,646	Property and equipment, net	5.(4)
	-	(109,195)	3,178,706	3,069,511	Investment property, net	5.(4)
Intangible assets, net	7,648,038	-	(355,390)	7,292,648	Intangible assets, net	5.(7)
	-	610,160	378,145	988,305	Deferred tax assets	5.(11)
Other assets, net	4,428,749	(44,802)	(1,247,519)	3,136,428	Other assets, net	5.(4),5.(7), 5.(8),5.(12)
Total assets	$1,738,125,272	$132,456	$366,096	$1,738,623,824	Total assets	
Liability						
Due to the Central Bank and call loans from banks	$62,275,073	$-	$-	$62,275,073	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	1,514,500	-	-	1,514,500	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	4,835,152	-	-	4,835,152	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	13,546,462	-	-	13,546,462	Securities sold under agreements to repurchase	
Payables	21,149,593	(512,271)	(259,377)	20,377,945	Payables	5.(2),5.(12)
Deposits and remittances	1,484,029,187	-	-	1,484,029,187	Deposits and remittances	
Financial debentures payable	36,023,825	-	-	36,023,825	Financial debentures payable	
Other financial liabilities	10,611,073	-	-	10,611,073	Other financial liabilities	
	-	1,204,956	870,846	2,075,802	Provisions	5.(3),5.(6) 5.(8)
	-	87,086	426,879	513,965	Deferred tax liabilities	5.(11)
Other liabilities	2,813,133	1,105,371	(672,252)	3,246,252	Other liabilities	5.(2),5.(6), 5.(11),5.(12)
Total liabilities	1,636,797,998	1,885,142	366,096	1,639,049,236	Total liabilities	
Equity attribute to equity holders of parent					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	19,009,053	-	-	19,009,053	Legal reserves	
Special reserves	271,009	-	-	271,009	Special reserves	
Undistributed earnings	11,171,996	(2,553,837)	-	8,618,159	Undistributed earnings	5.(2),5.(3),5(4), 5.(8),5.(11)
Other equity					Other equity	
Foreign currency translation adjustment	(51,219)	-	-	(51,219)	Foreign currency translation adjustment	
Unrealized gains or losses on financial instruments	1,089,282	-	-	1,089,282	Unrealized gains or losses on available-for-sale financial assets	
Net loss not recognized as net pension costs	(802,336)	801,151	-	(1,185)	Others	5.(8)
Minority interests	3,149,171	-	-	3,149,171	Non-controlling interest	
Total shareholders' equity	101,327,274	(1,752,686)	-	99,574,588	Total equity	
Total liabilities and shareholders' equity	$1,738,125,272	$132,456	$366,096	$1,738,623,824	Total liabilities and equity	

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Reconciliation of consolidated balance sheet items as at 1 January 2012 (US$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Cash and cash equivalents	$995,214	$-	$-	$995,214	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	3,306,955	-	-	3,306,955	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	723,955	-	-	723,955	Financial assets at fair value through profit or loss	
	-	-	47,531	47,531	Derivative financial assets for hedging	5.(5)
Securities purchased under agreements to resell	76,273	-	-	76,273	Securities purchased under agreements to resell	
Receivables, net	1,520,715	-	(4,007)	1,516,708	Receivables, net	5.(12)
Discounts and loans, net	33,099,630	-	-	33,099,630	Discounts and loans, net	
Available-for-sale financial assets, net	1,580,424	-	-	1,580,424	Available-for-sale financial assets	
Held-to-maturity financial assets, net	639,143	-	-	639,143	Held-to-maturity financial assets	
Investments accounted for using equity method, net	51,134	-	-	51,134	Investments accounted for using equity method, net	
Other financial assets, net	159,921	-	(47,532)	112,389	Other financial assets, net	5.(5)
Investments in debt securities with no active market, net	14,044,938	-	-	14,044,938	Investments in debt securities with no active market, net	
Premises and equipment, net	823,452	(10,693)	(48,449)	764,310	Property and equipment, net	5.(4)
	-	(3,608)	105,012	101,404	Investment property, net	5.(4)
Intangible assets, net	252,661	-	(11,741)	240,920	Intangible assets, net	5.(7)
	-	20,157	12,493	32,650	Deferred tax assets	5.(11)
Other assets, net	146,308	(1,480)	(41,213)	103,615	Other assets, net	5.(4),5.(7), 5.(8),5.(12)
Total assets	$57,420,723	$4,376	$12,094	$57,437,193	Total assets	
Liability						
Due to the Central Bank and call loans from banks	$2,057,320	$-	$-	$2,057,320	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	50,033	-	-	50,033	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	159,734	-	-	159,734	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	447,521	-	-	447,521	Securities sold under agreements to repurchase	
Payables	698,698	(16,923)	(8,569)	673,206	Payables	5.(2),5.(12)
Deposits and remittances	49,026,402	-	-	49,026,402	Deposits and remittances	
Financial debentures payable	1,190,083	-	-	1,190,083	Financial debentures payable	
Other financial liabilities	350,548	-	-	350,548	Other financial liabilities	
	-	39,807	28,769	68,576	Provisions	5.(3),5.(6),5.(8)
	-	2,877	14,103	16,980	Deferred tax liabilities	5.(11)
Other liabilities	92,935	36,517	(22,209)	107,243	Other liabilities	5.(2),5.(6), 5.(11),5.(12)
Total liabilities	54,073,274	62,278	12,094	54,147,646	Total liabilities	
Equity attribute to equity holders of parent					Equity attribute to equity holders of parent	
Capital stock	1,727,025	-	-	1,727,025	Capital stock	
Capital reserves	502,586	-	-	502,586	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	627,983	-	-	627,983	Legal reserves	
Special reserves	8,953	-	-	8,953	Special reserves	
Undistributed earnings	369,078	(84,368)	-	284,710	Undistributed earnings	5.(2),5.(3),5.(4), 5.(8),,5.(11)
Other equity					Other equity	
Foreign currency translation adjustment	(1,692)	-	-	(1,692)	Foreign currency translation adjustment	
Unrealized gains or losses on financial instruments	35,986	-	-	35,986	Unrealized gains or losses on available-for-sale financial assets	
Net loss not recognized as net pension costs	(26,506)	26,466	-	(40)	Others	5.(8)
Minority interests	104,036	-	-	104,036	Non-controlling interest	
Total shareholders' equity	3,347,449	(57,902)	-	3,289,547	Total equity	
Total liabilities and shareholders' equity	$57,420,723	$4,376	$12,094	$57,437,193	Total liabilities and equity	

2. Reconciliation of consolidated balance sheet items as at 31 December 2012 (NT$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	$34,974,286	$-	$-	$34,974,286	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	109,003,762	-	-	109,003,762	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	67,937,886	-	-	67,937,886	Financial assets at fair value through profit or loss	
	-	-	1,203,138	1,203,138	Derivative financial assets for hedging	5.(5)
Receivables, net	50,837,969	1,746	(97,439)	50,742,276	Receivables, net	5.(1),5.(12)
Discounts and loans, net	1,003,183,193	-	-	1,003,183,193	Discounts and loans, net	
Available-for-sale financial assets, net	58,449,929	1,601,956	3,903,443	63,955,328	Available-for-sale financial assets	5.(1),5.(10)
Held-to-maturity financial assets, net	21,668,974	-	-	21,668,974	Held-to-maturity financial assets	
Investments accounted for using equity method, net	1,565,227	-	-	1,565,227	Investments accounted for using equity method, net	
Other financial assets, net	4,526,352	-	(4,512,531)	13,821	Other financial assets, net	5.(5),5.(10)
Investments in debt securities with no active market, net	424,043,663	-	-	424,043,663	Investments in debt securities with no active market, net	
Premises and equipment, net	24,366,902	(337,145)	(1,633,822)	22,395,935	Property and equipment, net	5.(4)
	-	(143,194)	2,869,040	2,725,846	Investment property, net	5.(4)
Intangible assets, net	7,829,641	-	(341,369)	7,488,272	Intangible assets, net	5.(7)
	-	611,284	933,598	1,544,882	Deferred tax assets	5.(11)
Other assets, net	6,254,794	(5,404)	(1,326,874)	4,922,516	Other assets, net	5.(4),5.(7), 5.(8),5.(12)
Total assets	$1,814,642,578	$1,729,243	$997,184	$1,817,369,005	Total assets	
Liability						
Due to the Central Bank and call loans from banks	$56,931,773	$-	$-	$56,931,773	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	1,456,800	-	-	1,456,800	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	4,967,738	-	-	4,967,738	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	20,369,249	-	-	20,369,249	Securities sold under agreements to repurchase	
Payables	21,342,714	1,088,779	(278,307)	22,153,186	Payables	5.(1),5.(2), 5.(9),5.(12)
Deposits and remittances	1,539,774,066	-	-	1,539,774,066	Deposits and remittances	
Financial debentures payable	42,518,631	-	-	42,518,631	Financial debentures payable	
Other financial liabilities	17,426,191	-	-	17,426,191	Other financial liabilities	
	-	1,025,408	983,976	2,009,384	Provisions	5.(3),5.(6),5.(8)
	-	88,144	449,906	538,050	Deferred tax liabilities	5.(11)
Other liabilities	3,843,024	1,123,325	(747,011)	4,219,338	Other liabilities	5.(2),5.(6), 5.(11),5.(12)
Total liabilities	1,708,630,186	3,325,656	408,564	1,712,364,406	Total liabilities	
Equity attribute to equity holders of parent					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	13,068,125	(2,555,892)	-	10,512,233	Undistributed earnings	5.(1),5.(2),5(3), 5(4),5.(8),5(9) 5.(11)
Other equity					Other equity	
Foreign currency translation adjustment	(601,241)	(6)	-	(601,247)	Foreign currency translation adjustment	5.(1)
Unrealized gains or losses on financial instruments	1,411,424	5,806	588,620	2,005,850	Unrealized gains or losses on available-for-sale financial assets	5.(1),5.(10), 5.(11)
Net loss not recognized as net pension costs	(954,909)	953,679	-	(1,230)	Others	5.(8)
Minority interests	2,967,014	-	-	2,967,014	Non-controlling interest	
Total shareholders' equity	106,012,392	(1,596,413)	588,620	105,004,599	Total equity	
Total liabilities and shareholders' equity	$1,814,642,578	$1,729,243	$997,184	$1,817,369,005	Total liabilities and equity	

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Reconciliation of consolidated balance sheet items as at 31 December 2012 (US$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Cash and cash equivalents	$1,203,934	$-	$-	$1,203,934	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	3,752,281	-	-	3,752,281	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	2,338,654	-	-	2,338,654	Financial assets at fair value through profit or loss	
	-	-	41,416	41,416	Derivative financial assets for hedging	5.(5)
Receivables, net	1,750,016	60	(3,354)	1,746,722	Receivables, net	5.(1),5.(12)
Discounts and loans, net	34,532,984	-	-	34,532,984	Discounts and loans, net	
Available-for-sale financial assets, net	2,012,046	55,144	134,370	2,201,560	Available-for-sale financial assets	5.(1),5.(10)
Held-to-maturity financial assets, net	745,920	-	-	745,920	Held-to-maturity financial assets	
Investments accounted for using equity method, net	53,881	-	-	53,881	Investments accounted for using equity method, net	
Other financial assets, net	155,812	-	(155,336)	476	Other financial assets, net	5.(5),5.(10)
Investments in debt securities with no active market, net	14,597,028	-	-	14,597,028	Investments in debt securities with no active market, net	
Premises and equipment, net	838,792	(11,606)	(56,242)	770,944	Property and equipment, net	5.(4)
	-	(4,929)	98,762	93,833	Investment property, net	5.(4)
Intangible assets, net	269,523	-	(11,751)	257,772	Intangible assets, net	5.(7)
	-	21,043	32,137	53,180	Deferred tax assets	5.(11)
Other assets, net	215,311	(186)	(45,675)	169,450	Other assets, net	5.(4),5.(7),5.(8),5.(12)
Total assets	$62,466,182	$59,526	$34,327	$62,560,035	Total assets	
Liability						
Due to the Central Bank and call loans from banks	$1,959,786	$-	$-	$1,959,786	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	50,148	-	-	50,148	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	171,006	-	-	171,006	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	701,179	-	-	701,179	Securities sold under agreements to repurchase	
Payables	734,689	37,479	(9,580)	762,588	Payables	5.(1),5.(2),5.(9),5.(12)
Deposits and remittances	53,004,271	-	-	53,004,271	Deposits and remittances	
Financial debentures payable	1,463,636	-	-	1,463,636	Financial debentures payable	
Other financial liabilities	599,869	-	-	599,869	Other financial liabilities	
	-	35,298	33,872	69,170	Provisions	5.(3),5.(6),5.(8)
	-	3,034	15,488	18,522	Deferred tax liabilities	5.(11)
Other liabilities	132,290	38,669	(25,715)	145,244	Other liabilities	5.(2),5.(6),5.(11),5.(12)
Total liabilities	58,816,874	114,480	14,065	58,945,419	Total liabilities	
Equity attribute to equity holders of parent					Equity attribute to equity holders of parent	
Capital stock	1,799,554	-	-	1,799,554	Capital stock	
Capital reserves	523,693	-	-	523,693	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	769,730	-	-	769,730	Legal reserves	
Special reserves	9,329	-	-	9,329	Special reserves	
Undistributed earnings	449,849	(87,983)	-	361,866	Undistributed earnings	5.(1),5.(2),5.(3),5.(4),5.(8),5.(9),5.(11)
Other equity					Other equity	
Foreign currency translation adjustment	(20,697)	-	-	(20,697)	Foreign currency translation adjustment	5.(1)
Unrealized gains or losses on financial instruments	48,586	200	20,262	69,048	Unrealized gains or losses on available-for-sale financial assets	5.(1),5.(10),5(11)
Net loss not recognized as net pension costs	(32,871)	32,829	-	(42)	Others	5.(8)
Minority interests	102,135	-	-	102,135	Non-controlling interest	
Total shareholders’ equity	3,649,308	(54,954)	20,262	3,614,616	Total equity	
Total liabilities and shareholders’ equity	$62,466,182	$59,526	$34,327	$62,560,035	Total liabilities and equity	

3. Reconciliation of statement of comprehensive income items of the year ended 31 December 2012 (NT$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Interest income	$34,157,232	$-	$(143,479)	$34,013,753	Interest income	5.(12)
Interest expense	(13,004,174)	88,329	186,450	(12,729,395)	Interest expense	5.(3)
Net interest income	21,153,058	88,329	42,971	21,284,358	Net interest income	
Noninterest income					Noninterest income	
Net fee income	7,348,171	(17,954)	-	7,330,217	Net fee income	5.(2)
Gain on financial assets and liabilities at fair value through profit or loss	1,134,791	(3)	143,479	1,278,267	Gain on financial assets and liabilities at fair value through profit or loss	5.(1),5.(12)
Realized gain on available-for-sale financial assets	1,279,108	10	155,047	1,434,165	Realized gain on available-for-sale financial assets	
Gain on foreign currency exchange, net	1,100,973	-	-	1,100,973	Gain on foreign currency exchange, net	5.(1),5.(10)
Impairment loss of assets	(151,084)	-	-	(151,084)	Impairment loss of assets	
Investment income recognized by the equity method	47,194	-	-	47,194	Investment income recognized by the equity method	
Others	2,665,190	-	(42,229)	2,622,961	Others	5.(4),5.(10)
Net noninterest income	34,577,401	70,382	299,268	34,947,051	Net noninterest income	
Bad debt expense	(2,126,095)	-	-	(2,126,095)	Bad debt expense and losses on guarantees	
Operating expenses					Operating expenses	
Personnel	(8,679,245)	(21,911)	128,556	(8,572,600)	Employee benefits expenses	5.(3),5.(8), 5.(12)
Depreciation and amortization	(1,157,897)	(47,436)	488	(1,204,845)	Depreciation and amortization expenses	5(4),5.(7)
Other general and administrative expenses	(7,744,226)	(3,154)	(315,494)	(8,062,874)	Other general and administrative expenses	5.(2),5.(7), 5.(9),5.(12)
Income from continuing operations before income taxes	14,869,938	(2,119)	112,818	14,980,637	Income from continuing operations before income taxes	
Income tax expense	(1,601,977)	64	(112,818)	(1,714,731)	Income tax expense	5.(4),5.(11)
Net income	$13,267,961	$(2,055)	$-	$13,265,906	Net income	
					Other comprehensive income：	
				(782,870)	Exchange differences resulting from translating the financial statement of a foreign operation	
				903,727	Unrealized losses from Available-for-sale financial assets	
				(2,061)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	
				127,512	Income tax relating to components of others comprehensive income	
				246,308	Other comprehensive income, net of tax	
				$13,512,214	Total comprehensive income	

Reconciliation of statement of comprehensive income items of the year ended 31 December 2012 (US$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Interest income	$1,175,808	$-	$(4,939)	$1,170,869	Interest income	5.(12)
Interest expense	(447,648)	3,041	6,418	(438,189)	Interest expense	5.(3)
Net interest income	728,160	3,041	1,479	732,680	Net interest income	
Noninterest income					Noninterest income	
Net fee income	252,949	(618)	-	252,331	Net fee income	5.(2)
Gain on financial assets and liabilities at fair value through profit or loss	39,064	-	4,939	44,003	Gain on financial assets and liabilities at fair value through profit or loss	5.(1),5.(12)
Realized gain on available-for-sale financial assets	44,031	-	5,338	49,369	Realized gain on available-for-sale financial assets	
Investment income recognized by the equity method	37,899	-	-	37,899	Investment income recognized by the equity method	
Gain on foreign currency exchange, net	(5,201)	-	-	(5,201)	Gain on foreign currency exchange, net	5.(1),5.(10)
Impairment loss of assets	1,625	-	-	1,625	Impairment loss of assets	
Others	91,745	-	(1,454)	90,291	Others	5.(4),5.(10)
Net noninterest income	1,190,272	2,423	10,302	1,202,997	Net noninterest income	
Bad debt expense	(73,187)	-	-	(73,187)	Bad debt expense and losses on guarantees	
Operating expenses					Operating expenses	
Personnel	(298,769)	(754)	4,425	(295,098)	Employee benefits expenses	5.(3),5.(8), 5.(12)
Depreciation and amortization	(39,859)	(1,633)	17	(41,475)	Depreciation and amortization expenses	5.(4),5.(7)
Other general and administrative expenses	(266,583)	(109)	(10,860)	(277,552)	Other general and administrative expenses	5.(2),5.(7), 5.(9),5.(12)
Income from continuing operations before income taxes	511,874	(73)	3,884	515,685	Income from continuing operations before income taxes	
Income tax expense	(55,146)	3	(3,884)	(59,027)	Income tax expense	5.(4),5.(11)
Net income	$456,728	$(70)	$-	$456,658	Net income	
					Other comprehensive income：	
				(26,949)	Exchange differences resulting from translating the financial statement of a foreign operation	
				31,109	Unrealized losses from Available-for-sale financial assets	
				(71)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	
				4,389	Income tax relating to components of others comprehensive income	
				8,478	Other comprehensive income, net of tax	
				$465,136	Total comprehensive income	

4. Material adjustments to the consolidated statement of cash flows for the year ended 31 December 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 years ended 31 December 2012 are disclosed in the statement of cash flow in the amount of NT$33,580,934 (US$1,155,970) and NT$12,505,073 (US$430,467), respectively, and are classified as cash flow from operating activities. The dividends received for the year ended 31 December 2012 are disclosed in the statement of cash flow in the amount of NT$503,710 (US$17,339) and NT$25,743 (US$886) 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 31 December 2012, the adjustment resulted in an increase of available-for-sale financial assets by NT$1,601,956 (US$55,144), an increase of receivables by NT$1,746 (US$60), an increase of payables by NT$1,597,896 (US$55,005), an increase of unrealized gains on available-for-sale financial assets by NT$5,806 (US$200) and a decrease of foreign currency translation adjustment by NT$6 (US$0).

   In addition, the adjustment resulted in an increase of loss on financial asset and liabilities at fair value through profit or loss by NT$3 (US$0) and an increase of realized gain on available-for-sale financial assets by NT$10 (US$0) in the consolidated statement of comprehensive income for the year ended 31 December 2012.

   As of 31 December 2012, an increase of cumulative effect on retained earnings by NT$7 (US$0).

(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 1 January 2012, the adjustment resulted in a decrease of payables by NT$512,271 (US$16,923), an increase of other liabilities by NT$1,105,371 (US$36,517) and a decrease of retained earnings by NT$593,100 (US$19,594).

As of 31 December 2012, the adjustment resulted in a decrease of payables by NT$518,494 (US$17,848), an increase of other liabilities by NT$1,123,325 (US$38,669) and a decrease of beginning retained earnings by NT$593,100 (US$20,417). The adjustment resulted in a decrease of services fees by NT$17,954 (US$618) and a decrease of other general and administrative expenses by NT$6,223 (US$214) in the consolidated statement of comprehensive income for the year ended 31 December 2012. As of 31 December 2012, the cumulative effect on retained earnings decreased by NT$604,831 (US$20,820).

(3) Employee preferential interest rate deposits

The Bank recognized employee preferential interest rate deposits under the requirement of IAS 19. As of 1 January 2012, the adjustment resulted in an increase of provisions by NT$615,115 (US$20,321) and a corresponding decrease of beginning retained earnings.

As of 31 December 2012, the adjustment resulted in an increase of provisions by NT$630,292 (US$21,697) and a decrease of beginning retained earnings by NT$615,115 (US$21,174). The adjustment resulted in a decrease of interest expense by NT$88,329 (US$3,041) and an increase of employee benefits expenses by NT$103,506 (US$3,563) in the consolidated statement of comprehensive income for the year ended 31 December 2012. The Bank reclassified interest expense to employee benefits expenses which increased employee benefits expenses by NT$186,450(US$6,418). As of 31 December 2012, the cumulative effect on retained earnings decreased by NT$630,292 (US$21,697).

(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 1 January 2012, premises and equipment reclassified to investment properties amounted to NT$1,466,556 (US$48,449) and other assets reclassified to investment properties amounted to NT$1,712,150(US$56,563).

As of 31 December 2012, premises and equipment reclassified to investment properties amounted to NT$1,633,822 (US$56,242) and other assets reclassified to investment properties amounted to NT$1,235,218 (US$42,520). The land value increment tax arose from disposal of investment property, the deduction of disposal gain of property and equipment reclassified to income tax expenses and resulted in an increase of income tax expenses by NT$112,818 (US$3,884) and a corresponding increase of other net noninterest income.

Under the requirements of IAS 16 *Property, Plant and Equipment*, each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. As of 1 January 2012, the adjustment resulted in a decrease of property and equipment by NT$323,707 (US$10,694), a decrease of investment properties by NT$109,195 (US$3,607) and a decrease of retained earnings by NT$432,902 (US$14,301).

As of 31 December 2012, the adjustment resulted in a decrease of property and equipment by NT$337,145 (US$11,606), a decrease of investment properties by NT$143,194 (US$4,929) and a decrease of beginning retained earnings by NT$432,902 (US$14,902). The adjustment resulted in an increase depreciation expenses by NT$47,436 (US$1,633) in the consolidated statement of comprehensive income for the year ended 31 December 2012. As of 31 December 2012, the cumulative effect on retained earnings decreased by NT$480,338 (US$16,535).

(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 1 January 2012 and 31 December 2012, other financial assets reclassified to derivative financial assets for hedging was NT$1,438,773 (US$47,531) and NT$1,203,138 (US$41,416), respectively.

(6) Provisions

In compliance with IAS 1 that was recognized by FSC, the Bank shall separate provisions in the financial statements. As of 1 January 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$27,947) and NT$24,892 (US$822), respectively.

As of 31 December 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$959,084 (US$33,015) and NT$24,892 (US$857), 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 1 January 2012, land use rights reclassified to prepaid rent was NT$355,390 (US$11,741).

As of 31 December 2012, land use rights reclassified to prepaid rent was NT$341,369 (US$11,751) and the amortization expenses reclassified to rent expenses was NT$488 (US$17) for the year ended 31 December 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 1 January 2012, the adjustments resulted in an increase of provisions by NT$589,841 (US$19,486), a decrease of deferred pension costs by NT$44,802 (US$1,480), the reverse of the net loss not recognized as net pension costs by NT$801,151 (US$26,467) and a decrease of beginning retained earnings by NT$1,435,794 (US$47,433).

As of 31 December 2012, the adjustments resulted in an increase of provisions by NT$395,116 (US$13,601), a decrease of deferred pension costs by NT$5,404 (US$186), the reverse of the net loss not recognized as net pension costs by NT$953,679 (US$32,829) and a decrease of beginning retained earnings by NT$1,435,794 (US$49,425). The adjustments resulted in a decrease of employee benefits expenses by NT$81,595 (US$2,809) in the consolidated statements of comprehensive income for the year ended 31 December 2012. As of 31 December 2012, the cumulative effect on retained earnings decreased by NT$1,354,199 (US$46,616).

(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 31 December 2012, the adjustment resulted in an increases of accrued expenses by NT$9,377 (US$323). The adjustment resulted in an increase of other general and administrative expenses by NT$9,377 (US$323) for the year ended 31 December 2012. As of 31 December 2012, the cumulative effect on retained earnings decreased by NT$9,377 (US$323).

(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 31 December 2012, the reclassification adjustment resulted in an increases of available-for-sale financial assets by NT$3,903,443 (US$134,370), a decrease under other financial assets as financial assets carried at cost by NT$3,309,393 (US$113,921), and an increase of unrealized gains on available-for-sale financial assets by NT$594,049 (US$20,449). 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$155,047 (US$5,338) for the year ended 31 December 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 1 January 2012, the adjustments resulted in an increase of deferred tax assets by NT$610,160 (US$20,157), an increase of deferred tax liabilities by NT$87,086 (US$2,877) and an increase of retained earnings by NT$523,074 (US$17,280). In addition, land value increment tax under other liabilities reclassified to deferred tax liabilities was NT$37,986 (NT$1,255). Furthermore, deferred tax assets and liabilities were presented in gross amount and both increased by NT$366,097 (US$12,094).

As of 31 December 2012, the adjustments resulted in an increase of deferred tax assets by NT$611,284 (US$21,043), an increase of deferred tax liabilities by NT$88,144 (US$3,034), a decrease of unrealized gains on available-for sale financial assets by NT$5,429 (US$187) and an increase of beginning retained earnings by NT$523,074 (US$18,006). The adjustments resulted in a decrease of income tax expenses NT$64 (US$2) for the year ended 31 December 2012. In addition, land value increment tax under other liabilities reclassified to deferred tax liabilities was NT$37,163 (US$1,279). Furthermore, deferred tax assets and liabilities were presented in gross amount and both increased by NT$398,032 (US$13,702). As of 31 December 2012, the cumulative effect on retained earnings increased by NT$523,138 (US$18,008).

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

As of 1 January 2012, the bank and its subsidiaries’ receivables were reclassified to other assets by NT$121,290 (US$4,007), payables were reclassified to other liabilities by NT$212,993 (US$7,036) and other liabilities were reclassified to deferred tax liabilities by NT$22,796 (US$753).

As of 31 December 2012, receivables were reclassified to other assets by NT$98,939 (US$3,406), payables were reclassified to other liabilities by NT$278,307 (US$9,580) and other assets were reclassified to deferred tax assets by NT$530,464 (US$18,260). For the year ended 31 December 2012, the amount of NT$143,479 (US$4,939) 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$315,006 (US$10,844).

(13) In accordance with the Explanatory Letter No. 1010012865 issued by FSC on 6 April 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.