Cathay United Bank and Its Subsidiaries
Consolidated Financial Statements
For The Three-Month Periods Ended
31 March 2014 and 2013
With Independent Auditors' Report

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

Review Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

The Board of Directors
Cathay United Bank

We have reviewed the accompanying consolidated balance sheets of Cathay United Bank and its subsidiaries as of 31 March 2014 and 2013, and the related consolidated statements of comprehensive income changes in equity and cash flows for the three-month periods ended 31 March 2014 and 2013. These consolidated financial statements are the responsibility of the Bank's management.

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

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

As described in Note IV to the consolidated financial statements, the Bank and its subsidiaries volunteered to change the subsequent measurements of investment properties from cost model to fair value model from 2014, and the Bank and its subsidiaries have retrospectively restated the consolidated financial statements for the three-month period ended 31 March 2013 and the consolidated balance sheets as of 1 January 2013 and 31 December 2013.

Ernst & Young

ERNST & YOUNG
Taipei, Taiwan
The Republic of China
29 April 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 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 March 2014 and 31 December 2013

(Expressed in thousands of dollars)

		2014.3.31		2013.12.31	
Assets	Notes	NT$	US$	NT$	US$
Cash and cash equivalents	IV, VI and VII	$105,954,513	$3,479,623	$68,239,741	$2,287,621
Due from the Central Bank and call loans to banks	VI and VII	136,763,894	4,491,425	151,945,066	5,093,700
Financial assets at fair value through profit or loss	IV, V and VI	153,009,845	5,024,954	163,059,557	5,466,294
Derivative financial assets for hedging	IV and VI	856,663	28,133	837,179	28,065
Securities purchased under agreements to resell	IV	11,205,542	367,998	7,645,763	256,311
Receivables, net	IV, V, VI and VII	108,166,619	3,552,270	120,778,165	4,048,882
Assets held for sale, net		-	-	81,950	2,747
Discounts and loans, net	IV, V, VI and VII	1,084,969,402	35,631,179	1,031,105,321	34,566,052
Available-for-sale financial assets, net	IV, V and VI	64,449,619	2,116,572	67,908,890	2,276,530
Held-to-maturity financial assets, net	IV, V and VI	51,489,209	1,690,943	51,395,078	1,722,933
Investments accounted for using equity method, net	IV and VI	1,642,924	53,955	1,626,674	54,531
Other financial assets, net	IV and V	4,348	143	22,154	743
Investments in debt securities with no active market, net	IV, V and VI	278,907,255	9,159,516	280,272,013	9,395,642
Property and equipment, net	IV, VI and VII	22,898,047	751,988	22,864,329	766,488
Investment property, net	IV, V and VI	4,431,663	145,539	4,479,508	150,168
Intangible assets, net	IV, V and VI	7,393,333	242,802	7,374,860	247,230
Deferred tax assets	IV and V	1,446,064	47,490	1,456,700	48,834
Other assets, net	IV, VI and VII	9,165,693	301,008	7,681,266	257,501
Total assets		$2,042,754,633	$67,085,538	$1,988,774,214	$66,670,272

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 March 2013 and 1 January 2013

(Expressed in thousands of dollars)

		2013.3.31		2013.1.1	
Assets	Notes	NT$	US$	NT$	US$
Cash and cash equivalents	IV, VI and VII	$35,615,573	$1,194,752	$34,974,286	$1,203,934
Due from the Central Bank and call loans to banks	VI and VII	73,873,985	2,478,161	109,003,762	3,752,281
Financial assets at fair value through profit or loss	IV, V and VI	103,467,550	3,470,901	67,937,886	2,338,654
Derivative financial assets for hedging	IV and VI	1,233,116	41,366	1,203,138	41,416
Securities purchased under agreements to resell	IV	2,287,926	76,750	-	-
Receivables, net	IV, V, VI and VII	70,142,478	2,352,985	50,742,276	1,746,722
Discounts and loans, net	IV, V, VI and VII	1,000,452,852	33,560,981	1,003,183,193	34,532,984
Available-for-sale financial assets, net	IV, V and VI	82,506,589	2,767,749	63,955,328	2,201,560
Held-to-maturity financial assets, net	IV, V and VI	49,225,630	1,651,313	21,668,974	745,920
Investments accounted for using equity method, net	IV and VI	1,556,274	52,206	1,565,227	53,881
Other financial assets, net	IV and V	5,926	199	13,821	476
Investments in debt securities with no active market, net	IV, V and VI	401,487,143	13,468,203	424,043,663	14,597,028
Property and equipment, net	IV, VI and VII	22,422,584	752,183	22,395,935	770,944
Investment property, net	IV, V and VI	4,439,924	148,941	4,439,924	152,837
Intangible assets, net	IV, V and VI	7,453,951	250,049	7,488,272	257,772
Deferred tax assets	IV and V	1,639,518	54,999	1,562,335	53,781
Other assets, net	IV, VI and VII	5,159,579	173,082	4,922,516	169,450
Total assets		$1,862,970,598	$62,494,820	$1,819,100,536	$62,619,640

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 March 2014 and 31 December 2013

(Expressed in thousands of dollars)

		2014.3.31		2013.12.31	
Liabilities and equity	Notes	NT$	US$	NT$	US$
Liabilities					
Due to the Central Bank and call loans from banks	VI and VII	$68,976,603	$2,265,241	$56,985,225	$1,910,333
Funds borrowed from the Central Bank and other banks		1,525,500	50,099	1,497,500	50,201
Financial liabilities at fair value through profit or loss	IV, V and VI	14,278,365	468,912	11,271,187	377,847
Securities sold under agreements to repurchase	IV, VI and VII	62,671,918	2,058,191	58,681,600	1,967,201
Payables	VI and VII	21,256,507	698,079	15,156,034	508,080
Deposits and remittances	VI and VII	1,629,386,977	53,510,246	1,615,860,463	54,168,973
Financial debentures payable	IV and VI	52,513,375	1,724,577	52,417,213	1,757,198
Other financial liabilities	VI	44,674,808	1,467,153	36,145,158	1,211,705
Provisions	IV, V and VI	2,125,351	69,798	2,035,564	68,239
Deferred tax liabilities	IV and V	859,432	28,224	677,593	22,716
Other liabilities	VI and VII	5,252,138	172,484	4,882,804	163,687
Total liabilities		1,903,520,974	62,513,004	1,855,610,341	62,206,180
Equity					
Equity attribute to equity holders of parent					
Capital stock	VI	64,668,494	2,123,760	64,668,494	2,167,901
Capital reserves	VI	23,971,498	787,241	23,971,498	803,604
Retained earnings	VI				
Legal reserves		26,281,089	863,090	26,281,089	881,029
Special reserves		1,869,956	61,411	1,890,118	63,363
Undistributed earnings		17,197,769	564,787	11,785,535	395,090
Other equity		1,681,212	55,212	1,128,149	37,819
Subtotal		135,670,018	4,455,501	129,724,883	4,348,806
Non-controlling interests	VI	3,563,641	117,033	3,438,990	115,286
Total equity		139,233,659	4,572,534	133,163,873	4,464,092
Total liabilities and equity		$2,042,754,633	$67,085,538	$1,988,774,214	$66,670,272

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 March 2013 and 1 January 2013

(Expressed in thousands of dollars)

		2013.3.31		2013.1.1	
Liabilities and equity	Notes	NT$	US$	NT$	US$
Liabilities					
Due to the Central Bank and call loans from banks	VI and VII	$73,996,201	$2,482,261	$56,931,773	$1,959,786
Funds borrowed from the Central Bank and other banks		1,493,750	50,109	1,456,800	50,148
Financial liabilities at fair value through profit or loss	IV, V and VI	5,906,954	198,153	4,967,738	171,006
Securities sold under agreements to repurchase	IV, VI and VII	34,700,066	1,164,041	20,369,249	701,179
Payables	VI and VII	21,708,908	728,242	22,153,186	762,588
Deposits and remittances	VI and VII	1,546,637,918	51,883,191	1,539,774,066	53,004,271
Financial debentures payable	IV and VI	42,682,909	1,431,832	42,518,631	1,463,636
Other financial liabilities	VI	18,243,674	611,999	17,426,191	599,869
Provisions	IV, V and VI	2,009,409	67,407	2,009,384	69,170
Deferred tax liabilities	IV and V	590,842	19,821	650,472	22,392
Other liabilities	VI and VII	4,590,421	153,989	4,219,338	145,244
Total liabilities		1,752,561,052	58,791,045	1,712,476,828	58,949,289
Equity					
Equity attribute to equity holders of parent					
Capital stock	VI	52,277,026	1,753,674	52,277,026	1,799,554
Capital reserves	VI	15,213,292	510,342	15,213,292	523,693
Retained earnings	VI				
Legal reserves		22,360,652	750,106	22,360,652	769,730
Special reserves		1,890,118	63,405	1,890,118	65,064
Undistributed earnings		14,083,760	472,451	10,512,233	361,866
Other equity		1,463,835	49,105	1,403,373	48,309
Subtotal		107,288,683	3,599,083	103,656,694	3,568,216
Non-controlling interests	VI	3,120,863	104,692	2,967,014	102,135
Total equity		110,409,546	3,703,775	106,623,708	3,670,351
Total liabilities and equity		$1,862,970,598	$62,494,820	$1,819,100,536	$62,619,640

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated statements of comprehensive income

For the three-month periods ended 31 March 2014 and 2013

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

Items	Notes	2014.1.1-2014.3.31 NT$	2014.1.1-2014.3.31 US$	2013.1.1-2013.3.31 NT$	2013.1.1-2013.3.31 US$
Interest income	IV, VI and VII	$9,776,640	$321,072	$8,660,646	$290,528
Interest expense	VI and VII	(3,572,053)	(117,309)	(3,372,673)	(113,139)
Net interest income		6,204,587	203,763	5,287,973	177,389
Noninterest income					
Net fee income	IV, VI and VII	2,633,782	86,495	2,083,505	69,893
Gain on financial assets and liabilities at fair value through profit or loss	VI and VII	1,477,116	48,510	563,553	18,905
Realized gain on available-for-sale financial assets		312,930	10,277	375,385	12,592
Gain on foreign currency exchange, net	IV	260,798	8,565	211,091	7,081
Impairment loss of assets		(7,123)	(234)	-	-
Investment income recognized by the equity method		16,250	534	2,613	88
Gain on investment in debt securities with no active market		-	-	7,883	264
Gain on disposal of property and equipment	V	32,832	1,078	-	-
Others	IV, VI and VII	362,984	11,921	162,575	5,454
Net noninterest income		5,089,569	167,145	3,406,605	114,277
Net operating income		11,294,156	370,908	8,694,578	291,666
Bad debt expense and losses on guarantees		135,401	4,447	124,184	4,166
Operating expenses					
Employee benefits expenses	IV, V and VI	(2,423,222)	(79,580)	(2,265,697)	(76,005)
Depreciation and amortization expenses	VI	(262,884)	(8,633)	(287,417)	(9,641)
Other general and administrative expenses	IV, VI and VII	(2,516,588)	(82,647)	(2,007,631)	(67,347)
Total operating expenses		(5,202,694)	(170,860)	(4,560,745)	(152,993)
Income from continuing operations before income taxes		6,226,863	204,495	4,258,017	142,839
Income tax expense	IV and VI	(774,557)	(25,437)	(618,893)	(20,761)
Net income		5,452,306	179,058	3,639,124	122,078
Other comprehensive income					
Exchange differences on translation of foreign operations	VI	301,938	9,916	377,871	12,676
Net gains (losses) on available-for-sale financial assets		356,711	11,714	(200,578)	(6,729)
Share of other comprehensive profit of associates		-	-	9,740	327
Income tax relating to components of other comprehensive income		(41,169)	(1,352)	(40,936)	(1,373)
Other comprehensive income		617,480	20,278	146,097	4,901
Total comprehensive income		$6,069,786	$199,336	$3,785,221	$126,979
Net income attributable to:					
Equity holders of the parent		$5,392,072	$177,080	$3,571,527	$119,810
Non-controlling interests		60,234	1,978	67,597	2,268
Net income		$5,452,306	$179,058	$3,639,124	$122,078
Net comprehensive income attributable to:					
Equity holders of the parent		$5,945,135	$195,242	$3,631,989	$121,838
Non-controlling interests		124,651	4,094	153,232	5,141
Total comprehensive income		$6,069,786	$199,336	$3,785,221	$126,979
Earnings per share (In dollars)					
Net income from continuing operations	VI	$0.83	$0.0273	$0.58	$0.0195

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 three-month periods ended 31 March 2014 and 2013

(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		Revaluation surplus		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$	NT$	US$
Balance, 1 January 2013	$52,277,026	$1,753,674	$15,213,292	$510,342	$22,360,652	$750,106	$1,890,118	$63,405	$10,512,233	$352,641	$(601,247)	$(20,169)	$2,005,850	$67,287	$-	$-	$(1,230)	$(41)	$103,656,694	$3,477,245	$2,967,014	$99,531	$106,623,708	$3,576,776
Net income for three-month period ended 31 March 2013	-	-	-	-	-	-	-	-	3,571,527	119,810	-	-	-	-	-	-	-	-	3,571,527	119,810	67,597	2,268	3,639,124	122,078
Other comprehensive income for the three-month period ended 31 March 2013	-	-	-	-	-	-	-	-	-	-	251,398	8,433	(190,936)	(6,405)	-	-	-	-	60,462	2,028	85,635	2,873	146,097	4,901
Total comprehensive income for the three-month period ended 31 March 2013	-	-	-	-	-	-	-	-	3,571,527	119,810	251,398	8,433	(190,936)	(6,405)	-	-	-	-	3,631,989	121,838	153,232	5,141	3,785,221	126,979
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	617	20	617	20
Balance, 31 March 2013	$52,277,026	$1,753,674	$15,213,292	$510,342	$22,360,652	$750,106	$1,890,118	$63,405	$14,083,760	$472,451	$(349,849)	$(11,736)	$1,814,914	$60,882	$-	$-	$(1,230)	$(41)	$107,288,683	$3,599,083	$3,120,863	$104,692	$110,409,546	$3,703,775
Balance, 1 January 2014	$64,668,494	$2,123,760	$23,971,498	$787,241	$26,281,089	$863,090	$1,890,118	$62,073	$11,785,535	$387,045	$(309,082)	$(10,150)	$1,292,205	$42,437	$145,979	$4,794	$(953)	$(31)	$129,724,883	$4,260,259	$3,438,990	$112,939	$133,163,873	$4,373,198
Net income for three-month period ended 31 March 2014	-	-	-	-	-	-	-	-	5,392,072	177,080	-	-	-	-	-	-	-	-	5,392,072	177,080	60,234	1,978	5,452,306	179,058
Other comprehensive income for the three-month period ended 31 March 2014	-	-	-	-	-	-	-	-	-	-	197,454	6,484	355,609	11,678	-	-	-	-	553,063	18,162	64,417	2,116	617,480	20,278
Total comprehensive income for the three-month period ended 31 March 2014	-	-	-	-	-	-	-	-	5,392,072	177,080	197,454	6,484	355,609	11,678	-	-	-	-	5,945,135	195,242	124,651	4,094	6,069,786	199,336
Reversal of special reserves	-	-	-	-	-	-	(20,162)	(662)	20,162	662	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Price difference between book value and fair value on purchase of subsidiary equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, 31 March 2014	$64,668,494	$2,123,760	$23,971,498	$787,241	$26,281,089	$863,090	$1,869,956	$61,411	$17,197,769	$564,787	$(111,628)	$(3,666)	$1,647,814	$54,115	$145,979	$4,794	$(953)	$(31)	$135,670,018	$4,455,501	$3,563,641	$117,033	$139,233,659	$4,572,534

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 three-month periods ended 31 March 2014 and 2013

(Expressed in thousands of dollars)

Items	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Operating activities				
Net income before income tax	$6,226,863	$204,495	$4,258,017	$142,839
Adjustment items:				
Non-cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation expenses	218,588	7,178	234,102	7,853
Amortization expenses	44,296	1,455	53,315	1,788
Bad debt expenses reversal	(135,401)	(4,447)	(124,184)	(4,166)
Interest income	(9,776,640)	(321,072)	(8,660,646)	(290,528)
Interest expense	3,572,053	117,309	3,372,673	113,139
Dividends income	(4,601)	(151)	(829)	(28)
Proportionate share of gains from associates or joint venture under equity method	(16,250)	(534)	(2,613)	(88)
(Gain) loss on disposal of property and equipment	(32,574)	(1,070)	308	10
Gain on disposal of investment properties	(4,134)	(136)	-	-
Impairment loss of non-financial assets	7,123	234	-	-
Foreign currency translation adjustment	24,068	790	(17,826)	(598)
Change in operating assets and liabilities				
(Increase) decrease in due from the Central Bank and call loans to banks	(215,577)	(7,080)	421,575	14,142
(Increase) decrease in financial assets at fair value through profit or loss	10,137,969	332,938	(35,526,089)	(1,191,751)
Increase in derivative financial assets for hedging	(19,484)	(640)	(29,978)	(1,006)
(Increase) decrease in receivables	13,210,821	433,853	(18,921,020)	(634,721)
(Increase) decrease in discounts and loans	(53,788,126)	(1,766,441)	3,367,837	112,977
(Increase) decrease in available-for-sale financial assets	3,817,361	125,365	(17,609,717)	(590,732)
Increase in held-to-maturity financial assets	(52,346)	(1,719)	(28,519,632)	(956,713)
Decrease in other financial assets	17,806	585	7,693	258
Decrease in investments in debt securities with no active market	1,364,758	44,820	22,556,520	756,676
Increase in other assets	(238,925)	(7,846)	(182,701)	(6,129)
Increase in funds borrowed from the Central Bank and other banks	11,846,076	389,034	16,736,056	561,424
Increase in financial liabilities at fair value through profit or loss	3,010,482	98,866	939,216	31,507
Increase in securities sold under agreements to repurchase	3,990,318	131,045	14,330,817	480,739
Increase (decrease) in payables	5,122,844	168,238	(1,478,612)	(49,601)
Increase in deposits and remittances	13,160,206	432,191	6,168,559	206,929
Increase in other financial liabilities	8,529,650	280,120	817,483	27,423
Increase in provisions	89,787	2,949	25	1
Increase (decrease) in other liabilities	286,977	9,424	(175,057)	(5,872)
Cash flows from operating activities	20,393,988	669,753	(37,984,708)	(1,274,228)
Interest received	9,355,657	307,246	8,702,768	291,941
Cash dividends received	4,601	151	829	28
Interest paid	(2,820,039)	(92,612)	(3,030,489)	(101,660)
Income tax paid	(168,883)	(5,546)	(72,223)	(2,422)
Net cash flows from operating activities	26,765,324	878,992	(32,383,823)	(1,086,341)
Investing activities				
Purchase of property and equipment	(213,995)	(7,028)	(245,264)	(8,227)
Proceeds from sale of property and equipment	51,625	1,696	-	-
Proceeds from sale of assets held for sale	65,981	2,167	-	-
Purchase of intangible assets	(19,296)	(634)	(8,846)	(297)
(Increase) decrease in other assets	(1,253,112)	(41,153)	3,344	112
Net cash flows used in investing activities	(1,368,797)	(44,952)	(250,766)	(8,412)
Financing activities				
Increase in due to the Central Bank and call loans from banks	28,000	919	36,950	1,239
Increase in financial debentures payable	96,162	3,158	164,278	5,511
Increase (decrease) in other liabilities	14,881	489	(64,638)	(2,168)
Net cash provided by financing activities	139,043	4,566	136,590	4,582
Effects of foreign exchange rate changes	321,572	10,561	516,977	17,342
Net increase in cash and cash equivalents	25,857,142	849,167	(31,981,022)	(1,072,829)
Cash and cash equivalents at beginning of the period	184,944,809	6,073,721	102,950,210	3,453,546
Cash and cash equivalents at end of the period	$210,801,951	$6,922,888	$70,969,188	$2,380,717
The components of cash and cash equivalents				
Cash and cash equivalents in balance sheet	$105,954,513	$3,479,623	$35,615,573	$1,194,752
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	93,641,896	3,075,267	33,065,689	1,109,215
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	11,205,542	367,998	2,287,926	76,750
Cash and cash equivalents at end of the period	$210,801,951	$6,922,888	$70,969,188	$2,380,717

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 March 2014 and 2013, the Bank and its subsidiaries employed 8,982 and 8,227 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 three-month periods ended 31 March 2014 and 2013 were authorized for issue in accordance with the Board of Directors' resolution on 29 April 2014.

III. Newly issued or revised standards and interpretations

1. International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee or Standing Interpretations Committee issued, revised or amended, which are recognized by Financial Supervisory Commission ("FSC") and applicable to annual periods beginning on or after 1 January 2015, but not yet adopted by the Bank and its subsidiaries at the date or issuance of the Company and subsidiaries' financial statements are listed below.

   (1) *Improvements to International Financial Reporting Standards (issued in 2010):*

   IFRS 1 "First-time Adoption of International Financial Reporting Standards"

   The annual improvements to International Financial Reporting Standards ("IFRS") issued in 2010 made the following amendments to IFRS 1: If a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS in accordance with paragraph 23 of IFRS 1.

   Furthermore, the amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. The amendment also expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities. The exemption will be applied on an item-by-item basis. All such assets will also need to be tested for impairment at the date of transition. The amendment allows entities with rate-regulated activities to use the carrying amount of their property, plant and equipment and intangible balances from their previous GAAP as its deemed cost upon transition to IFRS. These amendments became effective for annual periods beginning on or after 1 January 2011.

   IFRS 3 "Business Combinations"

   Under the amendment, IFRS 3 (as revised in 2008) do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Furthermore, the amendment limits the scope of the measurement choices for non-controlling interest. Only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation could be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value.

The amendment also requires an entity in a business combination to account for the replacement of the acquiree’s share-based payment transactions (when the acquirer is not obliged to do so) as new share-based payment awards in the post-combination financial statements.

Outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions: if vested - they are part of non-controlling interest; if unvested - they are measured at market based value as if granted at acquisition date, and allocated between NCI and post-combination expense.

These amendments became effective for annual periods beginning on or after 1 July 2010.

IFRS 7 “Financial Instruments: Disclosures”

The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment became effective for annual periods beginning on or after 1 January 2011.

IAS 1 “Presentation of Financial Statements”

The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment became effective for annual periods beginning on or after 1 January 2011.

IAS 34 “Interim Financial Reporting”

The amendment clarifies that if a user of an entity’s interim financial report have access to the most recent annual financial report of that entity, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. Furthermore the amendment adds disclosure requirements around disclosures of financial instruments and contingent liabilities/assets. The amendment is effective for annual periods beginning on or after 1 January 2011.

IFRIC 13 “Customer Loyalty Programmes”

The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is effective for annual periods beginning on or after 1 January 2011.

(2) *IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*

IFRS 1 has been amended to allow first-time adopters to utilize the transitional provisions of IFRS 7 *Financial Instruments: Disclosures*. These provisions give relief from providing comparative information in the disclosures required by amendments to IFRS 1 in the first year of application. The amendment is effective for annual periods beginning on or after 1 July 2010.

(3) *IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

The amendment has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The amendment also removes the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions. The amended standard has these dates coinciding with the date of transition to IFRS. The amendment is effective for annual periods beginning on or after 1 July 2011.

(4) *IFRS 7 "Financial Instruments: Disclosures" (Amendment)*

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, or financial assets are not derecognised in their entirety. The amendment is effective for annual periods beginning on or after 1 July 2011.

(5) *IAS 12 "Income Taxes" - Deferred Taxes: Recovery of Underlying Assets*

The amendment to IAS 12 introduce a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. The amendment also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. As a result of this amendment, SIC 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* has been withdrawn. The amendment is effective for annual periods beginning on or after 1 January 2012.

(6) *IFRS 10 “Consolidated Financial Statements”*

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and SIC-12. The changes introduced by IFRS 10 primarily relate to the elimination of the perceived inconsistency between IAS 27 and SIC-12 by introducing a new integrated control model. That is, IFRS 10 primarily relates to whether to consolidate another entity, but does not change how an entity is consolidated. The standard is effective for annual periods beginning on or after 1 January 2013.

(7) *IFRS 11 “Joint Arrangements”*

IFRS 11 replaces IAS 31 and SIC-13. The changes introduced by IFRS 11 primarily relate to increase comparability within IFRS by removing the choice for jointly controlled entities to use proportionate consolidation, so that the structure of the arrangement is no longer the most important factor when determining the classification as a joint operation or a joint venture, which then determines the accounting. The standard is effective for annual periods beginning on or after 1 January 2013.

(8) *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. The standard is effective for annual periods beginning on or after 1 January 2013.

(9) *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. The standard is effective for annual periods beginning on or after 1 January 2013.

(10) *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. The amendment is effective for annual periods beginning on or after 1 July 2012.

(11) *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.. The revised standard is effective for annual periods beginning on or after 1 January 2013.

(12) *IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Government Loans*

The IASB has added an exception to the retrospective application of IFRS 9 (or IAS 39) and IAS 20. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. The amendment is effective for annual periods beginning on or after 1 January 2013.

(13) *IFRS 7 "Financial Instruments: Disclosures" - Disclosures - Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement'. The amendment is effective for annual periods beginning on or after 1 January 2013.

(14) *IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities*

The amendment clarifies the meaning of "currently has a legally enforceable right to set-off" in IAS 32. The amendment is effective for annual periods beginning on or after 1 January 2014.

(15) *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"*

This Interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognizes these costs as a non-current asset ("stripping activity asset"), only if certain criteria are met. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. The interpretation is effective for annual periods beginning on or after 1 January 2013.

(16) *Improvements to International Financial Reporting Standards (2009-2011 cycle):*

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendment clarifies that an entity that has stopped applying IFRS may choose to either: Re-apply IFRS 1, even if the entity applied IFRS 1 in a previous reporting period; or Apply IFRS retrospectively in accordance with IAS 8 (i.e., as if it had never stopped applying IFRS) in order to resume reporting under IFRS. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 1 "Presentation of Financial Statements"

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

IAS 16 "Property, Plant and Equipment" (Amendment)

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 32 "Financial Instruments: Presentation" (Amendment)

The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 34 "Interim Financial Reporting" (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Besides, total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment is effective for annual periods beginning on or after 1 January 2013.

(17) *IFRS 10 "Consolidated Financial Statements" (Amendment)*

The Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendment is effective for annual periods beginning on or after 1 January 2014.

The abovementioned standards and interpretations issued by IASB and recognized by FSC and applicable to annual periods beginning on or after 1 January 2015. As the Group is still currently determining the potential impact of the standards and interpretations mentioned above.

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

   (1) IFRS 9 *Financial Instruments-Classification and Measurement*

   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. 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.

   (2) *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. The amendment is effective for annual periods beginning on or after 1 January 2014.

   (3) *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). The interpretation is effective for annual periods beginning on or after 1 January 2014.

   (4) *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. The interpretation is effective for annual periods beginning on or after 1 January 2014.

(5) *IFRS 9 "Financial Instruments" (Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39)*

The IASB announced amendments to the accounting requirements for financial instruments, which include: (1) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (2) allow the changes to address the 'own credit' not to be recognized in profit or loss that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and (3) remove the 1 January 2015 mandatory effective date of IFRS 9.

(6) *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. The amendment is effective for annual periods beginning on or after 1 July 2014.

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

IFRS 2 "Share-based Payment"

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 "Business Combinations"

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 *Financial Instruments* to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

IFRS 8 "Operating Segments"

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014.

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.

IAS 16 "Property, Plant and Equipment"

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 24 "Related Party Disclosures"

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 38 "Intangible Assets"

The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

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

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 3 "Business Combinations"

This amendment clarifies that paragraph 2(a) of IFRS 3 *Business Combinations* excludes the formation of all types of joint arrangements as defined in IFRS 11 *Joint Arrangements* from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after 1 July 2014.

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 amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 40 "Investment Property"

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property*, separate application of both standards independently of each other is required. The amendment is effective for annual periods beginning on or after 1 July 2014.

(9) *IFRS 14 "Regulatory Deferral Accounts"*

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

The abovementioned 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 be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations mentioned above.

IV. Summary of significant accounting policies

1. Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended 31 March 2014 and 2013 have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks", the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and IAS 34 "*Interim Financial Reporting*" as recognized by the FSC.

2. Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments and investment properties 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 Note 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	2014.3.31	2013.12.31	2013.3.31	2013.1.1
The Bank	Indovina Bank Limited ("Indovina Bank") Indovina Bank was incorporated in Vietnam on 29 October 1992.	Wholesale banking	50%	50%	50%	50%

		Business	Percentage of ownership (%)			
Investor	Subsidiary	nature	2014.3.31	2013.12.31	2013.3.31	2013.1.1
The Bank	Cathay United bank (Cambodia) Corporation Limited ("CUBC Bank") SBC Bank was incorporated in Cambodia on 5 July 1993, and renamed as CUBC Bank on 14 January 2014.	Wholesale banking	100%	100%	70%	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 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013 and for the three-month periods ended 31 March 2014 and 2013, 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	2014.3.31	2013.12.31	2013.3.31	2013.1.1
The Bank	Seaward Card Co., Ltd. ("Seaward Card") Seaward Card was incorporated on 9 April 1999.	Dispatched work	100%	100%	100%	100%

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

4. Business combinations and goodwill

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

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

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

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

5. Investments accounted for using the equity method

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, 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

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.

(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.

(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.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events 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) It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(4) The disappearance of an active market for that financial asset because of financial difficulties.

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, net

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

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 fair value model in accordance with the requirements of IAS 40 *Investment property* for that model. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the period in which they arise. 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 fair value of investment properties is measured on the character, location and condition of specific property.

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. Changes in accounting policy

The FSC revised the Regulations Governing the Preparation of Financial Reports by Public Bank on 9 January 2014, and Paragraph 16, Article 10of the Regulations were effective from 1 January 2014. To improve the reliability and relevance of financial reporting, the Bank and its subsidiaries volunteered to change the subsequent measurements of investment properties from cost model to fair value model from 2014 to reflect the ture value of the asset. Please refer to Note XII.10 for items and amounts of retrospective adjustments.

31. Basis for converting financial statements

The consolidated financial statements are stated in NT dollars. Translations of the 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013 NT dollar amounts into US dollar amounts are provided solely for the convenience of the readers, using the noon buying rates of NT$30.45, NT$29.83, NT$29.81 and NT$29.05 to US$1.00 on 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, respectively, as provided by the Federal Reserve Bank of New York. The translation amounts are unreviewed. Such currency translation should not be construed as representations that the NT dollar amounts have been, could have been, or could in the future be, converted into US dollars at this rate or any other rate of exchange.

V. Significant accounting judgements, estimates and assumptions

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

1. Judgement

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

(1) Investment properties

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

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

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

2. Estimates and assumptions

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

(1) Impairment losses on loans and receivables

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

(2) Fair value of financial instruments

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

(3) Impairment of non-financial assets

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

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

(4) Award credits and deferred income

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

(5) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective 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.

(7) Fair value of investment property

The fair value of investment property is derived from valuation techniques, including earning value method (such as discounted cash flow model) and market method, etc., and assumptions which are used in applying valuation techniques will have impacts on the fair value of investment property. Please refer Note VI.12 for more details.

VI. Breakdown of Significant Accounts

1. Cash and cash equivalents

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Cash on hand	$14,899,037	$489,295	$14,268,298	$478,320
Checks for clearance	4,610,962	151,428	3,315,374	111,142
Due from commercial banks	86,444,514	2,838,900	50,656,069	1,698,159
Total	$105,954,513	$3,479,623	$68,239,741	$2,287,621

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Cash on hand	$13,024,168	$436,906	$13,255,565	$456,302
Checks for clearance	7,699,927	258,300	8,353,592	287,559
Due from commercial banks	14,891,478	499,546	13,365,129	460,073
Total	$35,615,573	$1,194,752	$34,974,286	$1,203,934

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

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Cash and cash equivalents in balance sheet	$105,954,513	$3,479,623	$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	93,641,896	3,075,267	109,059,305	3,656,028
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	11,205,542	367,998	7,645,763	256,311
Cash and cash equivalents at end of the period in statement of cash flows	$210,801,951	$6,922,888	$184,944,809	$6,199,960

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Cash and cash equivalents in balance sheet	$35,615,573	$1,194,752	$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	33,065,689	1,109,215	67,975,924	2,339,963
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	2,287,926	76,750	-	-
Cash and cash equivalents at end of the period in statement of cash flows	$70,969,188	$2,380,717	$102,950,210	$3,543,897

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

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Call loans to banks	$72,444,551	$2,379,131	$91,421,834	$3,064,762
Due from the Central Bank － Statutory reserve on deposits	43,121,998	1,416,158	42,885,761	1,437,672
Due from the Central Bank － General deposits	21,197,345	696,136	17,637,471	591,266
Total	$136,763,894	$4,491,425	$151,945,066	$5,093,700

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Call loans to banks	$22,374,064	$750,556	$30,984,776	$1,066,602
Due from the Central Bank － Statutory reserve on deposits	40,808,296	1,368,946	41,027,838	1,412,318
Due from the Central Bank － General deposits	10,691,625	358,659	36,991,148	1,273,361
Total	$73,873,985	$2,478,161	$109,003,762	$3,752,281

(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$41,773,511 (US$1,371,873), NT$41,504,190 (US$1,391,357), NT$40,352,277 (US$1,353,649) and NT$39,842,844 (US$1,371,526) as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, 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 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, the balances of foreign-currency deposit reserves were NT$250,182 (US$8,216), NT$278,535 (US$9,337), NT$186,719 (US$6,263) and NT$215,606 (US$7,422), 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$752,454 (US$24,711), NT$790,488 (US$26,500), NT$0 (US$0) and NT$$758,109 (US$26,097) as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, 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$345,851 (US$11,358), NT$312,548 (US$10,478) , NT$269,300 (US$9,034) , NT$211,279 (US$7,273) as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, respectively.

3. Financial assets at fair value through profit or loss

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Financial assets for trading :				
Short-term bills	$122,329,753	$4,017,397	$143,666,541	$4,816,176
Bonds	15,223,510	499,951	8,238,507	276,182
Overseas financial instruments	588,065	19,313	636,548	21,339
Derivative financial instruments	14,868,517	488,293	10,517,961	352,597
Total	$153,009,845	$5,024,954	$163,059,557	$5,466,294

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Financial assets for trading :				
Short-term bills	$85,906,001	$2,881,785	$59,110,475	$2,034,784
Beneficiary securities	111,853	3,752	-	-
Bonds	8,998,344	301,857	3,197,378	110,065
Overseas financial instruments	1,006,311	33,757	974,079	33,531
Derivative financial instruments	7,445,041	249,750	4,655,954	160,274
Total	$103,467,550	$3,470,901	$67,937,886	$2,338,654

(1) As of 31 March 2013, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT$50,000 (US$1,677). Such repurchase agreements amounting to NT$55,393 (US$1,858) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 31 March 2013 was settled at NT$55,457 (US$1,860) prior to 30 June 2013.

As of 1 January 2013, 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 1 January 2013 was settled at NT$3,255,003 (US$112,048) prior to 31 March 2013.

(2) As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, 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)

	2014.3.31	2013.12.31	2013.3.31	2013.1.1
Currency and swap forward contracts	$57,590,244	$29,310,866	$26,712,537	$21,601,412
Interest rate swap	22,065,528	17,012,021	11,078,802	9,443,064
Cross currency swap	3,708,405	1,866,877	1,112,325	872,607
Options	10,422,814	7,771,967	4,472,361	5,654,976
Futures	15,000	-	18,600	500

(3) Net gains arising from financial assets at fair value through profit or loss for the three-month periods ended 31 March 2014 and 2013 were NT$2,799,742 (US$91,946) and NT$722,006 (US$24,220), 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 Note 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 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013 were NT$856,663 (US$28,133), NT$837,179 (US$28,065), NT$1,233,116 (US$41,366) and NT$1,203,138 (US$41,416), respectively. For the three-month periods ended 31 March 2014 and 2013, net gains on the hedging derivative financial instrument amounted to NT$3,836 (US$126) and net losses on the hedging derivative financial instrument amounted to NT$371(US$12), respectively. For the three-month periods ended 31 March 2014 and 2013, net gains from the hedged risk of the hedged items amounted to NT$87,476 (US$2,873) and NT$75,957 (US$2,548), 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

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Notes receivable	$-	$-	$7,776	$261
Accounts receivable	42,905,653	1,409,053	46,194,040	1,548,577
Interest receivable	3,648,237	119,811	3,277,826	109,884
Related party receivables for allocation of linked-tax system	-	-	256,312	8,592
Foreign currency receivable	72,836	2,392	103,526	3,470
Acceptances	1,026,643	33,716	1,378,174	46,201
Factoring receivable	57,014,790	1,872,407	69,249,723	2,321,479
Others	5,790,141	190,152	2,400,211	80,463
Total	110,458,300	3,627,531	122,867,588	4,118,927
Adjustment for discounts and premiums	(6,624)	(218)	(6,519)	(219)
Less: allowance for doubtful accounts	(2,285,057)	(75,043)	(2,082,904)	(69,826)
Net balance	$108,166,619	$3,552,270	$120,778,165	$4,048,882

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Notes receivable	$104	$3	$-	$-
Accounts receivable	35,534,113	1,192,020	36,746,133	1,264,927
Interest receivable	3,290,714	110,390	3,248,886	111,838
Related party receivables for allocation of linked-tax system	-	-	246,573	8,488
Foreign currency receivable	83,994	2,818	88,657	3,052
Acceptances	828,926	27,807	1,639,720	56,445
Factoring receivable	29,991,766	1,006,097	9,151,418	315,023
Others	2,356,946	79,066	1,632,947	56,211
Total	72,086,563	2,418,201	52,754,334	1,815,984
Adjustment for discounts and premiums	(5,718)	(192)	(5,603)	(193)
Less: allowance for doubtful accounts	(1,938,367)	(65,024)	(2,006,455)	(69,069)
Net balance	$70,142,478	$2,352,985	$50,742,276	$1,746,722

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

	2014.1.1 - 2014.3.31					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$144,462	$4,744	$1,938,442	$63,660	$2,082,904	$68,404
Provision of doubtful accounts	148,704	4,884	-	-	148,704	4,884
Write-offs	(87,910)	(2,887)	-	-	(87,910)	(2,887)
Debt counseling recoveries	33,230	1,091	-	-	33,230	1,091
Recoveries	136,264	4,475	-	-	136,264	4,475
Reclassification	(244,856)	(8,041)	211,626	6,950	(33,230)	(1,091)
Effects of exchange rates change	-	-	5,095	167	5,095	167
Balance, end of the period	$129,894	$4,266	$2,155,163	$70,777	$2,285,057	$75,043

	2013.1.1- 2013.3.31					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$116,138	$3,896	$1,890,317	$63,412	$2,006,455	$67,308
Reversal of doubtful accounts	(125,209)	(4,200)	-	-	(125,209)	(4,200)
Write-offs	(86,644)	(2,906)	-	-	(86,644)	(2,906)
Debt counseling recoveries	36,061	1,210	-	-	36,061	1,210
Recoveries	142,859	4,792	-	-	142,859	4,792
Reclassification	44,296	1,485	(80,357)	(2,695)	(36,061)	(1,210)
Effects of exchange rates change	-	-	906	30	906	30
Balance, end of the period	$127,501	$4,277	$1,810,866	$60,747	$1,938,367	$65,024

(2) Impairment assessment of receivables – the Bank

Item		Receivables			
		2014.3.31		2013.12.31	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$28,745	$944	$34,082	$1,142
	Collective assessment	156,810	5,150	168,765	5,658
Without objective evidence of impairment	Collective assessment	109,531,798	3,597,103	121,931,547	4,087,547

Item		Receivables			
		2013.3.31		2013.1.1	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$42,086	$1,412	$37,241	$1,282
	Collective assessment	160,166	5,373	140,445	4,835
Without objective evidence of impairment	Collective assessment	72,294,318	2,425,170	52,562,725	1,809,388

Item		Allowance for doubtful accounts			
		2014.3.31		2013.12.31	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$12,613	$414	$15,853	$532
	Collective assessment	117,281	3,852	128,609	4,311
Without objective evidence of impairment	Collective assessment	2,155,163	70,777	1,938,442	64,983

<table>
<tr><th colspan="2" rowspan="3">Item</th><th colspan="4">Allowance for doubtful accounts</th></tr>
<tr><th colspan="2">2013.3.31</th><th colspan="2">2013.1.1</th></tr>
<tr><th>NT$</th><th>US$</th><th>NT$</th><th>US$</th></tr>
<tr><td rowspan="2">With objective evidence of impairment</td><td>Individual assessment</td><td>$8,108</td><td>$272</td><td>$5,208</td><td>$179</td></tr>
<tr><td>Collective assessment</td><td>119,393</td><td>4,005</td><td>110,930</td><td>3,819</td></tr>
<tr><td>Without objective evidence of impairment</td><td>Collective assessment</td><td>1,810,866</td><td>60,747</td><td>1,890,317</td><td>65,071</td></tr>
</table>

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

6. Discounts and loans, net

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Outward documentary bills	$9,490,273	$311,668	$6,669,210	$223,574
Overdrafts	976,553	32,071	867,731	29,089
Short-term loans	315,136,977	10,349,326	289,442,041	9,703,052
Medium-term loans	336,594,426	11,054,004	321,832,295	10,788,880
Long-term loans	433,415,192	14,233,668	422,175,426	14,152,713
Delinquent accounts	3,214,465	105,565	3,721,958	124,772
Total	1,098,827,886	36,086,302	1,044,708,661	35,022,080
Adjustment for discounts and premium	976,849	32,080	982,481	32,936
Less: allowance for doubtful accounts	(14,835,333)	(487,203)	(14,585,821)	(488,964)
Net balance	$1,084,969,402	$35,631,179	$1,031,105,321	$34,566,052

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Outward documentary bills	$1,877,041	$62,967	$1,764,969	$60,756
Overdrafts	982,499	32,959	594,231	20,455
Short-term loans	218,118,088	7,316,943	221,898,435	7,638,500
Medium-term loans	349,261,502	11,716,253	347,094,239	11,948,167
Long-term loans	438,638,197	14,714,465	439,958,850	15,144,883
Delinquent accounts	4,351,445	145,973	4,177,439	143,802
Total	1,013,228,772	33,989,560	1,015,488,163	34,956,563
Adjustment for discounts and premium	1,087,202	36,471	1,097,491	37,780
Less: allowance for doubtful accounts	(13,863,122)	(465,050)	(13,402,461)	(461,359)
Net balance	$1,000,452,852	$33,560,981	$1,003,183,193	$34,532,984

(1) As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, the accounts without interest accrued were NT$3,297,862 (US$108,304), NT$3,001,620 (US$100,624), NT$3,530,867 (US$118,446) and NT$3,802,624 (US$130,899), respectively. The non-accrued interest on such accounts amounted to NT$92,068 (US$3,024) and NT$$70,139 (US$2,353) for the three-month periods ended 31 March 2014 and 2013, respectively.

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

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

① The Bank

	2014.1.1 - 2014.3.31					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$4,267,369	$140,143	$10,119,032	$332,316	$14,386,401	$472,459
Reversal of doubtful accounts	(432,356)	(14,199)	-	-	(432,356)	(14,199)
Write-offs	(16,842)	(553)	-	-	(16,842)	(553)
Debt counseling recoveries	29,507	969	-	-	29,507	969
Recoveries	580,463	19,063	-	-	580,463	19,063
Reclassification	426,121	13,994	(392,891)	(12,903)	33,230	1,091
Effects of exchange rates change	-	-	42,194	1,386	42,194	1,386
Balance, end of the period	$4,854,262	$159,417	$9,768,335	$320,799	$14,622,597	$480,216

	2013.1.1- 2013.3.31					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$3,838,785	$128,775	$9,198,147	$308,559	$13,036,932	$437,334
Provision of doubtful accounts	80,116	2,687	-	-	80,116	2,687
Write-offs	(19,875)	(667)	-	-	(19,875)	(667)
Debt counseling recoveries	29,319	984	-	-	29,319	984
Recoveries	373,264	12,522	-	-	373,264	12,522
Reclassification	103,208	3,462	(67,147)	(2,252)	36,061	1,210
Effects of exchange rates change	-	-	27,968	938	27,968	938
Balance, end of the period	$4,404,817	$147,763	$9,158,968	$307,245	$13,563,785	$455,008

② Indovina Bank

	2014.1.1 - 2014.3.31		2013.1.1- 2013.3.31	
	NT$	US$	NT$	US$
Balance, beginning of the period	$170,576	$5,602	$355,255	$11,917
Provision (reversal) of doubtful accounts	47,842	1,571	(79,091)	(2,653)
Effects of exchange rates change, etc.	(43,917)	(1,442)	13,011	437
Balance, end of the period	$174,501	$5,731	$289,175	$9,701

③ CUBC Bank

	2014.1.1 - 2014.3.31		2013.1.1- 2013.3.31	
	NT$	US$	NT$	US$
Balance, beginning of the period	$28,844	$947	$10,274	$345
Provision of doubtful accounts	10,421	342	-	-
Write-offs	-	-	(374)	(13)
Effects of exchange rates change, etc.	(1,030)	(33)	262	9
Balance, end of the period	$38,235	$1,256	$10,162	$341

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

Item		Discounts and loans			
		2014.3.31		2013.12.31	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$18,834,919	$618,552	$16,255,187	$544,927
	Collective assessment	6,029,074	197,999	5,712,550	191,504
Without objective evidence of impairment	Collective assessment	1,055,491,079	34,663,090	1,005,159,299	33,696,255

Item		Discounts and loans			
		2013.3.31		2013.1.1	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$24,962,527	$837,388	$24,407,642	$840,194
	Collective assessment	6,112,267	205,041	2,346,283	80,767
Without objective evidence of impairment	Collective assessment	964,899,284	32,368,309	971,701,928	33,449,292

Item		Allowance for doubtful account 2014.3.31 NT$	2014.3.31 US$	2013.12.31 NT$	2013.12.31 US$
With objective evidence of impairment	Individual assessment	$3,744,252	$122,964	$3,280,804	$109,983
	Collective assessment	1,110,010	36,453	986,565	33,073
Without objective evidence of impairment	Collective assessment	9,768,335	320,799	10,119,032	339,223

Item		Allowance for doubtful account 2013.3.31 NT$	2013.3.31 US$	2013.1.1 NT$	2013.1.1 US$
With objective evidence of impairment	Individual assessment	$3,357,584	$112,633	$3,413,547	$117,506
	Collective assessment	1,047,233	35,130	425,238	14,638
Without objective evidence of impairment	Collective assessment	9,158,968	307,245	9,198,147	316,632

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

	2014.3.31 NT$	2014.3.31 US$	2013.12.31 NT$	2013.12.31 US$
Stocks	$13,500,207	$443,357	$14,172,615	$475,113
Mutual funds and beneficiary securities	430,353	14,133	469,473	15,738
Bonds	34,776,792	1,142,095	36,358,499	1,218,857
Overseas financial instruments	15,742,267	516,987	16,908,303	566,822
Net balance	$64,449,619	$2,116,572	$67,908,890	$2,276,530

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Stocks	$12,026,840	$403,450	$11,217,884	$386,158
Mutual funds and beneficiary securities	359,477	12,059	1,271,338	43,764
Bonds	38,397,801	1,288,085	34,012,397	1,170,822
Overseas financial instruments	31,722,471	1,064,155	17,453,709	600,816
Net balance	$82,506,589	$2,767,749	$63,955,328	$2,201,560

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

(2) As of 31 March 2014, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT$17,772,170 (US$583,651). Such repurchase agreements amounting to NT$12,838,443 (US$421,624) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 March 2014 was settled at NT$12,844,828 (US$421,833) prior to 30 September 2014, and repurchase agreements amounting to NT$5,527,020 (US$181,511) was without settlement date.

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 March 2013, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT$32,078,650 (US$1,076,104). Such repurchase agreements amounting to NT$34,644,673 (US$1,162,183) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 March 2013 was settled at NT$34,659,146 (US$1,162,668) prior to 30 September 2013.

As of 1 January 2013, 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 1 January 2013 was settled at NT$17,125,290 (US$589,511) prior to 30 June 2013.

(3) Available-for-sale financial assets of NT$1,500,846 (US$49,289), NT$1,473,453 (US$49,395), NT$1,581,798 (US$53,063) and NT$1,603,158 (US$55,186) as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, respectively, were pledged to other parties as collateral for business reserves and guarantees.

8. Held-to-maturity financial assets, net

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Bonds	$948,675	$31,155	$951,287	$31,891
Overseas financial instruments	50,540,534	1,659,788	50,443,791	1,691,042
Net balance	$51,489,209	$1,690,943	$51,395,078	$1,722,933

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Bonds	$959,185	$32,177	$962,740	$33,141
Overseas financial instruments	48,266,445	1,619,136	20,706,234	712,779
Net balance	$49,225,630	$1,651,313	$21,668,974	$745,920

(1) As of 31 March 2014, certain held-to-maturity financial assets was sold under repurchase agreements with notional amounts of NT$43,476,750 (US$1,427,808). Such repurchase agreements amounting to NT$40,523,215 (US$1,330,812) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 31 March 2014 was settled at NT$40,547,776 (US$1,331,618) prior to 30 April 2014.

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$952,845 (US$31,292), NT$862,710 (US$28,921), NT$805,452 (US$27,020) and NT$610,570 (US$21,018) as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, respectively, were pledged to other parties as collateral of business reserves and guarantees.

9. Investments accounted for using equity method, net

	2014.3.31		
	Carrying value		% of
	NT$	US$	ownership
Investment in subsidiaries			
Seaward Card Co., Ltd.	$39,580	$1,300	100.00
Investment in associates			
Taiwan Real-estate Management Corp.	98,430	3,232	30.15
Taiwan Finance Corp.	1,504,127	49,397	24.57
Vista Technology Venture Capital Corp.	787	26	4.76
Subtotal	1,603,344	52,655	
Total	$1,642,924	$53,955	

	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	

	2013.3.31		
	Carrying value		% of
	NT$	US$	ownership
Investment in subsidiaries			
Seaward Card Co., Ltd.	$39,887	$1,338	100.00
Investment in associates			
Taiwan Real-estate Management Corp.	104,410	3,503	30.15
Taiwan Finance Corp.	1,410,562	47,318	24.57
Vista Technology Venture Capital Corp.	1,415	47	4.76
Subtotal	1,516,387	50,868	
Total	$1,556,274	$52,206	

	2013.1.1		
	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	

(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.

(4) The carrying amounts of investments accounted for using equity method were NT$1,603,344 (US$52,655), NT$1,587,567 (US$53,220), NT$1,516,387 (US$50,868) and NT$1,525,475 (US$52,513) as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, respectively. The share of the profit or loss of these associates and joint ventures accounted for using the equity method amounted to NT$15,777 (US$518) and NT$2,478 (US$83) for the three-month periods ended 31 March 2014 and 2013, and the share of other comprehensive income of these associates and joint ventures accounted for using the equity method amounted to NT$0 (US$0) and NT$9,740 (US$327) for the three-month periods ended 31 March 2014 and 2013, respectively.

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

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Total assets	$45,993,334	$1,510,454	$45,654,713	$1,530,497
Total liabilities	(39,474,575)	(1,296,374)	(39,254,783)	(1,315,950)

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Total assets	$40,229,134	$1,349,518	$39,117,543	$1,346,559
Total liabilities	(34,112,109)	(1,144,318)	(36,188,347)	(1,245,726)

	2014.1.1 - 2014.3.31		2013.1.1- 2013.3.31	
	NT$	US$	NT$	US$
Revenue	$132,468	$4,350	$117,245	$3,933
Net income	66,685	2,190	34,669	1,163

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

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Preferred stocks	$549,730	$18,053	$549,730	$18,429
Short-term bills	270,800,000	8,893,268	272,300,000	9,128,394
Overseas financial instruments	7,557,525	248,195	7,422,283	248,819
Net balance	$278,907,255	$9,159,516	$280,272,013	$9,395,642

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Preferred stocks	$549,730	$18,441	$549,730	$18,923
Short-term bills	389,300,000	13,059,376	410,100,000	14,117,040
Overseas financial instruments	11,637,413	390,386	13,393,933	461,065
Net balance	$401,487,143	$13,468,203	$424,043,663	$14,597,028

(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 March 2014, certain investments in debt securities with no active market assets was sold under repurchase agreement with notional amounts of NT$10,940,465 (US$359,293). Such repurchase agreements amounting to NT$3,783,240 (US$124,244) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 March 2014 was settled at NT$3,784,731 (US$124,293) prior to 30 April 2014.

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$62,000,000 (US$2,036,125), NT$50,100,000(US$1,679,517), NT$50,100,000 (US$1,680,644) and NT$50,100,000 (US$1,724,613) of certificates of deposit as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, 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:																
2013.1.1	$13,753,748	$461,380	$9,829,285	$329,731	$4,555,618	$152,822	$108,458	$3,638	$15,855	$532	$6,100,518	$204,647	$305,134	$10,236	$34,668,616	$1,162,986
Additions	-	-	-	-	123,202	4,133	-	-	432	14	19,513	654	102,117	3,426	245,264	8,227
Transfers	-	-	(17,786)	(597)	39,255	1,317	(80)	(2)	-	-	69,887	2,344	(93,781)	(3,146)	(2,505)	(84)
Disposals	-	-	-	-	(325,615)	(10,923)	(285)	(10)	(312)	(10)	(14,824)	(497)	-	-	(341,036)	(11,440)
Exchange differences	3,204	108	3,346	112	13,128	440	2,187	74	402	13	929	32	4,190	140	27,386	919
2013.3.31	$13,756,952	$461,488	$9,814,845	$329,246	$4,405,588	$147,789	$110,280	$3,700	$16,377	$549	$6,176,023	$207,180	$317,660	$10,656	$34,597,725	$1,160,608
2014.1.1	$13,905,089	$456,653	$10,017,960	$328,997	$4,745,938	$155,860	$98,576	$3,237	$17,310	$569	$6,269,601	$205,898	$513,928	$16,878	$35,568,402	$1,168,092
Additions	-	-	378	12	63,512	2,086	20,761	682	153	5	39,437	1,295	89,754	2,948	213,995	7,028
Transfers	57,438	1,886	5,708	187	18,606	611	-	-	-	-	71,122	2,336	(103,907)	(3,412)	48,967	1,608
Disposals	(16,717)	(549)	(5,847)	(192)	(96,901)	(3,182)	(2,402)	(79)	-	-	(26,799)	(880)	-	-	(148,666)	(4,882)
Exchange differences	2,428	80	5,985	197	6,012	197	1,415	47	323	10	951	31	2,147	70	19,261	632
2014.3.31	$13,948,238	$458,070	$10,024,184	$329,201	$4,737,167	$155,572	$118,350	$3,887	$17,786	$584	$6,354,312	$208,680	$501,922	$16,484	$35,701,959	$1,172,478
Depreciations and impairment:																
2013.1.1	$-	$-	$3,233,300	$108,464	$3,908,661	$131,119	$80,176	$2,690	$9,515	$319	$5,041,029	$169,105	$-	$-	$12,272,681	$411,697
Depreciation	-	-	52,143	1,749	101,529	3,406	2,003	67	601	20	77,826	2,611	-	-	234,102	7,853
Transfers	-	-	12,093	406	(31,247)	(1,048)	(4,346)	(146)	-	-	23,697	795	-	-	197	7
Disposals	-	-	-	-	(325,615)	(10,923)	(269)	(9)	(312)	(10)	(14,533)	(488)	-	-	(340,729)	(11,430)
Exchange difference	-	-	1,360	45	5,166	173	1,463	49	241	8	660	23	-	-	8,890	298
2013.3.31	$-	$-	$3,298,896	$110,664	$3,658,494	$122,727	$79,027	$2,651	$10,045	$337	$5,128,679	$172,046	$-	$-	$12,175,141	$408,425
2014.1.1	$-	$-	$3,448,019	$113,236	$3,886,262	$127,628	$74,248	$2,438	$11,918	$391	$5,283,626	$173,518	$-	$-	$12,704,073	$417,211
Depreciation	-	-	53,113	1,744	84,245	2,767	2,286	75	623	20	78,321	2,572	-	-	218,588	7,178
Transfers	-	-	4,007	132	-	-	-	-	-	-	-	-	-	-	4,007	132
Disposals	-	-	(4,164)	(137)	(96,893)	(3,182)	(2,403)	(79)	-	-	(26,264)	(862)	-	-	(129,724)	(4,260)
Exchange difference	-	-	1,203	39	4,029	132	985	33	223	8	528	17	-	-	6,968	229
2014.3.31	$-	$-	$3,502,178	$115,014	$3,877,643	$127,345	$75,116	$2,467	$12,764	$419	$5,336,211	$175,245	$-	$-	$12,803,912	$420,490

	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$
Net carrying amount:																
2014.3.31	$13,948,238	$458,070	$6,522,006	$214,187	$859,524	$28,227	$43,234	$1,420	$5,022	$165	$1,018,101	$33,435	$501,922	$16,484	$22,898,047	$751,988
2013.12.31	$13,905,089	$456,653	$6,569,941	$215,761	$859,676	$28,232	$24,328	$799	$5,392	$178	$985,975	$32,380	$513,928	$16,878	$22,864,329	$750,881
2013.3.31	$13,756,952	$461,488	$6,515,949	$218,582	$747,094	$25,062	$31,253	$1,049	$6,332	$212	$1,047,344	$35,134	$317,660	$10,656	$22,422,584	$752,183
2013.1.1	$13,753,748	$461,380	$6,595,985	$221,267	$646,957	$21,703	$28,282	$948	$6,340	$213	$1,059,489	$35,542	$305,134	$10,236	$22,395,935	$751,289

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 :						
2013.1.1	$3,465,861	$116,265	$1,015,688	$34,072	$4,481,549	$150,337
2013.3.31	$3,465,861	$116,265	$1,015,688	$34,072	$4,481,549	$150,337
2014.1.1	$3,499,062	$114,912	$1,022,071	$33,566	$4,521,133	$148,478
Transfers	(40,722)	(1,338)	-	-	(40,722)	(1,338)
2014.3.31	$3,458,340	$113,574	$1,022,071	$33,566	$4,480,411	$147,140
Impairment:						
2013.1.1	$(41,625)	$(1,396)	$-	$-	$(41,625)	$(1,396)
2013.3.31	$(41,625)	$(1,396)	$-	$-	$(41,625)	$(1,396)
2014.1.1	$(41,625)	$(1,367)	$-	$-	$(41,625)	$(1,367)
Impairment losses	(7,123)	(234)	-	-	(7,123)	(234)
2014.3.31	$(48,748)	$(1,601)	$-	$-	$(48,748)	$(1,601)
Net carrying amount:						
2014.3.31	$3,409,592	$111,973	$1,022,071	$33,566	$4,431,663	$145,539
2013.12.31	$3,457,437	$113,545	$1,022,071	$33,566	$4,479,508	$147,111
2013.3.31	$3,424,236	$114,869	$1,015,688	$34,072	$4,439,924	$148,941
2013.1.1	$3,424,236	$114,869	$1,015,688	$34,072	$4,439,924	$148,941

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Rental income from investment property				
Less:	$19,983	$656	$20,404	$684
Direct operating expenses from investment property generating rental income	(296)	(10)	(421)	(14)
Direct operating expenses from investment property not generating rental income	(280)	(9)	(101)	(3)
Total	$19,407	$637	$19,882	$667

(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 Bank appointed appraisers from Savills Valuation and Professional Services (Kempis Tai, Howard Chang, Sky Liu, Yi-Jun Chen) to evaluate the fair value of investment property based on the "Regulations on Real Estate Appraisal" on 31 December 2013 and 1 January 2013.

The fair value has been determined by discounted cash flow method and the method of land development analysis.

A. Office building have market liquidity and their rent levels are more comparable with similar items from the sane neighborhood. The fair value has been determined by discounted cash flow method.

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

According to the ROC Real Estate Appraisers Association Gazette No.5, the house tax has been determined based on the reference tables of current house values assessed for each city/county to estimate the total current house value assessed. House tax is calculated based on the tax rates provided by the House Tax Act.

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

The replacement allowance is based on 0.5% to 1.5% of consturction or building cost, according to the ROC Real Estate Appraisers Association Gazette No.5.

The main parameters are as follows:

	102.12.31	102.1.1
Discounted rates	4.625%	4.625%

Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the discont rate is determined based on an interest rate not lower than the floating interest rate on a 2-year time deposit of petty cash as posted by the Chunghwa Post Co., Ltd., plus the risk premium.

B. The fair value has been determined by the method of land development analysis. Road space and scenic hillside land had fewer market transactions as their uses are restricted by law, which will not pose significant changes on the market in the near future.

	102.12.31	102.1.1
Rate of return	18%~20%	18%~20%
Overall capital interest rate	1.29%~7.03%	1.29%~7.03%

(4) Some of the roads and scenic land sites is difficult to develop and have no prospects of profits, for which the fair value cannot be reliably measured. The cost model is adopted in accordance with International Accounting Standards No. 16.

13. Intangible assets, net

	Goodwill		Computer software		Total	
	NT$	US$	NT$	US$	NT$	US$
Cost:						
2013.1.1	$6,981,063	$234,185	$1,627,117	$54,583	$8,608,180	$288,768
Additions-acquired separately	-	-	8,846	297	8,846	297
Disposals	-	-	(4,529)	(152)	(4,529)	(152)
Transfers	-	-	900	30	900	30
Exchange differences	7,811	262	1,573	53	9,384	315
2013.3.31	$6,988,874	$234,447	$1,633,907	$54,811	$8,622,781	$289,258
2014.1.1	$6,989,667	$229,546	$1,503,556	$49,378	$8,493,223	$278,924
Additions-acquired separately	-	-	19,296	634	19,296	634
Disposals	-	-	(13,462)	(442)	(13,462)	(442)
Transfers	-	-	20,906	686	20,906	686
Exchange differences	5,919	194	1,254	41	7,173	235
2014.3.31	$6,995,586	$229,740	$1,531,550	$50,297	$8,527,136	$280,037

	Goodwill		Computer software		Total	
	NT$	US$	NT$	US$	NT$	US$
Amortization and impairment:						
2013.1.1	$-	$-	$1,119,908	$37,568	$1,119,908	$37,568
Amortization	-	-	53,315	1,788	53,315	1,788
Disposals	-	-	(4,529)	(152)	(4,529)	(152)
Transfers	-	-	(1,041)	(35)	(1,041)	(35)
Exchange differences	-	-	1,177	40	1,177	40
2013.3.31	$-	$-	$1,168,830	$39,209	$1,168,830	$39,209
2014.1.1	$-	$-	$1,118,363	$36,728	$1,118,363	$36,728
Amortization	-	-	44,296	1,455	44,296	1,455
Disposals	-	-	(13,462)	(442)	(13,462)	(442)
Transfers	-	-	(14,884)	(489)	(14,884)	(489)
Exchange differences	-	-	(510)	(17)	(510)	(17)
2014.3.31	$-	$-	$1,133,803	$37,235	$1,133,803	$37,235
Net carrying amount:						
2014.3.31	$6,995,586	$229,740	$397,747	$13,062	$7,393,333	$242,802
2013.12.31	$6,989,667	$229,546	$385,193	$12,650	$7,374,860	$242,196
2013.3.31	$6,988,874	$234,447	$465,077	$15,602	$7,453,951	$250,049
2013.1.1	$6,981,063	$234,185	$507,209	$17,015	$7,488,272	$251,200

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

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Prepayment	$1,004,277	$32,981	$808,073	$27,089
Temporary payments	143,115	4,700	84,037	2,817
Interbank settlement fund	2,546,675	83,635	2,572,275	86,231
Refundable deposits, net	4,670,211	153,373	3,495,971	117,196
Operating deposits, net	531,960	17,470	452,270	15,162
Foreclosed properties, net	87,973	2,889	89,686	3,007
Others	181,482	5,960	178,954	5,999
Total	$9,165,693	$301,008	$7,681,266	$257,501

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Prepayment	$912,375	$30,606	$687,055	$23,650
Temporary payments	130,696	4,384	198,030	6,817
Interbank settlement fund	2,565,371	86,058	2,552,473	87,865
Refundable deposits, net	857,904	28,779	827,482	28,485
Operating deposits, net	452,270	15,172	486,290	16,740
Others	240,963	8,083	171,186	5,893
Total	$5,159,579	$173,082	$4,922,516	$169,450

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, the amounts of land use rights of NT$356,839 (US$11,719), NT$350,413 (US$11,747), NT$348,986 (US$11,707) and NT$341,370 (US$11,751) were recognized under prepayment, respectively.

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

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Due to commercial banks	$8,244,457	$270,754	$5,409,342	$181,339
Due to Post Co., Ltd.	19,698,603	646,916	19,703,976	660,542
Overdrafts from banks	1,564,086	51,366	123,569	4,143
Call loans from banks	39,469,457	1,296,205	31,748,338	1,064,309
Total	$68,976,603	$2,265,241	$56,985,225	$1,910,333

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Due to commercial banks	$5,200,607	$174,458	$3,596,299	$123,797
Due to Post Co., Ltd.	19,913,195	668,004	19,919,402	685,694
Overdrafts from banks	1,384,794	46,454	108,340	3,729
Call loans from banks	47,497,605	1,593,345	33,307,732	1,146,566
Total	$73,996,201	$2,482,261	$56,931,773	$1,959,786

16. Financial liabilities at fair value through profit or loss

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Financial liabilities for trading:				
Bonds	$1,195,748	$39,269	$497,002	$16,661
Derivative financial instruments	13,082,617	429,643	10,774,185	361,186
	$14,278,365	$468,912	$11,271,187	$377,847

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Financial liabilities for trading:				
Derivative financial instruments	$5,906,954	$198,153	$4,967,738	$171,006

Net losses arising from financial liabilities at fair value through profit or loss for the three-month periods ended 31 March 2014 and 2013 were NT$1,322,626 (US$43,436) and NT$158,453 (US$5,315), respectively.

17. Payables

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Accounts payable	$4,772,903	$156,746	$3,497,080	$117,234
Accrued interest payable	3,248,687	106,689	2,531,091	84,850
Accrued expenses	3,031,478	99,556	4,957,366	166,187
Foreign currency payable	116,130	3,813	134,504	4,509
Acceptance	1,041,681	34,210	1,381,544	46,314
Tax payable	79,104	2,598	153,679	5,152
Related party payables for allocation of linked-tax system	97,983	3,218	-	-
Dividends payable	122,040	4,008	119,800	4,016
Receipts under custody	382,601	12,565	388,419	13,021
Others	8,363,900	274,676	1,992,551	66,797
Total	$21,256,507	$698,079	$15,156,034	$508,080

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Accounts payable	$7,763,784	$260,442	$8,408,434	$289,447
Accrued interest payable	2,821,115	94,636	2,620,033	90,191
Accrued expenses	2,122,945	71,216	3,874,061	133,359
Foreign currency payable	77,275	2,592	68,653	2,363
Acceptance	831,966	27,909	1,644,088	56,595
Tax payable	68,566	2,300	152,317	5,243
Related party payables for allocation of linked-tax system	299,167	10,036	-	-
Dividends payable	418,250	14,031	407,904	14,041
Receipts under custody	307,728	10,323	228,744	7,874
Others	6,998,112	234,757	4,748,952	163,475
Total	$21,708,908	$728,242	$22,153,186	$762,588

18. Deposits and remittances

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Check deposits	$13,997,530	$459,689	$17,006,177	$570,103
Demand deposits	302,393,279	9,930,814	319,832,288	10,721,833
Demand savings deposits	643,647,665	21,137,854	619,830,238	20,778,754
Time deposits	353,597,866	11,612,409	349,502,641	11,716,482
Negotiable certificates of deposit	5,852,000	192,184	6,271,400	210,238
Time savings deposits	308,520,460	10,132,035	302,030,267	10,125,051
Outward remittances	1,031,180	33,865	868,120	29,102
Remittances payable	346,997	11,396	519,332	17,410
Total	$1,629,386,977	$53,510,246	$1,615,860,463	$54,168,973

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Check deposits	$14,467,111	$485,311	$17,115,953	$589,189
Demand deposits	255,286,860	8,563,799	266,645,938	9,178,862
Demand savings deposits	583,892,901	19,587,149	579,112,495	19,935,025
Time deposits	395,512,614	13,267,783	384,716,809	13,243,264
Negotiable certificates of deposit	6,942,800	232,902	6,922,200	238,286
Time savings deposits	289,177,097	9,700,674	283,700,913	9,765,952
Outward remittances	1,118,088	37,507	395,743	13,623
Remittances payable	240,447	8,066	1,164,015	40,070
Total	$1,546,637,918	$51,883,191	$1,539,774,066	$53,004,271

19. Financial debentures payable

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Subordinated financial debentures	$51,888,364	$1,704,051	$51,705,031	$1,733,323
Discount in financial debentures	(14,573)	(478)	(16,366)	(548)
Valuation adjustment	639,584	21,004	728,548	24,423
Total	$52,513,375	$1,724,577	$52,417,213	$1,757,198

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Subordinated financial debentures	$41,680,478	$1,398,205	$41,438,544	$1,426,456
Discount in financial debentures	(22,323)	(749)	(23,666)	(815)
Valuation adjustment	1,024,754	34,376	1,103,753	37,995
Total	$42,682,909	$1,431,832	$42,518,631	$1,463,636

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 Note 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.

20. Other financial liabilities

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Borrowed funds	$-	$-	$31,849	$1,068
Principal received from the sale of structured products	44,674,808	1,467,153	36,113,309	1,210,637
Total	$44,674,808	$1,467,153	$36,145,158	$1,211,705

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Borrowed funds	$78,019	$2,617	$85,500	$2,943
Principal received from the sale of structured products	18,165,655	609,382	17,340,691	596,926
Total	$18,243,674	$611,999	$17,426,191	$599,869

21. Provisions

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Employee benefits provision - Defined benefits plan	$1,358,410	$44,611	$1,358,410	$45,538
Employee benefits provision - Preferential interest rate deposits	629,424	20,671	629,582	21,106
Reserve for losses on guarentees	114,837	3,771	24,892	835
Reserve for other operating	22,680	745	22,680	760
Total	$2,125,351	$69,798	$2,035,564	$68,239

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Employee benefits provision - Defined benefits plan	$1,354,200	$45,428	$1,354,200	$46,616
Employee benefits provision - Preferential interest rate deposits	630,317	21,144	630,292	21,697
Reserve for losses on guarentees	24,892	835	24,892	857
Total	$2,009,409	$67,407	$2,009,384	$69,170

	2014.1.1		Addition-other		Used		2014.3.31	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Defined benefits plan	$1,358,410	$44,611	$-	$-	$-	$-	$1,358,410	$44,611
Preferential interest rate deposits	629,582	20,676	22,209	729	(22,367)	(734)	629,424	20,671
Reserve for lessees on guarantees	24,892	817	89,945	2,954	-	-	114,837	3,771
Reserve for other operating	22,680	745	-	-	-	-	22,680	745
Total	$2,035,564	$66,849	$112,154	$3,683	$(22,367)	$(734)	$2,125,351	$69,798

	2013.1.1		Addition-other		Used		2013.3.31	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Defined benefits plan	$1,354,200	$45,428	$-	$-	$-	$-	$1,354,200	$45,428
Preferential interest rate deposits	630,292	21,143	21,847	733	(21,822)	(732)	630,317	21,144
Reserve for lessees on guarantees	24,892	835	-	-	-	-	24,892	835
Total	$2,009,384	$67,406	$21,847	$733	$(21,822)	$(732)	$2,009,409	$67,407

22. Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the three-month periods ended 31 March 2014 and 2013 were NT$59,654 (US$1,959) and NT$46,563 (US$1,562), respectively, and recorded as "Employee benefits expenses".

Defined benefits plan

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

Pension costs amounted to NT$49,865 (US$1,638) and NT$44,266 (US$1,485) were recognized for the three-month periods ended 31 March 2014 and 2013, and recorded as "Employee benefits expenses".

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$76,688 (US$2,518), and NT$71,338 (US$2,393) were recognized for the three-month periods ended 31 March 2014 and 2013, respectively, and recorded as “Employee benefits expenses”.

23. Other liabilities

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Unearned receipts	$1,087,203	$35,705	$1,091,919	$36,605
Temporary receipts	1,218,188	40,006	1,014,243	34,001
Guarantee deposits received	1,139,281	37,415	1,117,779	37,471
Deferred income	1,266,820	41,603	1,233,330	41,345
Others	540,646	17,755	425,533	14,265
Total	$5,252,138	$172,484	$4,882,804	$163,687

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Unearned receipts	$1,106,234	$37,109	$695,017	$23,925
Temporary receipts	779,549	26,151	844,181	29,060
Guarantee deposits received	1,183,903	39,715	1,278,507	44,010
Deferred income	1,125,156	37,744	1,123,325	38,669
Others	395,579	13,270	278,308	9,580
Total	$4,590,421	$153,989	$4,219,338	$145,244

24. Capital Stock

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, the Bank had issued and outstanding capital stock of NT$64,668,494, NT$64,668,494, NT$52,277,026 and NT$52,277,026 divided into 6,466,849, 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.

The Bank increased its capital by NT$2,444,268 and issued 244,427 thousand shares as 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 21 April 2014 pending approval from the Financial Supervisory Commission.

25. Capital reserves

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Capital reserves from the merger Bank	$10,949,303	$359,583	$10,949,303	$367,057
Additional paid-in capital	13,007,302	427,169	13,007,302	436,048
Others	14,893	489	14,893	499
Total	$23,971,498	$787,241	$23,971,498	$803,604

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Capital reserves from the merger Bank	$10,949,303	$367,303	$10,949,303	$376,912
Additional paid-in capital	4,249,096	142,539	4,249,096	146,268
Others	14,893	500	14,893	513
Total	$15,213,292	$510,342	$15,213,292	$523,693

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 three-month periods ended 31 March 2014 and 2013 were both NT$375 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 21 April 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			
	Appropriation of earnings		Dividend per share	
	NT$	US$	NT$	US$
Adjustment of retain earnings as of 31 December 2012 under first-time	$2,555,892	$83,937	$-	$-
Difference between net value and equity investment of mergers	192,642	6,327	-	-
Legal reserves	3,491,812	114,674	0.69	0.023
Cash dividends	5,703,293	187,300	1.13	0.037
Stock dividends	2,444,268	80,272	0.49	0.016
Total	$14,387,907	$472,510	$2.31	$0.076

	2012			
	Appropriation of earnings		Dividend per share	
	NT$	US$	NT$	US$
Legal reserves	$3,920,437	$131,514	$0.75	$0.025
Stock dividends	9,147,688	306,867	1.75	0.059
Total	$13,068,125	$438,381	$2.50	$0.084

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

There is no significant difference between the actual employee bonuses and remuneration to directors and supervisors distributed from the earnings and the estimated amount in the financial statements for the year 2013 and 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.

In 2014, the Bank changed its subsequent measurement of investment properties from cost model to fair value model. According to Order No. Jin-Guan-Zheng-Fa-Zi-1030006415, on the first-time adoption of fair value model for investment properties subsequent measurement, the Banks shall set aside an equal amount of special reserve when the Bank transfers the fair value increment of investment properties to retained earnings. The amount NT$1,619,109 was recognized as special reserve. The Bank recognized NT$ 1,619,109 as special reserves.

As of 1 January 2014 and 2013, special resrves was set aside for the adoption of fair value model for investment properties subsequent measurement. The Bank has reversed special reserve in the amount of NT$ 20,162 to retained earnings during the three-month period ended 31 March 2014 as results of the use, disposal of or reclassification of related assets. As of 31 March 2014 and 2013, special reserve set aside for the adoption of fair value model for investment properties subsequent measurement amounted to NT$1,598,947 and NT$1,619,109, respectively.

27. Unrealized gains or losses on available-for-sale financial assets

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Beginning balance	$1,292,205	$42,437	$2,005,850	$67,288
Unrealized gains or losses on available-for-sale financial assets	356,336	11,702	(200,578)	(6,729)
Income tax of unrealized gains or losses on available-for-sale financial assets	(727)	(24)	10,555	354
Share of unrealized gains or losses on available-for-sale financial assets of associates and joint ventures accounted for using the equity method	-	-	(913)	(31)
Ending balance	$1,647,814	$54,115	$1,814,914	$60,882

28. Non-controlling interests

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Beginning balance	$3,438,990	$112,939	$2,967,014	$99,531
Profit attributable to non-controlling interests	60,234	1,978	67,597	2,268
Other comprehensive income, attributable to non-controlling interests, net of tax:				
Exchange differences resulting from translating the financial statements of a foreign operation	64,042	2,103	74,982	2,515
Unrealized gains (losses) from available-for-sale financial assets	375	13	10,653	358
Change in non-controlling interests	-	-	617	20
Ending balance	$3,563,641	$117,033	$3,120,863	$104,692

29. Net interest income

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Interest income				
Discounts and loans	$6,349,661	$208,527	$5,850,644	$196,264
Factoring receivable	468,063	15,371	143,854	4,826
Due from banks and call loans to banks	946,073	31,070	494,318	16,582
Securities	1,476,143	48,478	1,650,837	55,379
Credit cards	522,513	17,160	518,252	17,385
Others	14,187	466	2,741	92
Subtotal	9,776,640	321,072	8,660,646	290,528
Interest expense				
Deposits	2,672,359	87,762	2,765,410	92,768
Due to Central Bank and other banks	76,329	2,507	68,767	2,307
Funds borrowed from the Central Bank and other banks	171,373	5,628	140,075	4,699
Financial debentures	333,699	10,959	288,561	9,680
Others	318,293	10,453	109,860	3,685
Subtotal	3,572,053	117,309	3,372,673	113,139
Net interest income	$6,204,587	$203,763	$5,287,973	$177,389

30. Net fee income

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Fee income:				
Trust business	$628,760	$20,649	$673,549	$22,295
Cross-selling marketing	754,538	24,779	432,825	14,520
Credit card business	961,234	31,568	813,672	27,295
Loan business	431,864	14,183	254,490	8,537
Others	436,691	14,341	345,230	11,581
Subtotal	3,213,087	105,520	2,519,766	84,528
Fee expense:				
Credit card business	413,478	13,579	291,541	9,780
Others	165,827	5,446	144,720	4,855
Subtotal	579,305	19,025	436,261	14,635
Net fee income	$2,633,782	$86,495	$2,083,505	$69,893

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

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Short-term bills	$242,857	$7,976	$102,051	$3,424
Bonds	44,271	1,454	23,111	775
Beneficiary securities	-	-	8,323	279
Derivative financial instruments	1,174,275	38,564	450,589	15,115
Others	15,713	516	(20,521)	(688)
Total	$1,477,116	$48,510	$563,553	$18,905

Realized gains on financial assets and liabilities at fair value through profit or loss include disposal gains NT$1,020,923 (US$33,528) and NT$411,903(US$13,818) and the interest income NT$218,265 (US$7,168) and NT$140,801 (US$4,723) during the three-month periods ended 31 March 2014 and 2013, respectively.

32. Other net non-interest income

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Rental income from operating assets	$36,859	$1,211	$33,663	$1,129
Rental income from investment properties	19,983	656	20,404	685
Gain on disposal of property and equipment	32,832	1,078	-	-
Others	273,310	8,976	108,508	3,640
Total	$362,984	$11,921	$162,575	$5,454

33. Employee benefits expenses

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Salary	$1,949,819	$64,033	$1,731,856	$58,096
Insurance	182,462	5,992	290,728	9,753
Post-employment benefit	133,062	4,370	114,133	3,829
Others	157,879	5,185	128,980	4,327
Total	$2,423,222	$79,580	$2,265,697	$76,005

34. Depreciation and amortization expenses

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Depreciation expenses - property and equipment	$218,588	$7,178	$234,102	$7,853
Amortization expense - intangibles assets	44,296	1,455	53,315	1,788
Total	$262,884	$8,633	$287,417	$9,641

35. Other general and administrative expenses

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Utilities expenses	$54,060	$1,776	$50,110	$1,681
Rental expenses	322,748	10,599	305,318	10,242
Business promotion expenses	362,000	11,888	190,657	6,396
Product promotion expenses	461,560	15,158	243,528	8,169
Cash delivery expenses	75,698	2,486	70,432	2,362
Insurance expenses	130,938	4,300	143,258	4,806
Other	1,109,584	36,440	1,004,328	33,691
Total	$2,516,588	$82,647	$2,007,631	$67,347

36. Components of other comprehensive income

2014.1.1-2014.3.31

	Arsing during the period		Income tax relating to components of other comprehensive losses		Other comprehensive income, net of tax	
	NT$	US$	NT$	US$	NT$	US$
Exchange differences resulting from translating the financial statements of a foreign operation	$301,938	$9,916	$(40,442)	$(1,328)	$261,496	$8,588
Unrealized gains (losses) from available-for-sale financial assets	356,711	11,714	(727)	(24)	355,984	11,690
Total of other comprehensive income	$658,649	$21,630	$(41,169)	$(1,352)	$617,480	$20,278

2013.1.1-2013.3.31

	Arsing during the period		Income tax relating to components of other comprehensive income (losses)		Other comprehensive income, net of tax	
	NT$	US$	NT$	US$	NT$	US$
Exchange differences resulting from translating the financial statements of a foreign operation	$377,871	$12,676	$(51,491)	$(1,727)	$326,380	$10,949
Unrealized gains (losses) from available-for-sale financial assets	(200,578)	(6,729)	10,555	354	(190,023)	(6,375)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	9,740	327	-	-	9,740	327
Total of other comprehensive income	$187,033	$6,274	$(40,936)	$(1,373)	$146,097	$4,901

37. 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

	2014.1.1- 2014.3.31		2013.1.1- 2013.3.31	
	NT$	US$	NT$	US$
Current income tax (expense) income:				
Current income tax charge	$(685,338)	$(22,507)	$(664,718)	$(22,299)
Adjustments in respect of current income tax of prior periods	99,359	3,263	(94,866)	(3,182)
Deferred tax (expense) income:				
Deferred tax (expense) income relating to origination and reversal of temporary differences	(148,422)	(4,874)	230,270	7,725
Income tax expense of overseas subsidiaries	(40,156)	(1,319)	(89,579)	(3,005)
Income tax expense	$(774,557)	$(25,437)	$(618,893)	$(20,761)

Income tax expense relating to components of other comprehensive income

	2014.1.1- 2014.3.31		2013.1.1- 2013.3.31	
	NT$	US$	NT$	US$
Deferred tax (expense) income:				
Exchange differences resulting from translating the financial statements of a foreign operation	$(40,442)	$(1,328)	$(51,491)	$(1,727)
Unrealized gains (losses) from available-for-sale financial assets	(727)	(24)	10,555	354
Income tax relating to components of other comprehensive income	$(41,169)	$(1,352)	$(40,936)	$(1,373)

(3) Imputation credit information

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Balances of imputation credit amount	$2,482	$82	$2,863	$96

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Balances of imputation credit amount	$111,955	$3,756	$111,496	$3,838

The actual creditable ratio for 2013 and 2012 were 2.12% and 1.33%, respectively.

The Bank’s earnings generated in the year ended 31 December 1997 and prior years have been fully appropriated. As of 31 March 2014, the undistributed earnings amounted to NT$17,197,769 (US$564,787) arose from earnings in 1998 and thereafter.

(4) The Bank’s income tax returns for the years prior to 2008 have been assessed by the tax authority.

38. 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.

	2014.1.1- 2014.3.31		2013.1.1- 2013.3.31	
	NT$	US$	NT$	US$
Profit attributable ordinary to equity holders of the parent (in thousands dollars)	$5,392,072	$177,080	$3,571,527	$119,810
Retroactive adjustment weight-average shares outstanding	6,466,849		6,142,471	
Earnings per share (in dollar)	$0.83	$0.0273	$0.58	$0.0195

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 Share*.

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.

39. 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	2014.3.31 Account balance NT$	US$	% of Account	2013.12.31 Account balance NT$	US$	% of Account
Loans						
Associates						
Taiwan Real-estate Management Corp.	$60,000	$1,970	0.01%	$60,000	$2,011	-
Other related parties						
Cathay Real Estate Development Co., Ltd.	630,000	20,690	0.06%	100,000	3,352	0.01%
Cathay General Hospital	99,000	3,251	0.01%	99,000	3,319	0.01%
Tien-Tai energy Corp.	119,141	3,913	0.01%	120,859	4,052	0.01%
Others	1,113,598	36,571	0.10%	890,965	29,868	0.08%
Subtotal	1,961,739	64,425	0.18%	1,210,824	40,591	0.11%
Total	$2,021,739	$66,395	0.19%	$1,270,824	$42,602	0.12%
Deposits						
Parent company						
Cathay Financial Holding Co., Ltd.	$4,111	$135	-	$3,982	$134	-
Other related parties						
Cathay Life Insurance Co., Ltd.	15,739,329	516,891	0.97%	25,559,790	856,849	1.58%
Cathay Century Insurance Co., Ltd.	1,295,849	42,557	0.08%	1,470,311	49,290	0.09%
Cathay Securities Corp.	1,153,106	37,869	0.07%	1,300,263	43,589	0.08%
Cathay Futures Corp.	1,946,342	63,919	0.12%	1,920,210	64,372	0.12%
Cathay Pacific Venture Capital Co., Ltd.	194,701	6,394	0.01%	44,992	1,508	-
Cathay Securities Investment Trust Co., Ltd.	434,629	14,274	0.03%	344,818	11,559	0.02%
Cathay Real Estate Development Co., Ltd.	179,731	5,903	0.01%	226,980	7,609	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	3,534	116	-	5,226	175	-
Cathay Century Insurance (Vietnam) Co., Ltd.	234,754	7,709	0.01%	179,870	6,030	0.01%
Cathay Dragon Fund etc.	1,867,386	61,326	0.11%	1,970,907	66,071	0.12%
Symbox Information Co., Ltd.	89,752	2,948	0.01%	142,617	4,781	0.01%
Others	9,313,997	305,878	0.57%	8,558,652	286,914	0.53%
Subtotal	32,453,110	1,065,784	1.99%	41,724,636	1,398,747	2.58%
Total	$32,457,221	$1,065,919	1.99%	$41,728,618	$1,398,881	2.58%

	2013.3.31			2013.1.1		
	Account balance			Account balance		
Accounts/Related parties	NT$	US$	% of Account	NT$	US$	% of Account
Loans						
Associates						
Taiwan Real-estate Management Corp.	$60,000	$2,013	0.01%	$65,000	$2,238	-
Other related parties						
Cathay Real Estate Development Co., Ltd.	970,000	32,539	0.10%	-	-	-
Cathay General Hospital	103,000	3,455	0.01%	103,000	3,546	0.01%
Others	862,333	28,928	0.08%	385,830	13,281	0.04%
Subtotal	1,935,333	64,922	0.19%	488,830	16,827	0.05%
Total	$1,995,333	$66,935	0.20%	$553,830	$19,065	0.05%
Deposits						
Parent company						
Cathay Financial Holding Co., Ltd.	$144,385	$4,843	0.01%	$93,389	$3,215	0.01%
Other related parties						
Cathay Life Insurance Co., Ltd.	71,686,465	2,404,779	4.63%	73,919,996	2,544,578	4.80%
Cathay Century Insurance Co., Ltd.	1,268,780	42,562	0.08%	1,285,715	44,259	0.08%
Cathay Securities Corp.	1,397,879	46,893	0.09%	1,797,618	61,880	0.12%
Cathay Futures Corp.	2,582,526	86,633	0.17%	1,978,796	68,117	0.13%
Cathay Pacific Venture Capital Co., Ltd.	59,900	2,009	0.01%	65,757	2,263	-
Cathay Securities Investment Trust Co., Ltd.	1,670,277	56,031	0.11%	1,745,795	60,096	0.11%
Cathay Real Estate Development Co., Ltd.	428,420	14,372	0.03%	279,019	9,605	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	616,715	20,688	0.04%	1,595	55	-
Cathay Century Insurance (Vietnam) Co., Ltd.	356,687	11,965	0.02%	326,295	11,232	0.02%
Cathay Dragon Fund etc.	1,824,901	61,218	0.12%	3,258,081	112,154	0.21%
Symphox Information Co., Ltd.	166,938	5,600	0.01%	167,730	5,774	0.01%
Others	8,697,439	291,763	0.56%	7,234,987	249,053	0.47%
Subtotal	90,756,927	3,044,513	5.87%	92,061,384	3,169,066	5.97%
Total	$90,901,312	$3,049,356	5.88%	$92,154,773	$3,172,281	5.98%

Accounts/Related parties	Interest Income (Expense) 2014.1.1-2014.3.31 NT$	Interest Income (Expense) 2014.1.1-2014.3.31 US$	Interest Income (Expense) 2013.1.1-2013.3.31 NT$	Interest Income (Expense) 2013.1.1-2013.3.31 US$
Loans				
Associates				
Taiwan Real-estate Management Corp.	$284	$9	$307	$11
Other related parties				
Cathay Real Estate Development Co., Ltd.	522	17	861	29
Cathay General Hospital	720	24	749	25
Tien-Tai energy Corp.	1,038	34	-	-
Others	5,485	180	4,300	144
Subtotal	7,765	255	5,910	198
Total	$8,049	$264	$,6,217	$209
Deposits				
Parent company				
Cathay Financial Holding Co., Ltd.	$(3)	$-	$(237)	$(8)
Other related parties				
Cathay Life Insurance Co., Ltd.	(4,611)	(152)	(127,954)	(4,292)
Cathay Century Insurance Co., Ltd.	(2,754)	(90)	(2,334)	(78)
Cathay Securities Corp.	(1,295)	(43)	(2,394)	(80)
Cathay Futures Corp.	(6,016)	(198)	(6,431)	(216)
Cathay Pacific Venture Capital Co., Ltd.	(101)	(3)	(163)	(6)
Cathay Securities Investment Trust Co., Ltd.	(582)	(19)	(2,433)	(82)
Cathay Real Estate Development Co., Ltd.	(22)	-	(59)	(2)
Cathay Life Insurance (Vietnam) Co., Ltd.	(60)	(2)	(1,474)	(49)
Cathay Century Insurance (Vietnam) Co., Ltd.	(3,009)	(99)	(8,953)	(300)
Cathay Dragon Fund etc.	(4,121)	(135)	(4,002)	(134)
Symphox Information Co., Ltd.	(324)	(11)	(442)	(15)
Others	(25,246)	(829)	(26,465)	(888)
Subtotal	(48,141)	(1,581)	(183,104)	(6,142)
Total	$(48,144)	$(1,581)	$(183,341)	$(6,150)

	Account balance							
	2014.3.31		2013.12.31		2013.3.31		2013.1.1	
Accounts / Related parties	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Call loans to banks								
Other related parties								
Vietinbank	$6,982,027	$229,295	$6,554,374	$219,724	$5,862,632	$196,667	$6,376,067	$219,486
Due from commercial banks								
Other related parties								
Vietinbank	9,462	311	16,175	542	9,300	312	5,722	197
Call loans from banks								
Other related parties								
Vietinbank	4,061,038	133,367	3,844,124	128,868	3,585,918	120,292	2,797,772	96,309
Due to commercial banks								
Other related parties								
Vietinbank	5,741	189	1,601	54	8,195	275	5,722	197

	Interest income (expense)			
	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
Accounts / Related parties	NT$	US$	NT$	US$
Call loans to banks				
Other related parties				
Vietinbank	$28,198	$926	$65,034	$2,182
Due from commercial banks				
Other related parties				
Vietinbank	20,540	675	-	-
Call loans from banks				
Other related parties				
Vietinbank	(39,748)	(1,305)	(63,740)	(2,138)

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

2. Guarantees and transactions of derivative financial instruments

Guarantees

	2013.1.1-2013.3.31		2013.3.31		2013.1.1-2013.3.31	
	Maximum balance		Account balance		Service fees	
Related Parties	NT$	US$	NT$	US$	NT$	US$
Cathay Hospitality Management Co., Ltd.	$21,816	$732	$21,816	$732	$-	-

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$
2014.3.31						
Cathay Life Insurance Co., Ltd.	Currency swap	2012.4.27-2015.3.6	$33,103,350	$1,087,138	$709,085	$23,287
Cathay Century Insurance Co., Ltd.	Currency swap	2013.4.3-2014.11.4	1,340,915	44,037	31,430	1,032
	Interest rate swap	2007.9.27-2015.4.30	400,000	13,136	(10,015)	(329)
2013.3.31						
Cathay Life Insurance Co., Ltd.	Currency swap	2012.4.27-2015.3.6	$36,895,625	$1,237,693	$789,343	$26,479
Cathay Century Insurance Co., Ltd.	Currency swap	2012.4.11-2014.3.12	2,636,469	88,442	31,076	1,042
	Interest rate swap	2007.9.27-2015.4.30	400,000	13,418	(17,156)	(576)
Cathay Dragon fund etc.	Currency swap	-	-	-	3,672	123

3. Transactions under resale and repurchase agreements

Accounts/Related parties	Account Balance 2013.3.31 NT$	2013.3.31 US$	2013.1.1 NT$	2013.1.1 US$
Securities sold under agreements to repurchase				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	$45,005	$1,510	$20,000	$689
Others	60,141	2,017	60,081	2,068
Total	$105,146	$3,527	$80,081	$2,757

Accounts/Related parties	Interest Expense 2014.1.1-2014.3.31 NT$	2014.1.1-2014.3.31 US$	2013.1.1-2013.3.31 NT$	2013.1.1-2013.3.31 US$
Securities sold under agreements to repurchase				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	$-	$-	$(65)	$(2)
Others	-	-	(90)	(3)
Total	$-	$-	$(155)	$(5)

4. Lease

Accounts/Related parties	2014.1.1-2014.3.31 NT$	2014.1.1-2014.3.31 US$	2013.1.1-2013.3.31 NT$	2013.1.1-2013.3.31 US$	Payment term
Rental income					
Other related parties					
Cathay Life Insurance Co., Ltd.	$14,981	$492	$12,258	$411	Monthly
Cathay Century Insurance Co., Ltd.	2,163	71	2,098	70	Monthly
Cathay Securities Corp.	2,095	69	2,091	70	Monthly
Culture and Charity Foundation of Cathay United Bank	1,158	38	1,238	42	Monthly
Rental expense					
Other related parties					
Cathay Life Insurance Co., Ltd.	99,163	3,257	95,302	3,197	Monthly
Cathay Real Estate Development Co., Ltd.	13,102	430	17,395	584	Monthly

Accounts/Related parties	2014.3.31 NT$	2014.3.31 US$	2013.12.31 NT$	2013.12.31 US$
Refundable deposits				
Other related parties				
Cathay Life Insurance Co., Ltd.	$93,526	$3,071	$95,045	$3,186
Cathay Real Estate Development Co., Ltd.	13,932	458	13,932	467

Accounts/Related parties	2013.3.31 NT$	2013.3.31 US$	2013.1.1 NT$	2013.1.1 US$
Refundable deposits				
Other related parties				
Cathay Life Insurance Co., Ltd.	$85,466	$2,867	$85,466	$2,942
Cathay Real Estate Development Co., Ltd.	13,932	467	13,932	480

Accounts/Related parties	2014.3.31 NT$	2014.3.31 US$	2013.12.31 NT$	2013.12.31 US$
Guarantee deposit received				
Other related parties				
Cathay Life Insurance Co., Ltd.	$15,172	$498	$15,172	$509
Cathay Securities Corp.	2,536	83	2,536	85
Cathay Century Insurance Co., Ltd.	2,221	73	2,221	74

	2013.3.31		2013.1.1	
Accounts/Related parties	NT$	US$	NT$	US$
Guarantee deposit received				
Other related parties				
Cathay Life Insurance Co., Ltd.	$14,790	$496	$14,790	$509
Cathay Securities Corp.	2,536	85	2,536	87
Cathay Century Insurance Co., Ltd.	2,085	70	2,085	72

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
Accounts/Related parties	NT$	US$	NT$	US$
5. Commissions and handling fees income				
Other related parties				
Cathay Life Insurance Co., Ltd.	$871,848	$28,632	$543,557	$18,234
Cathay Century Insurance Co., Ltd.	20,607	677	17,742	595
Cathay Securities Co., Ltd.	2,736	90	3,053	102
Cathay Securities Investment Trust Co., Ltd.	6,907	227	6,643	223
Cathay Securities Investment Consulting Co., Ltd.	5,331	175	5,421	182

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
Accounts/Related parties	NT$	US$	NT$	US$
6. Operating expenses				
Subsidiaries				
Seaward Card Co., Ltd.	$64,448	$2,117	$70,571	$2,367
Other related parties				
Cathay Life Insurance Co., Ltd.	50,100	1,645	21,698	728
Cathay Securities Co., Ltd.	600	20	600	20
Symphox Information Co., Ltd.	119,522	3,925	106,807	3,583
Cathay Real Estate Development Co., Ltd.	1,323	43	1,325	44
Cathay General Hospital	12	-	1,875	63
Lin Yuan Property Management and Maintenance Co., Ltd.	1,446	47	1,668	56
Cathay Healthcare Inc.	5,602	184	1,676	56

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
Accounts/Related parties	NT$	US$	NT$	US$
7. Insurance expenses				
Other related parties				
Cathay Life Insurance Co., Ltd.	$11,876	$390	$170,640	$5,724
Cathay Century Insurance Co., Ltd.	12,415	408	17,315	581

Accounts/Related parties	2014.3.31 NT$	2014.3.31 US$	2013.12.31 NT$	2013.12.31 US$
8. Related party receivables for allocation of linked-tax system				
Parent company				
Cathay Financial Holdings Co., Ltd.	$-	$-	$256,312	$8,592

	2013.3.31 NT$	2013.3.31 US$	2013.1.1 NT$	2013.1.1 US$
Parent company				
Cathay Financial Holdings Co., Ltd.	$-	$-	$246,573	$8,488

Accounts/Related parties	2014.3.31 NT$	2014.3.31 US$	2013.12.31 NT$	2013.12.31 US$
9. Refundable deposit				
Other related parties				
Cathay Futures Corp.	$52,448	$1,722	$52,448	$1,758

	2013.3.31 NT$	2013.3.31 US$	2013.1.1 NT$	2013.1.1 US$
Other related parties				
Cathay Futures Corp.	$64,345	$2,159	$64,345	$2,215

Accounts/Related parties	2014.3.31 NT$	2014.3.31 US$	2013.12.31 NT$	2013.12.31 US$
10. Dividends payable				
Other related parties				
Vietinbank	$122,040	$4,008	$119,800	$4,016

	2013.3.31 NT$	2013.3.31 US$	2013.1.1 NT$	2013.1.1 US$
Other related parties				
Vietinbank	$418,250	$14,031	$407,904	$14,041

Accounts/Related parties	2014.3.31 NT$	2014.3.31 US$	2013.12.31 NT$	2013.12.31 US$
11. Accrued expenses				
Subsidiaries				
Seaward Card Co., Ltd.	$24,641	$809	$24,857	$833

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Subsidiaries				
Seaward Card Co., Ltd.	$26,207	$879	$26,131	$900

	2014.3.31		2013.12.31	
Accounts/Related parties	NT$	US$	NT$	US$
12. Accounts payable				
Other related parties				
Cathay Century Insurance Co., Ltd.	$17,906	$588	$39,745	$1,332
Symphox Information Co., Ltd.	33,582	1,103	15,655	525

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Other related parties				
Cathay Century Insurance Co., Ltd.	$11,393	$382	$4,855	$167
Symphox Information Co., Ltd.	16,382	550	12,396	427

	2014.3.31		2013.12.31	
Accounts/Related parties	NT$	US$	NT$	US$
13. Related party payables for allocation of linked tax				
Parent company				
Cathay Financial Holdings Co., Ltd.	$97,983	$3,218	$-	$-

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holdings Co., Ltd.	$299,167	$10,036	$-	$-

	2014.1.1-2014.3.31		2013.1.1-2013.3.31	
Accounts/Related parties	NT$	US$	NT$	US$
14. Key management personnel compensation				
Short-term employee benefits	$37,632	$1,236	$38,548	$1,293
Post-employment benefits	1,001	33	1,780	60
Total	$38,633	$1,269	$40,328	$1,353

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

15. 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$3,907 (US$128) and NT$594 (US$20) during the three-month periods ended 31 March 2014 and 2013, respectively.

(2) The Bank purchased bonus points in exchange for merchandise for the Bank's customer from Symphox Information Co., Ltd. As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, the unconverted bonus points amounted to NT$24,686 (US$811), NT$26,049 (US$873), NT$25,180 (US$845) and NT$26,517 (US$913), respectively.

(3) The Bank entered into a contract with Cathay Life Insurance Co., Ltd. to transferring credit facilities. The transferring loan amount was NT$307,050 (US$10,084) during the three-month period ended 31 March 2014.

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 Note VI.

IX. Commitments and contingencies

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 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

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
(1) Entrusted Items and Guarantees:				
Trust and security held for safekeeping	$456,356,306	$14,987,071	$438,098,386	$14,686,503
Travelers checks for sale	557,662	18,314	559,217	18,747
Bills for collection	47,847,742	1,571,354	44,881,814	1,504,586
Book-entry for government bonds and depository for short-term marketable securities under management	548,071,500	17,999,064	573,257,300	19,217,476
Entrusted financial management business	3,302,301	108,450	3,190,719	106,963
Guarantees on duties and contracts	11,483,686	377,133	11,270,885	377,837
Unused commercial letters of credit	5,322,742	174,803	3,202,955	107,374
Irrevocable loan commitments	204,860,838	6,727,778	165,615,358	5,551,973
Credit card lines commitments	397,391,076	13,050,610	379,793,417	12,731,928
Stamp tax, securities and memorial currency consignments	-	-	1,006	34

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Entrusted Items and Guarantees:				
Trust and security held for safekeeping	$367,756,562	$12,336,684	$337,334,621	$11,612,207
Travelers checks for sale	485,254	16,278	462,167	15,909
Bills for collection	42,528,398	1,426,649	39,523,311	1,360,527
Book-entry for government bonds and depository for short-term marketable securities under management	569,106,000	19,091,110	564,494,500	19,431,824
Entrusted financial management business	4,210,142	141,233	2,385,838	82,129
Guarantees on duties and contracts	11,680,203	391,822	12,081,454	415,885
Unused commercial letters of credit	4,821,034	161,725	4,281,218	147,374
Irrevocable loan commitments	63,763,068	2,138,982	34,415,264	1,184,691
Credit card lines commitments	300,553,885	10,082,318	295,794,164	10,182,243
Stamp tax, securities and memorial currency consignments	1,006	34	1,006	35

(2) As of 31 March 2014, 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$101 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 agreements of the Bank, rentals for lease that should be paid in the future as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013 are disclosed in Note XII.

2. Indovina Bank

(1) Entrusted Item and Guarantees:

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Financial guarantee contracts	$672,668	$22,090	$535,478	$17,951
Unused commercial letters of credit	1,016,357	33,378	1,080,247	36,213

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Financial guarantee contracts	$743,763	$24,950	$852,596	$29,349
Unused commercial letters of credit	1,202,542	40,340	652,199	22,451

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

	2014.3.31		2013.12.31	
Periods	NT$	US$	NT$	US$
Not later than one year	$30,753	$1,010	$31,503	$1,056
Later than one year and not later than five year	45,903	1,507	51,630	1,731
Later than five years	1,234	41	2,132	71

	2013.3.31		2013.1.1	
Periods	NT$	US$	NT$	US$
Not later than one year	$34,741	$1,165	$39,677	$1,366
Later than one year and not later than five year	53,749	1,803	58,960	2,030
Later than five years	8,894	298	11,100	382

3. CUBC Bank

(1) Entrusted Item and Guarantees:

	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Financial guarantee contracts	$37,350	$1,226	$39,806	$1,335
Unused commercial letters of credit	5,886	193	1,965	66
Irrevocable loan commitments	196,099	6,440	143,134	4,798
Credit card line commitments	387,715	12,733	201,715	6,762

	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Financial guarantee contracts	$49,368	$1,656	$60,683	$2,089
Unused commercial letters of credit	11,423	383	20,350	701
Irrevocable loan commitments	123,773	4,152	99,998	3,442
Credit card line commitments	344,475	11,556	199,925	6,882

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

	2014.3.31			
	Carrying value		Fair value	
	NT$	US$	NT$	US$
Financial assets				
Assets:				
Financial assets at fair value through profit or loss	$153,009,845	$5,024,954	$153,009,845	$5,024,954
Available-for-sale financial assets	64,449,619	2,116,572	64,449,619	2,116,572
Held-to-maturity financial assets	51,489,209	1,690,943	52,831,654	1,735,030
Investment in debt securities with no active market	278,907,255	9,159,516	279,449,709	9,177,330
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	91,055,476	2,990,328	91,055,476	2,990,328
Due from the Central Bank and call loan to banks	136,763,894	4,491,425	136,763,894	4,491,425
Securities purchased under agreements to resell	11,205,542	367,998	11,205,542	367,998
Receivable, net	108,166,619	3,552,270	108,166,619	3,552,270
Discounts and loans, net	1,084,969,402	35,631,179	1,084,969,402	35,631,179
Other financial assets, net	4,348	143	4,348	143
Other assets, net	5,202,171	170,843	5,202,171	170,843
Subtotal	1,437,367,452	47,204,186	1,437,367,452	47,204,186
Derivative financial assets for hedging	856,663	28,133	856,663	28,133
Total	$1,986,080,043	$65,224,304	$1,987,964,942	$65,286,205
Financial liabilities				
Financial liabilities at fair value through profit or loss	$14,278,365	$468,912	$14,278,365	$468,912
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	68,976,603	2,265,241	68,976,603	2,265,241
Funds borrowed from the Central Bank and other banks	1,525,500	50,099	1,525,500	50,099
Securities sold under agreements to repurchase	62,671,918	2,058,191	62,671,918	2,058,191
Payables	21,256,507	698,079	21,256,507	698,079
Deposits and remittances	1,629,386,977	53,510,246	1,629,386,977	53,510,246
Financial debentures payable	52,513,375	1,724,577	52,513,375	1,724,577
Other financial liabilities	44,674,808	1,467,153	44,674,808	1,467,153
Others	1,139,281	37,415	1,139,281	37,415
Subtotal	1,882,144,969	61,811,001	1,882,144,969	61,811,001
Total	$1,896,423,334	$62,279,913	$1,896,423,334	$62,279,913

	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 liabilities 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

	2013.3.31			
	Carrying value		Fair value	
	NT$	US$	NT$	US$
Financial assets				
Financial assets at fair value through profit or loss	$103,467,550	$3,470,901	$103,467,550	$3,470,901
Available-for-sale financial assets	82,506,589	2,767,749	82,506,589	2,767,749
Held-to-maturity financial assets	49,225,630	1,651,313	51,647,347	1,732,551
Investment in debt securities with no active market	401,487,143	13,468,203	400,928,518	13,449,464
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	22,591,405	757,846	22,591,405	757,846
Due from the Central Bank and call loan to banks	73,873,985	2,478,161	73,873,985	2,478,161
Securities purchased under agreements to resell	2,287,926	76,750	2,287,926	76,750
Receivable, net	70,142,478	2,352,985	70,142,478	2,352,985
Discounts and loans, net	1,000,452,852	33,560,981	1,000,452,852	33,560,981
Other financial assets, net	5,926	199	5,926	199
Other assets, net	1,310,174	43,951	1,310,174	43,951
Subtotal	1,170,664,746	39,270,873	1,170,664,746	39,270,873
Derivative financial assets for hedging	1,233,116	41,366	1,233,116	41,366
Total	$1,808,584,774	$60,670,405	$1,810,447,866	$60,732,904
Financial liabilities				
Financial liabilities at fair value through profit or loss	$5,906,954	$198,153	$5,906,954	$198,153
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	73,996,201	2,482,261	73,996,201	2,482,261
Funds borrowed from the Central Bank and other banks	1,493,750	50,109	1,493,750	50,109
Securities sold under agreements to repurchase	34,700,066	1,164,041	34,700,066	1,164,041
Payables	21,708,908	728,242	21,708,908	728,242
Deposits and remittances	1,546,637,918	51,883,191	1,546,637,918	51,883,191
Financial debentures payable	42,682,909	1,431,832	42,682,909	1,431,832
Other financial liabilities	18,243,674	611,999	18,243,674	611,999
Others	1,183,903	39,715	1,183,903	39,715
Subtotal	1,740,647,329	58,391,390	1,740,647,329	58,391,390
Total	$1,746,554,283	$58,589,543	$1,746,554,283	$58,589,543

English Translation of Financial Statements Originally Issued in Chinese

	2013.1.1			
	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
Securities purchased under agreements to resell	50,742,276	1,746,722	50,742,276	1,746,722
Receivable, net				
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 liabilities 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

(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:

	2014.3.31							
	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	$15,651,164	$513,996	$3,129,383	$102,771	$12,521,781	$411,225	$-	$-
Others	122,329,753	4,017,397	-	-	122,329,753	4,017,397	-	-
Available-for-sale financial assets							-	-
Stocks	13,538,255	444,606	9,925,883	325,973	3,612,372	118,633	-	-
Bonds	49,519,097	1,626,243	14,742,306	484,148	34,776,791	1,142,095	-	-
Others	513,846	16,875	513,846	16,875	-	-	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	1,195,748	39,269	1,195,748	39,269	-	-	-	-
Financial debentures payable	10,613,375	348,551	-	-	10,613,375	348,551	-	-
Derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss	14,868,517	488,293	2,040	67	14,866,477	488,226	-	-
Derivative financial assets for hedging	856,663	28,133	-	-	856,663	28,133	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	13,082,617	429,643	-	-	13,082,617	429,643	-	-

	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	-	-

	2013.3.31							
	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	$9,861,837	$330,823	$9,861,837	$330,823	$-	$-	$-	$-
Others	86,017,854	2,885,537	11,853	3,752	85,906,001	2,881,785	-	-
Available-for-sale financial assets								
Stocks	12,451,509	417,696	8,537,091	286,384	3,914,418	131,312	-	-
Bonds	66,243,758	2,222,199	27,845,957	934,115	38,397,801	1,288,084	-	-
Others	1,919,278	64,399	1,919,728	64,399	-	-	-	-
Derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss	7,445,041	349,750	43	2	7,444,998	249,748	-	-
Derivative financial assets for hedging	1,233,116	41,366	-	-	1,233,116	41,366	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	5,906,954	198,153	-	-	5,909,954	198,153	-	-

	2013.1.1							
	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	$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	-	-

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 sets 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.

2014.3.31						
	Average balance		Maximum balance		Minimum balance	
Factors of market risk	NT$	US$	NT$	US$	NT$	US$
Interest rate	$539,735	$17,725	$772,357	$25,365	$311,553	$10,232
Foreign exchange	142,908	4,693	150,465	4,941	119,725	3,932
Equity Securities price	246,894	8,108	352,855	11,588	150,959	4,958

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

2013.3.31						
	Average balance		Maximum balance		Minimum balance	
Factors of market risk	NT$	US$	NT$	US$	NT$	US$
Interest rate	$603,777	$20,254	$876,417	$29,400	$457,036	$15,332
Foreign exchange	152,819	5,126	162,367	5,447	146,608	4,918
Equity Securities price	148,642	4,986	196,839	6,603	97,710	3,278

2013.1.1						
	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

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	2014.3.31		2013.12.31		
		NT$	US$	NT$	US$	
Stock Market	Major Stock Exchanges + 15%	$1,149,509	$37,751	$1,211,069	$40,599	
	Major Stock Exchanges - 15%	(1,149,509)	(37,751)	(1,211,069)	(40,599)	
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,412,839)	(144,921)	(4,564,436)	(153,015)	
	Major Interest Rate - 100bp	4,642,152	152,452	4,796,889	160,808	
Foreign Exchange Market	Major Currencies + 3%	1,817,784	59,697	1,703,503	57,107	
	Major Currencies - 3%	(1,817,468)	(59,687)	(1,703,201)	(57,097)	
Composite	Major Stock Exchanges -15% Major Interest Rate + 100bp Major Currencies +3%	(3,744,564)	(122,974)	(4,072,002)	(136,507)	

Stress Test					
Market/ Product	Scenarios	2013.3.31		2013.1.1	
		NT$	US$	NT$	US$
Stock Market	Major Stock Exchanges +15%	$1,144,942	$38,408	$1,025,960	$35,317
	Major Stock Exchanges -15%	(1,144,942)	(38,408)	(1,025,960)	(35,317)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,612,589)	(154,733)	(2,821,676)	(97,132)
	Major Interest Rate - 100bp	3,740,131	125,466	2,496,083	85,924
Foreign Exchange Market	Major Currencies +3%	2,663,693	89,356	1,450,437	49,929
	Major Currencies -3%	(2,508,526)	(84,150)	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15% Major Interest Rate + 100bp Major Currencies +3%	(3,093,838)	(103,785)	(2,397,199)	(82,520)

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

	2014.3.31			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT$	US$	NT$	US$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	$566,031	$18,589	$-	$-
HKD+1%	4,779	157	-	-
JPY+1%	-	-	2,229	73
AUD+1%	22,918	753	-	-
CNY+1%	28,974	952	-	-
NTD+1%	(629,198)	(20,663)	(3,058)	(100)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(185)	(6)	(26,786)	(880)
Yield curves (HKD) parallel shift+1bp	-	-	(22)	(1)
Yield curves (AUD) parallel shift+1bp	-	-	(1,812)	(60)
Yield curves (CNY) parallel shift+1bp	-	-	(568)	(19)
Yield curves (NTD) parallel shift+1bp	(2,628)	(86)	(13,893)	(456)
Equity securities price factor sensitivity (Equity Delta)	-	-	76,634	2,517

	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

	2013.3.31			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT$	US$	NT$	US$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	$471,142	$15,805	$3,841	$129
HKD+1%	22,695	761	98,669	3,310
JPY+1%	-	-	995	33
NTD+1%	(595,272)	(19,969)	(15,582)	(523)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(156)	(5)	(15,109)	(507)
Yield curves (HKD) parallel shift+1bp	-	-	(1)	-
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(349)	(12)	(1,522)	(51)
Equity securities price factor sensitivity (Equity Delta)	808	27	75,522	2,533

	2013.1.1			
	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

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			
	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Irrevocable loan commitments	$204,860,838	$6,727,778	$165,615,358	$5,551,973
Credit card commitments	437,129,539	14,355,649	424,006,617	14,214,100
Unused commercial letters of credit	5,322,742	174,803	3,202,955	107,374
Guarantees on duties and contracts	11,483,686	377,133	11,270,885	377,837
Total	$658,796,805	$21,635,363	$604,095,815	$20,251,284

Off balance sheet items	Maximum exposure to credit risk			
	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Irrevocable loan commitments	$63,763,068	$2,138,982	$34,415,264	$1,184,691
Credit card commitments	331,652,393	11,125,542	328,719,949	11,315,661
Unused commercial letters of credit	4,821,034	161,725	4,281,218	147,374
Guarantees on duties and contracts	11,680,203	391,822	12,081,454	415,885
Total	$411,916,698	$13,818,071	$379,497,885	$13,063,611

B. Indovina Bank

Off balance sheet items	Maximum exposure to credit risk			
	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Finance guarantee contracts	$672,668	$22,090	$535,478	$17,951
Unused commercial letters of credit	1,016,357	33,378	1,080,247	36,213
Total	$1,689,025	$55,468	$1,615,725	$54,164

Off balance sheet items	Maximum exposure to credit risk			
	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Finance guarantee contracts	$743,763	$24,950	$852,596	$29,349
Unused commercial letters of credit	1,202,542	40,340	652,199	22,451
Total	$1,946,305	$65,290	$1,504,795	$51,800

C. CUBC Bank

Off balance sheet items	Maximum exposure to credit risk			
	2014.3.31		2013.12.31	
	NT$	US$	NT$	US$
Finance guarantee contracts	$37,350	$1,226	$39,806	$1,335
Irrevocable loan commitments	196,099	6,440	143,134	4,798
Credit card commitments	387,715	12,733	201,715	6,762
Unused commercial letters of credit	5,886	193	1,965	66
Total	$627,050	$20,592	$386,620	$12,961

Off balance sheet items	Maximum exposure to credit risk			
	2013.3.31		2013.1.1	
	NT$	US$	NT$	US$
Finance guarantee contracts	$49,368	$1,656	$60,683	$2,089
Irrevocable loan commitments	123,773	4,152	99,998	3,442
Credit card commitments	344,475	11,556	199,925	6,882
Unused commercial letters of credit	11,423	383	20,350	701
Total	$529,039	$17,747	$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:

	2014.3.31			2013.12.31		
Item	NT$	US$	%	NT$	US$	%
Industry type						
Manufacturing	$140,559,243	$4,616,067	12.64	$108,789,196	$3,646,973	10.28
Financial institutions						
and insurance	38,273,707	1,256,936	3.44	28,292,338	948,452	2.67
Leasing and real estate	90,754,810	2,980,454	8.16	83,652,734	2,804,315	7.91
Individuals	493,391,798	16,203,343	44.37	477,139,793	15,995,300	45.10
Others	349,073,023	11,463,810	31.39	360,081,097	12,071,106	34.04
Total	$1,112,052,581	$36,520,610	100.00	$1,057,955,158	$35,466,146	100.00

	2013.3.31			2013.1.1		
Item	NT$	US$	%	NT$	US$	%
Industry type						
Manufacturing	$136,056,857	$4,564,135	13.25	$125,610,955	$4,323,957	12.20
Financial institutions						
and insurance	33,071,723	1,109,417	3.22	29,912,516	1,029,691	2.90
Leasing and real estate	86,276,925	2,894,227	8.40	83,834,530	2,885,870	8.14
Individuals	485,598,456	16,289,784	47.31	492,107,196	16,940,007	47.77
Others	285,532,997	9,578,430	27.82	298,671,240	10,281,282	28.99
Total	$1,026,536,958	$34,435,993	100.00	$1,030,136,437	$35,460,807	100.00

Item	2014.3.31 NT$	2014.3.31 US$	2014.3.31 %	2013.12.31 NT$	2013.12.31 US$	2013.12.31 %
Geographic Region						
Domestic	$912,660,368	$29,972,426	82.07	$898,556,006	$30,122,561	84.93
Asia	95,800,637	3,146,162	8.61	68,771,004	2,305,431	6.50
America	26,781,886	879,536	2.41	23,009,706	771,361	2.18
Others	76,809,690	2,522,486	6.91	67,618,442	2,266,793	6.39
Total	$1,112,052,581	$36,520,610	100.00	$1,057,955,158	$35,466,146	100.00

Item	2013.3.31 NT$	2013.3.31 US$	2013.3.31 %	2013.1.1 NT$	2013.1.1 US$	2013.1.1 %
Geographic Region						
Domestic	$853,656,597	$28,636,585	83.16	$876,857,476	$30,184,423	85.12
Asia	86,024,332	2,885,754	8.38	69,497,214	2,392,331	6.75
America	23,244,096	779,742	2.26	22,560,687	776,616	2.19
Others	63,611,933	2,133,912	6.20	61,221,060	2,107,437	5.94
Total	$1,026,536,958	$34,435,993	100.00	$1,030,136,437	$35,460,807	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

2014.3.31 (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	$30,815,270	$7,211,023	$3,254,915	$41,281,208	$129,217	$137,591	$41,548,016	$113,505	$1,527,273	$39,907,238
Others	66,031,413	2,041,218	45,512	68,118,143	3,230	47,964	68,169,337	16,389	627,890	67,525,058
Discounts and loans	648,844,928	365,183,563	41,005,577	1,055,034,068	457,011	24,863,993	1,080,355,072	4,854,262	9,768,335	1,065,732,475

2014.3.31 (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	$1,011,996	$236,815	$106,894	$1,355,705	$4,243	$4,519	$1,364,467	$3,728	$50,157	$1,310,582
Others	2,168,519	67,035	1,495	2,237,049	106	1,575	2,238,730	538	20,620	2,217,572
Discounts and loans	21,308,536	11,992,892	1,346,653	34,648,081	15,009	816,551	35,479,641	159,417	320,799	34,999,425

2013.12.31 (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	$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							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	$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

2013.3.31 (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	$26,316,036	$5,303,907	$2,755,303	$34,375,246	$125,560	$139,092	$34,639,898	$115,649	$1,653,373	$32,870,876
Others	35,259,486	2,501,348	29,335	37,790,169	3,343	63,160	37,856,672	11,852	157,493	37,687,327
Discounts and loans	659,000,267	269,563,077	35,867,119	964,430,463	468,821	31,074,794	995,974,078	4,404,817	9,158,968	982,410,293

2013.3.31 (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	$882,792	$177,924	$92,429	$1,153,145	$4,212	$4,666	$1,162,023	$3,879	$55,464	$1,102,680
Others	1,182,807	83,910	984	1,267,701	112	2,119	1,269,932	398	5,283	1,264,251
Discounts and loans	22,106,685	9,042,706	1,203,191	32,352,582	15,727	1,042,429	33,410,738	147,763	307,245	32,955,730

2013.1.1 (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	$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

2013.1.1 (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	$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

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

	Excellent		Good		Average		Total	
2014.3.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Consumer banking								
Residential mortgage loans	$198,819,149	$6,529,365	$54,465,324	$1,788,680	$11,932,807	$391,882	$265,217,280	$8,709,927
Unsecured personal loans	9,824,398	322,640	5,571,242	182,964	1,902,467	62,478	17,298,107	568,082
Other	169,120,164	5,554,028	40,865,630	1,342,057	7,162,954	235,237	217,148,748	7,131,322
Corporate banking								
Secured	71,579,172	2,350,711	116,030,730	3,810,533	18,332,748	602,061	205,942,650	6,763,305
Unsecured	199,502,045	6,551,792	148,250,637	4,868,658	1,674,601	54,995	349,427,283	11,475,445
Total	$648,844,928	$21,308,536	$365,183,563	$11,992,892	$41,005,577	$1,346,653	$1,055,034,068	$34,648,081

	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

2013.3.31	Excellent NT$	Excellent US$	Good NT$	Good US$	Average NT$	Average US$	Total NT$	Total US$
Consumer banking								
Residential mortgage loans	$219,733,198	$7,371,124	$43,881,144	$1,472,027	$7,540,145	$252,940	$271,154,487	$9,096,091
Unsecured personal loans	5,853,661	196,366	2,201,066	73,836	922,490	30,946	8,977,217	301,148
Other	138,040,632	4,630,682	30,429,800	1,020,792	5,450,737	182,849	173,921,169	5,834,323
Corporate banking								
Secured	109,816,242	3,683,873	101,209,634	3,395,157	14,825,665	497,339	225,851,541	7,576,369
Unsecured	185,556,534	6,224,640	91,841,433	3,080,894	7,128,082	239,117	284,526,049	9,544,651
Total	$659,000,267	$22,106,685	$269,563,077	$9,042,706	$35,867,119	$1,203,191	$964,430,463	$32,352,582

2013.1.1	Excellent NT$	Excellent US$	Good NT$	Good US$	Average NT$	Average US$	Total NT$	Total 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

C. Credit quality analysis on securities investment

2014.3.31 (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	$48,291,668	$1,227,429	$49,519,097	$-	$-	$49,519,097	$-	$49,519,097
Stocks	3,191,181	10,347,074	13,538,255	-	163,785	13,702,040	163,785	13,538,255
Others	68,641	445,205	513,846	-	-	513,846	-	513,846
Held-to-maturity financial assets								
Bonds	50,158,051	665,973	50,764,024	-	-	50,764,024	-	50,764,024
Investments in debt securities with no active market								
Bonds	7,206,036	351,489	7,557,525	-	1,317,337	8,874,862	1,317,337	7,557,525
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	270,800,000	-	270,800,000	-	-	270,800,000	-	270,800,000

2014.3.31 (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	$1,585,933	$40,310	$1,626,243	$-	$-	$1,626,243	$-	$1,626,243
Stocks	104,801	339,805	444,606	-	5,379	449,985	5,379	444,606
Others	2,254	14,621	16,875	-	-	16,875	-	16,875
Held-to-maturity financial assets								
Bonds	1,647,226	21,871	1,667,127	-	-	1,667,127	-	1,667,127
Investments in debt securities with no active market								
Bonds	236,652	11,543	248,195	-	43,262	291,457	43,262	248,195
Preferred Stocks	-	18,053	18,053	-	-	18,053	-	18,053
Others	8,893,268	-	8,893,268	-	-	8,893,268	-	8,893,268

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

2013.3.31 (NT$)	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	$64,095,827	$2,147,931	$66,243,758	$-	$-	$66,243,758	$-	$66,243,758
Stocks	4,258,719	8,192,790	12,451,509	-	438,941	12,890,450	438,941	12,451,509
Others	-	1,919,728	1,919,728	-	-	1,919,728	-	1,919,728
Held-to-maturity financial assets								
Bonds	47,419,885	592,363	48,012,248	-	-	48,012,248	-	48,012,248
Investments in debt securities with no active market								
Bonds	10,883,711	753,612	11,637,323	-	1,213,681	12,851,004	1,213,591	11,637,413
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	389,300,000	-	389,300,000	-	-	389,300,000	-	389,300,000

2013.3.31 (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	$2,150,145	$72,054	$2,222,199	$-	$-	$2,222,199	$-	$2,222,199
Stocks	142,862	274,834	417,696	-	14,724	432,420	14,724	417,696
Others	-	64,399	64,399	-	-	64,399	-	64,399
Held-to-maturity financial assets								
Bonds	1,590,738	19,871	1,610,609	-	-	1,610,609	-	1,610,609
Investments in debt securities with no active market								
Bonds	365,103	25,280	390,383	-	40,714	431,097	40,711	390,386
Preferred Stocks	-	18,441	18,441	-	-	18,441	-	18,441
Others	13,059,376	-	13,059,376	-	-	13,059,376	-	13,059,376

2013.1.1 (NT$)	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	$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

2013.1.1 (US$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	$1,656,962	$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

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	
2014.3.31	NT$	US$	NT$	US$	NT$	US$
Receivables						
Credit card business	$78,471	$2,577	$50,746	$1,666	$129,217	$4,243
Others	2,010	66	1,220	40	3,230	106
Discounts and loans						
Consumer banking						
Residential mortgage loans	179,039	5,880	61,398	2,016	240,437	7,896
Unsecured personal loans	16,602	545	15,288	502	31,890	1,047
Others	129,374	4,249	47,060	1,546	176,434	5,795
Corporate banking						
Secured	-	-	8,250	271	8,250	271

	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	
2013.3.31	NT$	US$	NT$	US$	NT$	US$
Receivables						
Credit card business	$71,027	$2,383	$54,533	$1,829	$125,560	$4,212
Others	2,298	77	1,045	35	3,343	112
Discounts and loans						
Consumer banking						
Residential mortgage loans	205,834	6,905	49,765	1,669	255,599	8,574
Unsecured personal loans	5,806	195	3,022	101	8,828	296
Others	142,643	4,785	61,751	2,072	204,394	6,857

	Less than 30 days		31 - 60 days		Total	
2013.1.1	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

(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$5,379), NT$163,785 (US$5,491), NT$438,941 (US$14,724) and NT$438,311 (US$15,088) as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, 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$1,221,751 (US$40,123), NT$1,199,326 (US$40,205), NT$1,107,748 (US$37,160) and NT$1,167,518 (US$40,190) as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, 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$3,139), NT$95,586 (US$3,204), NT$105,843 (US$3,551) and NT$106,215 (US$3,656) as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, respectively, due to the default on the convertible bonds.

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

D. Foreclosed properties management policy

Foreclosed properties of the Bank were land and buildings. As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2012, the carrying amounts were NT$0 (US$0), NT$0 (US$0), NT$29,311 (US$983) and NT$29,311 (US$1,009), respectively, and were made provisioning for impairment at the end of financial reporting period.

The carrying amount of foreclosed properties in CUBC Bank were NT$87,973 (US$2,889) and NT$89,686 (US$3,007) at 31 March 2014 and 31 December 2013, respectively.

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 and its subsidiaries 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.

2014.3.31 (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	$32,966,815	$5,085,226	$24,963,023	$18,184	$63,033,248
Funds borrowed from Central Bank and other banks	1,525,544	-	-	-	1,525,544
Derivative financial liabilities at fair value through profit or loss	-	-	580,726	-	580,726
Securities sold under agreements to repurchase	62,023,563	661,540	-	-	62,685,103
Payables	6,148,121	2,427,300	3,833,280	5,354,954	17,763,655
Deposits and remittances	264,269,176	652,702,566	626,382,590	66,776,842	1,610,131,174
Financial debentures payable	-	-	-	52,469,090	52,469,090
Other capital outflow at maturity	38,609,951	2,918,873	771,667	2,528,767	44,829,258

2014.3.31 (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	$1,082,654	$167,002	$819,804	$597	$2,070,057
Funds borrowed from Central Bank and other banks	50,100	-	-	-	50,100
Derivative financial liabilities at fair value through profit or loss	-	-	19,071	-	19,071
Securities sold under agreements to repurchase	2,036,899	21,725	-	-	2,058,624
Payables	201,909	79,714	125,888	175,860	583,371
Deposits and remittances	8,678,790	21,435,224	20,570,857	2,193,000	52,877,871
Financial debentures payable	-	-	-	1,723,123	1,723,123
Other capital outflow at maturity	1,267,979	95,858	25,342	83,046	1,472,225

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
Derivative 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
Derivative 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

2013.3.31 (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	$15,644,854	$11,184,268	$41,553,612	$243,130	$68,625,864
Funds borrowed from Central Bank and other banks	-	1,493,750	-	-	1,493,750
Securities sold under agreements to repurchase	32,636,357	2,063,709	-	-	34,700,066
Payables	14,828,292	1,137,405	2,871,935	2,422,845	21,260,477
Deposits and remittances	323,681,516	612,269,893	533,821,699	56,348,186	1,526,121,294
Financial debentures payable	-	-	-	42,705,232	42,705,232
Other capital outflow at maturity	9,892,458	2,369,758	1,222,791	4,758,667	18,243,674

2013.3.31 (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	$524,819	$375,185	$1,393,949	$8,156	$2,302,109
Funds borrowed from Central Bank and other banks	-	50,109	-	-	50,109
Securities sold under agreements to repurchase	1,094,812	69,229	-	-	1,164,041
Payables	497,427	38,155	96,341	81,276	713,199
Deposits and remittances	10,858,152	20,539,077	17,907,471	1,890,244	51,194,944
Financial debentures payable	-	-	-	1,432,581	1,432,581
Other capital outflow at maturity	331,850	79,496	41,020	159,633	611,999

2013.1.1(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	$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

2013.1.1(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	$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

(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:

2014.3.31 (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	$195,408	$115,648	$(123,001)	$(812,548)	$(624,493)
- Interest rate derivative instruments	5,299	58,054	56,356	4,417,364	4,537,073
Total	$200,707	$173,702	$(66,645)	$3,604,816	$3,912,580

2014.3.31 (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	$6,417	$3,798	$(4,039)	$(26,685)	$(20,509)
- Interest rate derivative instruments	174	1,907	1,850	145,070	149,001
Total	$6,591	$5,705	$(2,189)	$118,385	$128,492

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

2013.3.31 (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	$93,218	$28,849	$25,112	$(8,278)	$138,901
- Interest rate derivative instruments	10,481	35,729	24,426	1,291,229	1,361,865
Total	$103,699	$64,578	$49,538	$1,282,951	$1,500,766

2013.3.31 (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	$3,127	$968	$842	$(277)	$4,660
- Interest rate derivative instruments	352	1,198	820	43,315	45,685
Total	$3,479	$2,166	$1,662	$43,038	$50,345

2013.1.1(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	$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

2013.1.1(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	$1,976	$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

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:

2014.3.31 (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	$(1,264,459)	$(1,430,720)	$(866,041)	$610,638	$(2,950,582)
-Cash inflow	186,707	218,730	318,835	39,263	763,535
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	(161,819)	(76,410)	(244,226)	(182,423)	(664,878)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,426,278)	(1,507,130)	(1,110,267)	428,215	(3,615,460)
Cash inflow subtotal	186,707	218,730	318,835	39,263	763,535
Net cash flow	$(1,239,571)	$(1,288,400)	$(791,432)	$467,478	$(2,851,925)

2014.3.31 (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	$(41,526)	$(46,986)	$(28,441)	$20,054	$(96,899)
-Cash inflow	6,132	7,183	10,471	1,289	25,075
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	(5,314)	(2,509)	(8,021)	(5,991)	(21,835)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(46,840)	(49,495)	(36,462)	14,063	(118,734)
Cash inflow subtotal	6,132	7,183	10,471	1,289	25,075
Net cash flow	$(40,708)	$(42,312)	$(25,991)	$15,352	$(93,659)

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)

2013.3.31 (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	$(1,155,100)	$(1,635,994)	$(540,442)	$(164,861)	$(3,496,397)
-Cash inflow	114,996	148,071	76,940	101,273	441,280
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(13,292)	(179,927)	(203,086)	(396,305)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,155,100)	(1,649,286)	(720,369)	(367,947)	(3,892,702)
Cash inflow subtotal	114,996	148,071	76,940	101,273	441,280
Net cash flow	$(1,040,104)	$(1,501,215)	$(643,429)	$(266,674)	$(3,451,422)

2013.3.31 (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	$(38,749)	$(54,881)	$(18,130)	$(5,530)	$(117,290)
-Cash inflow	3,858	4,967	2,581	3,397	14,803
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(446)	(6,035)	(6,813)	(13,294)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(38,749)	(55,327)	(24,165)	(12,343)	(130,584)
Cash inflow subtotal	3,858	4,967	2,581	3,397	14,803
Net cash flow	$(34,891)	$(50,360)	$(21,584)	$(8,946)	$(115,781)

2013.1.1(NT$)	0-30 days	30-180 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)

2013.1.1(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	$(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)

(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	
2014.3.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Irrevocable commitments	$156,972,651	$5,155,095	$215,923,527	$7,091,084	$269,094,199	$8,837,248	$641,990,377	$21,083,427
Financial guarantee contracts	16,015,423	525,958	779,891	25,613	11,114	365	16,806,428	551,936
Leasing commitments								
Non-cancellable operating lease payments	649,691	21,337	802,216	26,345	100,506	3,300	1,552,413	50,982
Total	$173,637,765	$5,702,390	$217,505,634	$7,143,042	$269,205,819	$8,840,913	$660,349,218	$21,686,345

	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	
2013.3.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Irrevocable commitments	$58,041,882	$1,947,061	$139,844,308	$4,691,188	$197,529,271	$6,626,275	$395,415,461	$13,264,524
Financial guarantee contracts	15,773,339	529,129	723,879	24,283	4,019	135	16,501,237	553,547
Leasing commitments								
Non-cancellable operating lease payments	533,081	17,883	506,983	17,007	119,836	4,020	1,159,900	38,910
Total	$74,348,302	$2,494,073	$141,075,170	$4,732,478	$197,653,126	$6,630,430	$413,076,598	$13,856,981

	Not later than 1 year		1~5 year		Later than 5 year		Total	
2013.1.1	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

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

The assets and liabilities managed under the Bank's trust were NT$480,079,257 (US$15,766,150), NT$470,844,297 (US$15,784,254), NT$486,754,616 (US$16,328,568) and NT$474,721,352 (US$16,341,527) as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, respectively.

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:

	2014.3.31			2013.12.31		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	$8,783,620	30.5100	$267,988,246	$7,427,530	29.9500	$222,454,524
HKD	4,664,245	3.9329	18,344,009	2,937,369	3.8627	11,346,175
CNY	24,033,354	4.9085	117,967,718	12,209,077	4.9431	60,350,689

	2014.3.31			2013.12.31		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial liabilities						
Monetary Items						
USD	$7,017,235	30.5100	$214,095,840	$7,367,326	29.9500	$220,651,414
CNY	6,845,231	4.9085	33,599,816	6,031,058	4.9431	29,812,123
AUD	409,975	28.1577	11,543,953	421,709	26.7004	11,259,799

	2013.3.31			2013.1.1		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	$5,546,007	29.8750	$165,686,959	$6,041,510	29.1360	$176,025,435
HKD	3,542,623	3.8487	13,634,493	3,600,008	3.7586	13,530,990
CNY	681,347	4.8147	3,280,481	1,304,373	4.6794	6,103,683
Financial liabilities						
Monetary Items						
USD	6,324,769	29.8750	188,952,474	6,740,878	29.1360	196,402,221
CNY	1,901,790	4.8147	9,156,548	1,774,508	4.6794	8,303,633
AUD	175,249	31.1268	5,454,941	183,671	30.2650	5,558,803

XII. Accounting judgements

For the financial statements to provide more reliable and relevant information, the Bank and its subsidiaries changed the subsequent measurement voluntarily as of 31 December 2014. The investment property changes from the cost model to fair value model reflected the true value of the assets. After the retroactive application of this new accounting policy, its effects are summarized below:

	2013.12.31		2013.3.31		2013.1.1	
	NT$	US$	NT$	US$	NT$	US$
Effect on the consolidated balance sheets						
Increase in property and equipment, net	$247,506	$8,297	$-	$-	$-	$-
Increase in assets held for sale, net	13,471	452	-	-	-	-
Increase in investment properties, net	1,762,924	59,099	1,729,886	58,031	1,714,078	59,004
Increase in deferred tax assets	10,286	345	14,766	495	17,453	601
Increase in tax liabilities	122,937	4,121	140,064	4,699	112,422	3,870
Increase in retained earnings	1,765,271	59,178	1,604,588	53,827	1,619,109	55,735
Increase in other equity	145,979	4,894	-	-	-	-

	2013.1.1-2013.12.31		2013.1.1-2013.3.31	
	NT$	US$	NT$	US$
Effects on the consolidated statements of comprehensive income				
Increase in non-interest income	$104,438	$3,501	$-	$-
Decrease in operating expenses	64,805	2,172	15,809	530
Increase in income tax expenses	23,081	774	30,330	1,017
Increase (decrease) in net income	146,162	4,900	(14,521)	(487)
Increase in other comprehensive income	145,979	4,894	-	-
Increase (decrease) in earnings per share	0.02	0.0007	(0.01)	(0.0003)

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 Note IV mentioned above.

2014.1.1-2014.3.31	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)	$1,597,100	$52,450	$1,288,618	$42,319	$2,058,606	$67,606	$1,260,263	$41,388	$6,204,587	$203,763
Inter-segment revenues	$(1,110,698)	$(36,476)	$2,600,337	$85,397	$(589,427)	$(19,357)	$(900,212)	$(29,564)	$-	$-
Segment net income	$425,094	$13,960	$2,892,214	$94,982	$2,104,991	$69,130	$804,564	$26,423	$6,226,863	$204,495
Income tax expense									(774,557)	(25,437)
Net income after income taxes									$5,452,306	$179,058

2013.1.1-2013.3.31	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)	$1,650,279	$55,360	$1,078,368	$36,175	$1,825,056	$61,223	$734,270	$24,631	$5,287,973	$177,389
Inter-segment revenues	$(1,006,894)	$(33,777)	$2,174,017	$72,929	$(155,975)	$(5,232)	$(1,011,148)	$(33,920)	$-	$-
Segment net income	$570,623	$19,142	$2,584,186	$86,689	$1,698,951	$56,993	$(595,743)	$(19,985)	$4,258,017	$142,839
Income tax expense									(618,893)	(20,761)
Net income after income taxes									$3,639,124	$122,078

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 three-month periods ended 31 March 2014 and 2013.

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.