

Cathay United Bank and Its Subsidiaries
Consolidated Financial Statements
For The Six-Month Periods Ended
30 June 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.

Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

The Board of Directors
Cathay United Bank

We have audited the accompanying consolidated balance sheets of Cathay United Bank and its subsidiaries as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended 30 June 2014 and 2013, the consolidated statements of changes in equity and cash flows for the six-month periods ended 30 June 2014 and 2013. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, and the consolidated results of its operations for the three-month and six-month periods ended 30 June 2014 and 2013, and the consolidated cash flows for the six-month periods ended 30 June 2014 and 2013 in conformity with requirements of the "Regulations Governing the Preparation of Financial Reports by Public Banks", the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the "Regulations Governing the Preparation of Financial Reports by Securities Firms", IASs34 "Interim Financial Reporting" and IFRS 1 "First-time Adoption of International Financial Reporting Standards" as recognized by Financial Supervisory Commission.

As described in Note IV to the consolidated financial statements, effective 1 January 2014, the Bank and its subsidiaries have changed the accounting policy regarding subsequent measurements of investment properties from cost model to fair value model and restated retrospectively the consolidated financial statements for the six-month period ended 30 June 2013 and the consolidated balance sheets as of 1 January 2013 and 31 December 2013.

In addition, we have also audited the financial statements of the Bank as of and for the six-month periods ended 30 June 2014 and 2013, on which we have issued a modified unqualified opinion.



ERNST & YOUNG
Taipei, Taiwan
The Republic of China
27 August, 2014

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated balance sheets

30 June 2014 and 31 December 2013

(Expressed in thousands of dollars)

Assets	Notes	2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Cash and cash equivalents	IV, VI and VII	\$111,004,855	\$3,716,266	\$68,239,741	\$2,287,621
Due from the Central Bank and call loans to banks	VI and VII	136,630,902	4,574,185	151,945,066	5,093,700
Financial assets at fair value through profit or loss	IV, V and VI	130,210,052	4,359,225	163,059,557	5,466,294
Derivative financial assets for hedging	IV and VI	637,445	21,341	837,179	28,065
Securities purchased under agreements to resell	IV	19,216,895	643,351	7,645,763	256,311
Receivables, net	IV, V, VI and VII	83,992,493	2,811,935	120,778,165	4,048,882
Assets held for sale, net		-	-	81,950	2,747
Discounts and loans, net	IV, V, VI and VII	1,109,998,324	37,160,975	1,031,105,321	34,566,052
Available-for-sale financial assets, net	IV, V and VI	65,241,138	2,184,169	67,908,890	2,276,530
Held-to-maturity financial assets, net	IV, V and VI	51,663,009	1,729,595	51,395,078	1,722,933
Investments accounted for using equity method, net	IV and VI	1,608,067	53,835	1,626,674	54,531
Other financial assets, net	IV and V	4,223	141	22,154	743
Investments in debt securities with no active market, net	IV, V and VI	331,806,014	11,108,337	280,272,013	9,395,642
Property and equipment, net	IV, VI and VII	22,850,797	765,008	22,864,329	766,488
Investment property, net	IV, V and VI	4,371,164	146,340	4,479,508	150,168
Intangible assets, net	IV, V and VI	7,374,294	246,880	7,374,860	247,230
Deferred tax assets	IV and V	1,215,822	40,704	1,456,700	48,834
Other assets, net	IV, VI and VII	11,901,119	398,430	7,681,266	257,501
Total assets		\$2,089,726,613	\$69,960,717	\$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)

30 June 2013 and 1 January 2013

(Expressed in thousands of dollars)

Assets	Notes	2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Cash and cash equivalents	IV, VI and VII	\$45,029,099	\$1,502,974	\$34,974,286	\$1,203,934
Due from the Central Bank and call loans to banks	VI and VII	96,294,885	3,214,115	109,003,762	3,752,281
Financial assets at fair value through profit or loss	IV, V and VI	77,106,212	2,573,639	67,937,886	2,338,654
Derivative financial assets for hedging	IV and VI	1,017,819	33,973	1,203,138	41,416
Securities purchased under agreements to resell	IV	5,492,597	183,331	-	-
Receivables, net	IV, V, VI and VII	84,163,846	2,809,207	50,742,276	1,746,722
Discounts and loans, net	IV, V, VI and VII	996,777,238	33,270,268	1,003,183,193	34,532,984
Available-for-sale financial assets, net	IV, V and VI	59,122,316	1,973,375	63,955,328	2,201,560
Held-to-maturity financial assets, net	IV, V and VI	49,947,770	1,667,148	21,668,974	745,920
Investments accounted for using equity method, net	IV and VI	1,524,533	50,886	1,565,227	53,881
Other financial assets, net	IV and V	656,262	21,905	13,821	476
Investments in debt securities with no active market, net	IV, V and VI	442,136,122	14,757,547	424,043,663	14,597,028
Property and equipment, net	IV, VI and VII	22,373,735	746,787	22,395,935	770,944
Investment property, net	IV, V and VI	4,491,254	149,908	4,439,924	152,837
Intangible assets, net	IV, V and VI	7,118,186	237,590	7,488,272	257,772
Deferred tax assets	IV and V	1,663,467	55,523	1,562,335	53,781
Other assets, net	IV, VI and VII	7,221,902	241,051	4,922,516	169,450
Total assets		\$1,902,137,243	\$63,489,227	\$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)

30 June 2014 and 31 December 2013

(Expressed in thousands of dollars)

Liabilities and equity	Notes	2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
Liabilities					
Due to the Central Bank and call loans from banks	VI and VII	\$66,777,514	\$2,235,605	\$56,985,225	\$1,910,333
Funds borrowed from the Central Bank and other banks		1,495,750	50,075	1,497,500	50,201
Financial liabilities at fair value through profit or loss	IV, V and VI	13,350,569	446,956	11,271,187	377,847
Securities sold under agreements to repurchase	IV, VI and VII	62,862,503	2,104,536	58,681,600	1,967,201
Payables	VI and VII	15,358,243	514,169	15,156,034	508,080
Deposits and remittances	VI and VII	1,650,316,564	55,249,969	1,615,860,463	54,168,973
Financial debentures payable	IV and VI	67,214,791	2,250,244	52,417,213	1,757,198
Other financial liabilities	VI	65,070,447	2,178,455	36,145,158	1,211,705
Provisions	IV, V and VI	2,119,014	70,941	2,035,564	68,239
Deferred tax liabilities	IV and V	817,809	27,379	677,593	22,716
Other liabilities	VI and VII	5,506,137	184,337	4,882,804	163,687
Total liabilities		1,950,889,341	65,312,666	1,855,610,341	62,206,180
Equity					
Equity attribute to equity holders of parent					
Capital stock	VI				
Common stock		67,112,762	2,246,828	64,668,494	2,167,901
Capital reserves	VI	23,969,412	802,458	23,971,498	803,604
Retained earnings	VI				
Legal reserves		29,772,901	996,749	26,281,089	881,029
Special reserves		1,880,952	62,971	1,890,118	63,363
Undistributed earnings		10,685,071	357,719	11,785,535	395,090
Other equity		2,043,235	68,405	1,128,149	37,819
Subtotal		135,464,333	4,535,130	129,724,883	4,348,806
Non-controlling interests	VI	3,372,939	112,921	3,438,990	115,286
Total equity		138,837,272	4,648,051	133,163,873	4,464,092
Total liabilities and equity		\$2,089,726,613	\$69,960,717	\$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)

30 June 2013 and 1 January 2013

(Expressed in thousands of dollars)

Liabilities and equity	Notes	2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
Liabilities					
Due to the Central Bank and call loans from banks	VI and VII	\$46,082,011	\$1,538,118	\$56,931,773	\$1,959,786
Funds borrowed from the Central Bank and other banks		1,506,000	50,267	1,456,800	50,148
Financial liabilities at fair value through profit or loss	IV, V and VI	7,178,537	239,604	4,967,738	171,006
Securities sold under agreements to repurchase	IV, VI and VII	56,427,177	1,883,417	20,369,249	701,179
Payables	VI and VII	26,131,432	872,211	22,153,186	762,588
Deposits and remittances	VI and VII	1,570,467,561	52,418,810	1,539,774,066	53,004,271
Financial debentures payable	IV and VI	52,649,271	1,757,319	42,518,631	1,463,636
Other financial liabilities	VI	20,578,371	686,862	17,426,191	599,869
Provisions	IV, V and VI	2,009,171	67,062	2,009,384	69,170
Deferred tax liabilities	IV and V	597,707	19,950	650,472	22,392
Other liabilities	VI and VII	4,360,689	145,550	4,219,338	145,244
Total liabilities		1,787,987,927	59,679,170	1,712,476,828	58,949,289
Equity					
Equity attribute to equity holders of parent					
Capital stock	VI				
Common stock		52,277,026	1,744,894	52,277,026	1,799,554
Reserves for capital increase		9,147,688	305,330	-	-
Capital reserves	VI	15,213,292	507,787	15,213,292	523,693
Retained earnings	VI				
Legal reserves		26,281,089	877,206	22,360,652	769,730
Special reserves		1,890,118	63,088	1,890,118	65,064
Undistributed earnings		5,205,203	173,738	10,512,233	361,866
Other equity		1,244,118	41,526	1,403,373	48,309
Subtotal		111,258,534	3,713,569	103,656,694	3,568,216
Non-controlling interests	VI	2,890,782	96,488	2,967,014	102,135
Total equity		114,149,316	3,810,057	106,623,708	3,670,351
Total liabilities and equity		\$1,902,137,243	\$63,489,227	\$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 30 June 2014 and 2013

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

Items	Notes	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
		NT\$	US\$	NT\$	US\$
Interest income	IV, VI and VII	\$10,060,129	\$336,797	\$8,546,405	\$285,261
Interest expense	VI and VII	(3,686,373)	(123,414)	(3,059,479)	(102,119)
Net interest income		6,373,756	213,383	5,486,926	183,142
Non-interest income					
Net fee income	IV, VI and VII	2,562,517	85,789	2,328,354	77,716
Gain on financial assets and liabilities at fair value through profit or loss	VI and VII	1,215,053	40,678	638,632	21,316
Realized gain on available-for-sale financial assets		901,865	30,193	152,690	5,097
Gain on foreign currency exchange, net	IV	226,734	7,591	320,603	10,701
Investment income recognized by the equity method		17,389	582	8,636	288
Gain on investment in debt securities with no active market		-	-	221,744	7,401
Others	IV, VI and VII	213,325	7,142	325,561	10,866
Net noninterest income		5,136,883	171,975	3,996,220	133,385
Net operating income		11,510,639	385,358	9,483,146	316,527
Bad debt expense and losses on guarantees		(262,973)	(8,804)	(90,088)	(3,007)
Operating expenses					
Employee benefits expenses	IV, V and VI	(2,460,503)	(82,374)	(2,237,044)	(74,668)
Depreciation and amortization expenses	VI	(261,837)	(8,766)	(281,776)	(9,405)
Other general and administrative expenses	IV, VI and VII	(2,521,688)	(84,422)	(2,054,116)	(68,562)
Total operating expenses		(5,244,028)	(175,562)	(4,572,936)	(152,635)
Income from continuing operations before income taxes		6,003,638	200,992	4,820,122	160,885
Income tax expense	IV and VI	(827,584)	(27,706)	(579,464)	(19,341)
Net income		5,176,054	173,286	4,240,658	141,544
Other comprehensive income					
Exchange differences on translation of foreign operations	VI	(393,345)	(13,169)	97,711	3,262
Net gains (losses) on available-for-sale financial assets		626,183	20,964	(285,329)	(9,524)
Share of other comprehensive profit of associates		14,778	495	(27,775)	(927)
Income tax relating to components of other comprehensive income		50,537	1,692	14,046	469
Other comprehensive income		298,153	9,982	(201,347)	(6,720)
Total comprehensive income		\$5,474,207	\$183,268	\$4,039,311	\$134,824
Net income attributable to:					
Equity holders of the parent		\$5,137,671	\$172,001	\$4,189,568	\$139,839
Non-controlling interests		38,383	1,285	51,090	1,705
Net income		\$5,176,054	\$173,286	\$4,240,658	\$141,544
Net comprehensive income attributable to:					
Equity holders of the parent		\$5,499,694	\$184,121	\$3,969,851	\$132,505
Non-controlling interests		(25,487)	(853)	69,460	2,319
Total comprehensive income		\$5,474,207	\$183,268	\$4,039,311	\$134,824
Earnings per share (In dollars)					
Net income from continuing operations	VI	\$0.77	\$0.0258	\$0.66	\$0.0220

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 six-month periods ended 30 June 2014 and 2013

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

Items	Notes	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
		NT\$	US\$	NT\$	US\$
Interest income	IV, VI and VII	\$19,836,769	\$664,103	\$17,207,051	\$574,334
Interest expense	VI and VII	(7,258,426)	(243,000)	(6,432,152)	(214,691)
Net interest income		12,578,343	421,103	10,774,899	359,643
Non-interest income					
Net fee income	IV, VI and VII	5,196,299	173,964	4,411,859	147,258
Gain on financial assets and liabilities at fair value through profit or loss	VI and VII	2,692,169	90,129	1,202,185	40,126
Realized gain on available-for-sale financial assets		1,214,795	40,669	528,075	17,626
Gain on foreign currency exchange, net	IV	487,532	16,322	531,694	17,747
Impairment loss of assets		(7,123)	(238)	-	-
Investment income recognized by the equity method		33,639	1,126	11,249	375
Gain on investment in debt securities with no active market		-	-	229,627	7,665
Others	IV, VI and VII	609,141	20,393	488,136	16,293
Net noninterest income		10,226,452	342,365	7,402,825	247,090
Net operating income		22,804,795	763,468	18,177,724	606,733
Bad debt expense and losses on guarantees		(127,572)	(4,271)	34,096	1,138
Operating expenses					
Employee benefits expenses	IV, V and VI	(4,883,725)	(163,499)	(4,502,741)	(150,292)
Depreciation and amortization expenses	VI	(524,721)	(17,567)	(569,193)	(18,998)
Other general and administrative expenses	IV, VI and VII	(5,038,276)	(168,673)	(4,061,747)	(135,572)
Total operating expenses		(10,446,722)	(349,739)	(9,133,681)	(304,862)
Income from continuing operations before income taxes		12,230,501	409,458	9,078,139	303,009
Income tax expense	IV and VI	(1,602,141)	(53,637)	(1,198,357)	(39,999)
Net income		10,628,360	355,821	7,879,782	263,010
Other comprehensive income					
Exchange differences on translation of foreign operations	VI	(91,407)	(3,060)	475,582	15,874
Net gains (losses) on available-for-sale financial assets		982,894	32,905	(485,907)	(16,218)
Share of other comprehensive profit of associates		14,778	495	(18,035)	(602)
Income tax relating to components of other comprehensive income		9,368	314	(26,890)	(898)
Other comprehensive income		915,633	30,654	(55,250)	(1,844)
Total comprehensive income		\$11,543,993	\$386,475	\$7,824,532	\$261,166
Net income attributable to:					
Equity holders of the parent		\$10,529,743	\$352,519	\$7,761,095	\$259,049
Non-controlling interests		98,617	3,302	118,687	3,961
Net income		\$10,628,360	\$355,821	\$7,879,782	\$263,010
Net comprehensive income attributable to:					
Equity holders of the parent		\$11,444,829	\$383,155	\$7,601,840	\$253,733
Non-controlling interests		99,164	3,320	222,692	7,433
Total comprehensive income		\$11,543,993	\$386,475	\$7,824,532	\$261,166
Earnings per share (In dollars)					
Net income from continuing operations	VI	\$1.57	\$0.0526	\$1.22	\$0.0407

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 six-month periods ended 30 June 2014 and 2013

(Expressed in thousands of dollars)

ITEMS	Equity attribute to equity holders of parent																									
	Capital stock				Retained earnings								Equity adjustment													
	Capital stock		Stock dividends		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 interest		Total Equity	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
Balance, 1 January 2013	\$52,277,026	\$1,744,894	\$-	\$-	\$15,213,292	\$507,787	\$22,360,652	\$746,350	\$1,890,118	\$63,088	\$10,512,233	\$350,875	\$(601,247)	\$(20,068)	\$2,005,850	\$66,951	\$-	\$-	\$(1,230)	\$(41)	\$103,656,694	\$3,459,836	\$2,967,014	\$99,032	\$106,623,708	\$3,558,868
Earnings appropriation and distribution (Note)																										
Legal reserves	-	-	-	-	-	-	3,920,437	130,856	-	-	(3,920,437)	(130,856)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock dividends	-	-	9,147,688	305,330	-	-	-	-	-	-	(9,147,688)	(305,330)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	7,761,095	259,049	-	-	-	-	-	-	-	-	7,761,095	259,049	118,687	3,962	7,879,782	263,011
Other comprehensive income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	-	-	315,436	10,528	(474,691)	(15,844)	-	-	-	-	(159,255)	(5,316)	104,005	3,472	(55,250)	(1,844)
Total comprehensive income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	7,761,095	259,049	315,436	10,528	(474,691)	(15,844)	-	-	-	-	7,601,840	253,733	222,692	7,434	7,824,532	261,167
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(298,924)	(9,978)	(298,924)	(9,978)
Balance, 30 June 2013	\$52,277,026	\$1,744,894	\$9,147,688	\$305,330	\$15,213,292	\$507,787	\$26,281,089	\$877,206	\$1,890,118	\$63,088	\$5,205,203	\$173,738	\$(285,811)	\$(9,540)	\$1,531,159	\$51,107	\$-	\$-	\$(1,230)	\$(41)	\$111,258,534	\$3,713,569	\$2,890,782	\$96,488	\$114,149,316	\$3,810,057
Balance, 1 January 2014	\$64,668,494	\$2,164,998	\$-	\$-	\$23,971,498	\$802,528	\$26,281,089	\$879,849	\$1,890,118	\$63,278	\$11,785,535	\$394,560	\$(309,082)	\$(10,347)	\$1,292,205	\$43,261	\$145,979	\$4,887	\$(953)	\$(32)	\$129,724,883	\$4,342,982	\$3,438,990	\$115,132	\$133,163,873	\$4,458,114
Earnings appropriation and distribution (Note)																										
Legal reserves	-	-	-	-	-	-	3,491,812	116,900	-	-	(3,491,812)	(116,900)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	(5,703,293)	(190,937)	-	-	-	-	-	-	-	-	(5,703,293)	(190,937)	-	-	(5,703,293)	(190,937)
Stock dividends	2,444,268	\$1,830	-	-	-	-	-	-	-	-	(2,444,268)	(81,830)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the six-month period ended 30 June 2014	-	-	-	-	-	-	-	-	-	-	10,529,743	352,519	-	-	-	-	-	-	-	-	10,529,743	352,519	98,617	3,302	10,628,360	355,821
Other comprehensive income for the six-month period ended 30 June 2014	-	-	-	-	-	-	-	-	-	-	-	-	(71,916)	(2,408)	987,002	33,044	-	-	-	-	915,086	30,636	547	18	915,633	30,654
Total comprehensive income for the six-month period ended 30 June 2014	-	-	-	-	-	-	-	-	-	-	10,529,743	352,519	(71,916)	(2,408)	987,002	33,044	-	-	-	-	11,444,829	383,155	99,164	3,320	11,543,993	386,475
Price difference between book value and fair value on purchase of subsidiary eq	-	-	-	-	(2,086)	(70)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,086)	(70)	-	-	(2,086)	(70)
Reversal of special reserves	-	-	-	-	-	-	-	-	(9,166)	(307)	9,166	307	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(165,215)	(5,531)	(165,215)	(5,531)
Balance, 30 June 2014	\$67,112,762	\$2,246,828	\$-	\$-	\$23,969,412	\$802,458	\$29,772,901	\$996,749	\$1,880,952	\$62,971	\$10,685,071	\$357,719	\$(380,998)	\$(12,755)	\$2,279,207	\$76,305	\$145,979	\$4,887	\$(953)	\$(32)	\$135,464,333	\$4,535,130	\$3,372,939	\$112,921	\$138,837,272	\$4,648,051

Note: Bouns to employees NTS1,500 thousands deducted from consolidated statements of comprehensive income

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

English Translation of Financial Statements Originally Issued in Chinese
Cathay United Bank and Its Subsidiaries
Consolidated statements of cash flows
For the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars)

Items	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Operating activities				
Net income before income tax	\$12,230,501	\$409,458	\$9,078,139	\$303,009
Adjustment items:				
Non-cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation expenses	436,683	14,620	462,236	15,428
Amortization expenses	88,038	2,947	106,957	3,570
(Reversal of) bad debt expenses	127,572	4,271	(34,096)	(1,138)
Interest expense	7,258,426	243,000	6,432,152	214,691
Interest income	(19,836,769)	(664,103)	(17,207,051)	(574,334)
Dividends income	(261,941)	(8,770)	(97,560)	(3,256)
Proportionate share of gains from associates or joint venture under equity method	(33,639)	(1,126)	(11,249)	(375)
(Gain) loss on disposal of property and equipment	(31,277)	(1,047)	6,083	203
Gain on disposal of investment properties	(34,506)	(1,155)	-	-
Impairment loss of non-financial assets	7,123	238	-	-
Gain on valuation of investment properties	(7,611)	(255)	(51,330)	(1,713)
Foreign currency translation adjustment	(5,497)	(184)	(26,730)	(892)
Change in operating assets and liabilities				
Increase in due from the Central Bank and call loans to banks	(2,635,479)	(88,232)	(2,017,011)	(67,324)
(Increase) decrease in financial assets at fair value through profit or loss	32,860,432	1,100,115	(9,164,598)	(305,895)
Decrease in derivative financial assets for hedging	199,734	6,687	185,319	6,185
(Increase) decrease in receivables	38,411,735	1,285,964	(33,994,869)	(1,134,675)
(Increase) decrease in discounts and loans	(79,132,516)	(2,649,231)	6,009,400	200,581
Decrease in available-for-sale financial assets	3,649,601	122,183	4,441,815	148,258
Increase in held-to-maturity financial assets	(301,119)	(10,081)	(28,252,276)	(943,000)
Decrease in other financial assets	17,931	600	8,938	298
Increase in investments in debt securities with no active market	(51,534,002)	(1,725,276)	(18,092,459)	(603,887)
(Increase) decrease in other assets	(3,202,542)	(107,216)	222,924	7,441
Increase (decrease) in due to the Central Bank and other banks	10,455,328	350,028	(11,226,670)	(374,722)
Increase in financial liabilities at fair value through profit or loss	2,088,888	69,933	2,210,799	73,792
Increase in securities sold under agreements to repurchase	4,180,903	139,970	36,057,928	1,203,536
Increase (decrease) in payables	(419,858)	(14,056)	4,179,104	139,489
Increase in deposits and remittances	34,449,297	1,153,307	31,911,531	1,065,138
Increase in other financial liabilities	28,925,289	968,373	3,152,180	105,213
Increase (decrease) in provisions	73,880	2,473	(213)	(7)
Increase (decrease) in other liabilities	740,233	24,782	(415,852)	(13,880)
Cash flows from operating activities	18,764,838	628,217	(16,126,459)	(538,266)
Interest received	18,402,120	616,073	16,981,784	566,815
Cash dividends received	261,941	8,770	97,560	3,256
Interest paid	(6,657,147)	(222,871)	(6,471,301)	(215,998)
Income tax paid	(1,346,231)	(45,070)	(273,637)	(9,133)
Net cash flows from (used in) operating activities	29,425,521	985,119	(5,792,053)	(193,326)
Investing activities				
Capital return due to capital decrease in equity-accounted investee	509	17	-	-
Purchase of property and equipment	(399,459)	(13,373)	(659,403)	(22,010)
Proceeds from sale of property and equipment	51,976	1,740	349	12
Proceeds from sale of assets held for sale	65,981	2,209	(27,368)	(914)
Purchase of intangible assets	(43,207)	(1,447)	-	-
Proceeds from sale of investment properties	98,483	3,297	-	-
Increase in other assets	(883,562)	(29,580)	(2,284,521)	(76,252)
Cash dividends received	1,187	40	9,378	313
Net cash flows used in investing activities	(1,108,092)	(37,097)	(2,961,565)	(98,851)
Financing activities				
Increase (decrease) in funds borrowed from the Central Bank and call loans from banks	(1,750)	(58)	49,200	1,642
Increase in financial debentures payable	14,797,578	495,399	10,130,640	338,139
Decrease in other financial liabilities	-	-	(211,978)	(7,075)
Decrease in other liabilities	(23,261)	(779)	-	-
Distribution of cash dividends	(5,703,293)	(190,937)	-	-
Net cash flows from financing activities	9,069,274	303,625	9,967,862	332,706
Effects of foreign exchange rate changes	(91,465)	(3,062)	711,979	23,764
Net increase in cash and cash equivalents	37,295,238	1,248,585	1,926,223	64,293
Cash and cash equivalents at beginning of the period	184,944,809	6,191,658	102,950,210	3,436,255
Cash and cash equivalents at end of the period	\$222,240,047	\$7,440,243	\$104,876,433	\$3,500,548
The components of cash and cash equivalents				
Cash and cash equivalents in balance sheet	\$111,004,855	\$3,716,266	\$45,029,099	\$1,502,974
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	92,018,297	3,080,626	54,354,737	1,814,243
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	19,216,895	643,351	5,492,597	183,331
Cash and cash equivalents at end of the period	\$222,240,047	\$7,440,243	\$104,876,433	\$3,500,548

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Notes to consolidated financial statements

For the six-month periods ended 30 June 2014 and 2013

(Amounts in thousands except for share and per share data and unless otherwise stated)

I. Business

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

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

The Bank merged with Lucky Bank on 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 30 June 2014 and 2013, the Bank and its subsidiaries employed 9,076 and 8,167 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 six-month periods ended 30 June 2014 and 2013 were authorized for issue in accordance with the Board of Directors’ resolution on 27 August 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 of 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.

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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.

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(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.

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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) *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.

(2) *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.

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(3) *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.

(4) *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.

(5) *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.

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(6) *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.

(7) *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.

(8) *IFRS 11 “Joint Arrangements” (Accounting for Acquisitions of Interests in Joint Operations)*

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 “Business Combinations”, and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after 1 January 2016.

(9) *IAS 16 “Property, Plant and Equipment and IAS 38 “Intangible Assets” — Clarification of Acceptable Methods of Depreciation and Amortization*

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after 1 January 2016.

(10) *IFRS 15 “Revenue from Contracts with Customers”*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The Standard is effective for annual periods beginning on or after 1 January 2017.

(11) *IAS 16 “Property, Plant and Equipment and IAS 41 “Agriculture”* — Agriculture: Bearer Plants

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendment is effective for annual periods beginning on or after 1 January 2016.

(12) *IFRS 9 “Financial Instruments”*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that ‘own credit risk’ adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018.

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 .

IV. Summary of significant accounting policies

1. Statement of compliance

The consolidated financial statements of the Group for the six-month periods ended 30 June 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 investments 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 Notes VI.

3. Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

If the Bank loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of ownership (%)			
			2014.6.30	2013.12.31	2013.6.30	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%

Investor	Subsidiary	Business nature	Percentage of ownership (%)			
			2014.6.30	2013.12.31	2013.6.30	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 as of 14 January 2014.	Wholesale banking	100%	100%	-	70%

The Bank acquired 70% of the voting shares of SBC Bank for US\$22,500 on 13 December 2012. As the major shareholders have different opinions regarding the operation and management of SBC Bank, the Bank could not comply with the supervision procedure and accounting policy of subsidiaries and lost the power to participate in the operating policy decision making and the influence over SBC Bank. SBC Bank is not deemed consolidated entity in accordance with IAS 27 "Consolidate and Separate Financial Statements" and were classified as financial assets carried at cost in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The Bank 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.

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The Board of the Bank approved that raised capital of CUBC by US\$43,000 thousands, and after that, the paid-in capital is amounted to US\$60,000 thousands. The Bank had transferred investment US\$43,000 which is presented as “investment accounted for using equity method”.

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, and for the six-month periods ended 30 June 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.

Investor	Subsidiary	Business nature	Percentage of ownership (%)			
			2014.6.30	2013.12.31	2013.6.30	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.

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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.

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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.

English Translation of Financial Statements Originally Issued in Chinese

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

- (1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (2) Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.
- (3) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

7. Translation of financial statements in foreign currency

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

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

8. Cash and cash equivalents

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

9. Bills and bonds under repurchase or resell agreements

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

10. Financial assets and financial liabilities

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

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

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

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

(2) Held-to-maturity financial assets

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

(3) Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity except for impairment loss and foreign currency exchange related gains or losses, until the investment is derecognized at which time the cumulative gain or loss previously reported in equity is transferred to income statement. However, any difference between the initial amount and the maturity amount of available-for-sale financial assets shall be amortized by effective interest method as interest income or expense over the relevant periods.

(4) Loans and receivables

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

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

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

(5) Other financial assets

① Investments in debt securities with no active market

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

② Financial assets carried at cost

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

(6) Financial liabilities

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

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

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

11. Derivative financial instruments

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

12. Derecognition of financial assets and liabilities

(1) Financial assets

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

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

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

(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.

Objective evidence may include:

- (1) Significant financial difficulty of the issuer or obligor; or
- (2) A breach of contract, such as a default or delinquency in interest or principal payments; or
- (3) 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 Bank and its subsidiaries apply 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 1% 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.

Bank will discontinue the hedge accounting if any following situation occurs:

- (1) The hedge instrument expires or is sold, terminated or exercised.
- (2) The hedge no longer meets the criteria set out above.
- (3) The entity revokes the designation.

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 and its subsidiaries 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 difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

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

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.

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

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

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

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;

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- (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.

Interim period income tax expense is calculated and disclosed by applying the applicable tax rate to expected total annual earnings; in other words, applying estimated annual effective tax rate to interim period's pre-tax income.

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 10 of 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 30 June 2014, 31 December 2013, 30 June 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\$29.87, NT\$29.83, NT\$29.96 and NT\$29.05 to US\$1.00 on 30 June 2014, 31 December 2013, 30 June 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 countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entity's domicile.

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

(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.

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VI. Breakdown of Significant Accounts

1. Cash and cash equivalents

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Cash on hand	\$13,585,817	\$454,832	\$14,268,298	\$478,320
Checks for clearance	3,469,684	116,159	3,315,374	111,142
Due from commercial banks	93,949,354	3,145,275	50,656,069	1,698,159
Total	\$111,004,855	\$3,716,266	\$68,239,741	\$2,287,621

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Cash on hand	\$12,919,667	\$431,231	\$13,255,565	\$456,302
Checks for clearance	7,357,076	245,563	8,353,592	287,559
Due from commercial banks	24,752,356	826,180	13,365,129	460,073
Total	\$45,029,099	\$1,502,974	\$34,974,286	\$1,203,934

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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Cash and cash equivalents in balance sheet	\$111,004,855	\$3,716,266	\$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	92,018,297	3,080,626	109,059,305	3,656,028
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	19,216,895	643,351	7,645,763	256,311
Cash and cash equivalents at end of the period in statement of cash flows	\$222,240,047	\$7,440,243	\$184,944,809	\$6,199,960

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	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Cash and cash equivalents in balance sheet	\$45,029,099	\$1,502,974	\$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	54,354,737	1,814,243	67,975,924	2,339,963
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	5,492,597	183,331	-	-
Cash and cash equivalents at end of the period in statement of cash flows	<u>\$104,876,433</u>	<u>\$3,500,548</u>	<u>\$102,950,210</u>	<u>\$3,543,897</u>

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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Call loans to banks	\$29,245,943	\$979,108	\$91,421,834	\$3,064,762
Due from the Central Bank - Statutory reserve on deposits	44,612,605	1,493,559	42,885,761	1,437,672
Due from the Central Bank - General deposits	62,772,354	2,101,518	17,637,471	591,266
Total	<u>\$136,630,902</u>	<u>\$4,574,185</u>	<u>\$151,945,066</u>	<u>\$5,093,700</u>

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Call loans to banks	\$19,510,304	\$651,211	\$30,984,776	\$1,066,602
Due from the Central Bank - Statutory reserve on deposits	41,940,148	1,399,872	41,027,838	1,412,318
Due from the Central Bank - General deposits	34,844,433	1,163,032	36,991,148	1,273,361
Total	<u>\$96,294,885</u>	<u>\$3,214,115</u>	<u>\$109,003,762</u>	<u>\$3,752,281</u>

(1) The Bank

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

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As provided by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included NT\$43,182,213 (US\$1,445,672), NT\$41,504,190 (US\$1,391,357), NT\$41,211,305 (US\$1,375,544) and NT\$39,842,844 (US\$1,371,526) as of 30 June 2014, 31 December 2013, 30 June 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 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013 the balances of foreign-currency deposit reserves were NT\$317,099 (US\$10,616), NT\$278,535 (US\$9,337) and NT\$201,804 (US\$6,736) 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\$655,013 (US\$21,929), NT\$790,488 (US\$26,500), NT\$527,039 (US\$17,592) and NT\$758,109 (US\$26,097) as of 30 June 2014, 31 December 2013, 30 June 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\$458,280 (US\$15,342), NT\$312,548 (US\$10,478) and NT\$211,279 (US\$7,273) as of 30 June 2014, 31 December 2013 and 1 January 2013, respectively.

3. Financial assets at fair value through profit or loss

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Financial assets for trading :				
Short-term bills	\$100,647,696	\$3,369,524	\$143,666,541	\$4,816,176
Bonds	15,456,158	517,448	8,238,507	276,182
Overseas financial instruments	490,945	16,436	636,548	21,339
Derivative financial instruments	13,615,253	455,817	10,517,961	352,597
Total	\$130,210,052	\$4,359,225	\$163,059,557	\$5,466,294

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	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Financial assets for trading:				
Short-term bills	\$56,167,448	\$1,874,748	\$59,110,475	\$2,034,784
Mutual funds	363,880	12,145	-	-
Bonds	10,831,489	361,532	3,197,378	110,065
Overseas financial instruments	1,450,985	48,431	974,079	33,531
Derivative financial instruments	8,292,410	276,783	4,655,954	160,274
Total	\$77,106,212	\$2,573,639	\$67,937,886	\$2,338,654

- (1) As of 30 June 2013, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT\$419,800 (US\$14,012). Such repurchase agreements amounting to NT\$463,387 (US\$15,467) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 30 June 2013 was settled at NT\$463,551 (US\$15,472) prior to 31 July 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 30 June 2014, 31 December 2013, 30 June 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):

	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Currency and swap forward contracts	\$57,313,623	\$29,310,866	\$25,895,195	\$21,601,412
Interest rate swap	26,022,287	17,012,021	13,151,564	9,443,064
Cross currency swap	4,220,758	1,866,877	1,279,711	872,607
Options	9,051,055	7,771,967	10,047,766	5,654,976
Futures	-	-	7,677	500

- (3) Net gains arising from financial assets at fair value through profit or loss for the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013 were NT\$1,766,060 (US\$59,125), NT\$561,773 (US\$18,751), NT\$4,565,802 (US\$152,856) and NT\$1,283,779 (US\$42,850), respectively.

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4. Derivative financial assets for hedging

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

In order to hedge the fair value risk from future market interest rate fluctuations, the Bank entered into interest rate swap transactions, where the interest rate payable on fixed-interest-rate financial debentures issued has been swapped with a floating interest rate. The fair value of the above interest rate swap transactions on 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013 were NT\$637,445 (US\$21,341), NT\$837,179 (US\$28,065), NT\$1,017,819 (US\$33,973) and NT\$1,203,138 (US\$41,416), respectively. For the six-month periods ended 30 June 2014 and 2013, net gains on the hedging derivative financial instrument amounted to NT\$15,239 (US\$510) and net losses on the hedging derivative financial instrument amounted to NT\$18,274 (US\$610), respectively. For the six-month periods ended 30 June 2014 and 2013, net gains from the hedged risk of the hedged items amounted to NT\$191,449 (US\$6,409) and NT\$187,725 (US\$6,266), respectively.

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

5. Receivables, net

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$1,279	\$43	\$7,776	\$261
Accounts receivable	50,391,267	1,687,019	46,194,040	1,548,577
Interest receivable	4,022,605	134,670	3,277,826	109,884
Related party receivables for allocation				
of linked-tax system	502,245	16,814	256,312	8,592
Foreign currency receivable	46,940	1,571	103,526	3,470
Acceptances	1,240,164	41,519	1,378,174	46,201
Factoring receivable	26,663,205	892,642	69,249,723	2,321,479
Others	3,139,003	105,089	2,400,211	80,463
Total	86,006,708	2,879,367	122,867,588	4,118,927
Adjustment for discounts and premiums	(7,088)	(237)	(6,519)	(219)
Less: allowance for doubtful accounts	(2,007,127)	(67,195)	(2,082,904)	(69,826)
Net balance	<u>\$83,992,493</u>	<u>\$2,811,935</u>	<u>\$120,778,165</u>	<u>\$4,048,882</u>

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	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$7,563	\$252	\$-	\$-
Accounts receivable	40,024,353	1,335,926	36,746,133	1,264,927
Interest receivable	3,704,989	123,665	3,248,886	111,838
Related party receivables for allocation of linked-tax system	375,330	12,528	246,573	8,488
Foreign currency receivable	863,558	28,824	88,657	3,052
Acceptances	1,761,943	58,810	1,639,720	56,445
Factoring receivable	30,033,053	1,002,438	9,151,418	315,023
Others	9,340,665	311,771	1,632,947	56,211
Total	86,111,454	2,874,214	52,754,334	1,815,984
Adjustment for discounts and premiums	(6,123)	(204)	(5,603)	(193)
Less: allowance for doubtful accounts	(1,941,485)	(64,803)	(2,006,455)	(69,069)
Net balance	\$84,163,846	\$2,809,207	\$50,742,276	\$1,746,722

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

	2014.1.1-2014.6.30					
	Individually impaired		Collectively impaired		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$144,462	\$4,836	\$1,938,442	\$64,896	\$2,082,904	\$69,732
Reversal of doubtful accounts	(182,926)	(6,124)	-	-	(182,926)	(6,124)
Write-offs	(169,405)	(5,671)	-	-	(169,405)	(5,671)
Debt counseling recoveries	65,223	2,184	-	-	65,223	2,184
Recoveries	275,401	9,219	-	-	275,401	9,219
Reclassification	(5,529)	(185)	(59,694)	(1,999)	(65,223)	(2,184)
Effects of exchange rates change	-	-	1,153	39	1,153	39
Balance, end of the period	\$127,226	\$4,259	\$1,879,901	\$62,936	\$2,007,127	\$67,195

	2013.1.1-2013.6.30					
	Individually impaired		Collectively impaired		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$116,138	\$3,876	\$1,890,317	\$63,095	\$2,006,455	\$66,971
Reversal of doubtful accounts	(195,275)	(6,518)	-	-	(195,275)	(6,518)
Write-offs	(160,522)	(5,358)	-	-	(160,522)	(5,358)
Debt counseling recoveries	69,007	2,303	-	-	69,007	2,303
Recoveries	288,888	9,643	-	-	288,888	9,643
Reclassification	5,859	196	(74,866)	(2,499)	(69,007)	(2,303)
Effects of exchange rates change	-	-	1,939	65	1,939	65
Balance, end of the period	\$124,095	\$4,142	\$1,817,390	\$60,661	\$1,941,485	\$64,803

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(2) Impairment assessment of receivables – the Bank

Item		Receivables			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$23,362	\$782	\$37,173	\$1,246
	Collective assessment	158,090	5,293	172,872	5,795
Without objective evidence of impairment	Collective assessment	85,288,232	2,855,314	121,924,349	4,087,306

Item		Receivables			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$39,764	\$1,327	\$37,241	\$1,282
	Collective assessment	151,262	5,049	140,445	4,835
Without objective evidence of impairment	Collective assessment	86,194,117	2,876,973	52,562,725	1,809,388

Item		Allowance for doubtful accounts			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$9,028	\$303	\$15,853	\$532
	Collective assessment	118,198	3,957	128,609	4,311
Without objective evidence of impairment	Collective assessment	1,879,901	62,936	1,938,442	64,983

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Item		Allowance for doubtful accounts			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$10,786	\$360	\$5,208	\$179
	Collective assessment	113,309	3,782	110,930	3,819
Without objective evidence of impairment	Collective assessment	1,817,390	60,661	1,890,317	65,071

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

6. Discounts and loans, net

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Outward documentary bills	\$12,498,497	\$418,430	\$6,669,210	\$223,574
Overdrafts	875,922	29,325	867,731	29,089
Short-term loans	345,699,607	11,573,472	289,442,041	9,703,052
Medium-term loans	314,204,423	10,519,063	321,832,295	10,788,880
Long-term loans	449,212,582	15,038,921	422,175,426	14,152,713
Delinquent accounts	1,693,129	56,683	3,721,958	124,772
Total	1,124,184,160	37,635,894	1,044,708,661	35,022,080
Adjustment for discounts and premium	926,723	31,025	982,481	32,936
Less: allowance for doubtful accounts	(15,112,559)	(505,944)	(14,585,821)	(488,964)
Net balance	\$1,109,998,324	\$37,160,975	\$1,031,105,321	\$34,566,052

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Outward documentary bills	\$1,448,394	\$48,344	\$1,764,969	\$60,756
Overdrafts	682,314	22,774	594,231	20,455
Short-term loans	233,114,246	7,780,849	221,898,435	7,638,500
Medium-term loans	338,691,883	11,304,803	347,094,239	11,948,167
Long-term loans	431,800,121	14,412,554	439,958,850	15,144,883
Delinquent accounts	4,417,973	147,463	4,177,439	143,802
Total	1,010,154,931	33,716,787	1,015,488,163	34,956,563
Adjustment for discounts and premium	1,051,057	35,082	1,097,491	37,780
Less: allowance for doubtful accounts	(14,428,750)	(481,601)	(13,402,461)	(461,359)
Net balance	\$996,777,238	\$33,270,268	\$1,003,183,193	\$34,532,984

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- (1) As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the accounts without interest accrued were NT\$1,950,034 (US\$65,284), NT\$3,001,620 (US\$100,624), NT\$3,479,615 (US\$116,142) and NT\$3,802,624 (US\$130,899), respectively. The non-accrued interest on such accounts amounted to NT\$18,616 (US\$623), NT\$35,406 (US\$1,182), NT\$78,986 (US\$2,644) and NT\$101,050 (US\$3,373) for the three-month periods ended 30 June 2014 and 2013, and for the six-month periods ended 30 June 2014 and 2013, respectively.
- (2) Please refer to Notes XII.4 for details on loans by industries and geographic regions.
- (3) Information on bad and doubtful accounts is as follows:

① The Bank

	2014.1.1-2014.6.30					
	Individually impaired		Collectively impaired		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$4,267,369	\$142,865	\$10,119,032	\$338,769	\$14,386,401	\$461,634
Provision of doubtful accounts	177,262	5,934	-	-	177,262	5,934
Write-offs	(851,321)	(28,501)	-	-	(851,321)	(28,501)
Debt counseling recoveries	58,856	1,970	-	-	58,856	1,970
Recoveries	1,041,872	34,880	-	-	1,041,872	34,880
Reclassification	116,160	3,889	(50,937)	(1,705)	65,223	2,184
Effects of exchange rates change	-	-	(4,726)	(158)	(4,726)	(158)
Balance, end of the period	<u>\$4,810,198</u>	<u>\$161,037</u>	<u>\$10,063,369</u>	<u>\$336,906</u>	<u>\$14,873,567</u>	<u>\$497,943</u>

	2013.1.1-2013.6.30					
	Individually impaired		Collectively impaired		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$3,838,785	\$128,130	\$9,198,147	\$307,014	\$13,036,932	\$435,144
Provision of doubtful accounts	232,878	7,773	-	-	232,878	7,773
Write-offs	(44,023)	(1,469)	-	-	(44,023)	(1,469)
Debt counseling recoveries	56,846	1,897	-	-	56,846	1,897
Recoveries	736,076	24,569	-	-	736,076	24,569
Reclassification	(103,397)	(3,451)	172,404	5,754	69,007	2,303
Effects of exchange rates change	-	-	45,237	1,510	45,237	1,510
Balance, end of the period	<u>\$4,717,165</u>	<u>\$157,449</u>	<u>\$9,415,788</u>	<u>\$314,278</u>	<u>\$14,132,953</u>	<u>\$471,727</u>

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② Indovina Bank

	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$170,576	\$5,711	\$355,255	\$11,858
Provision (reversal) of doubtful accounts	18,808	630	(71,699)	(2,393)
Effects of exchange rates change, etc.	(15,670)	(525)	12,241	409
Balance, end of the period	<u>\$173,714</u>	<u>\$5,816</u>	<u>\$295,797</u>	<u>\$9,874</u>

③ CUBC Bank

	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$28,844	\$965	\$10,274	\$343
Provision of doubtful accounts	37,364	1,251	-	-
Effects of exchange rates change, etc.	(930)	(31)	(10,274)	(343)
Balance, end of the period	<u>\$65,278</u>	<u>\$2,185</u>	<u>\$-</u>	<u>\$-</u>

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

Item		Discounts and loans			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$17,636,679	\$590,448	\$19,557,154	\$655,620
	Collective assessment	6,092,927	203,981	5,920,274	198,467
Without objective evidence of impairment	Collective assessment	1,081,535,655	36,208,090	1,001,649,608	33,578,599

Item		Discounts and loans			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$24,012,807	\$801,496	\$24,407,642	\$840,194
	Collective assessment	5,698,390	190,200	2,346,283	80,767
Without objective evidence of impairment	Collective assessment	964,685,221	32,199,106	971,701,928	33,449,292

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Item		Allowance for doubtful account			
		2014.6.30		2013.12.31	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$3,719,225	\$124,514	\$3,280,804	\$109,983
	Collective assessment	1,090,973	36,524	986,565	33,073
Without objective evidence of impairment	Collective assessment	10,063,369	336,905	10,119,032	339,223

Item		Allowance for doubtful account			
		2013.6.30		2013.1.1	
		NT\$	US\$	NT\$	US\$
With objective evidence of impairment	Individual assessment	\$3,728,277	\$124,442	\$3,413,547	\$117,506
	Collective assessment	988,888	33,007	425,238	14,638
Without objective evidence of impairment	Collective assessment	9,415,788	314,278	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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Stocks	\$12,614,120	\$422,300	\$14,172,615	\$475,113
Mutual funds and beneficiary securities	330,443	11,063	469,473	15,738
Bonds	34,932,455	1,169,483	36,358,499	1,218,857
Overseas financial instruments	17,364,120	581,323	16,908,303	566,822
Net balance	\$65,241,138	\$2,184,169	\$67,908,890	\$2,276,530

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Stocks	\$12,588,517	\$420,178	\$11,217,884	\$386,158
Mutual funds and beneficiary securities	450,183	15,026	1,271,338	43,764
Bonds	31,033,767	1,035,840	34,012,397	1,170,822
Overseas financial instruments	15,049,849	502,331	17,453,709	600,816
Net balance	\$59,122,316	\$1,973,375	\$63,955,328	\$2,201,560

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- (1) Impairment assessment of available-for-sale financial assets above, please refer to Notes XII.4(7).
- (2) As of 30 June 2014, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT\$18,387,940 (US\$615,599). Such repurchase agreements amounting to NT\$13,731,286 (US\$459,701) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 30 June 2014 was settled at NT\$13,738,469 (US\$459,942) prior to 31 December 2014, and repurchase agreements amounting to NT\$5,382,159 (US\$180,186) 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 30 June 2013, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT\$9,670,100 (US\$322,767). Such repurchase agreements amounting to NT\$10,678,257 (US\$356,417) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 30 June 2013 was settled at NT\$10,682,729 (US\$356,566) prior to 31 December 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\$1,483,452 (US\$49,664), NT\$1,473,453 (US\$49,395), NT\$1,540,371 (US\$51,414) and NT\$1,603,158 (US\$55,186) as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, respectively, were pledged to other parties as collateral for business reserves and guarantees.

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8. Held-to-maturity financial assets, net

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Bonds	\$1,545,728	\$51,748	\$951,287	\$31,891
Overseas financial instruments	50,117,281	1,677,847	50,443,791	1,691,042
Net balance	<u>\$51,663,009</u>	<u>\$1,729,595</u>	<u>\$51,395,078</u>	<u>\$1,722,933</u>

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Bonds	\$956,630	\$31,930	\$962,740	\$33,141
Overseas financial instruments	48,991,140	1,635,218	20,706,234	712,779
Net balance	<u>\$49,947,770</u>	<u>\$1,667,148</u>	<u>\$21,668,974</u>	<u>\$745,920</u>

- (1) As of 30 June 2014, certain held-to-maturity financial assets was sold under repurchase agreements with notional amounts of NT\$42,902,582 (US\$1,436,310). Such repurchase agreements amounting to NT\$39,562,378 (US\$1,324,485) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 30 June 2014 was settled at NT\$39,575,236 (US\$1,324,916) prior to 31 July 2014, and repurchase agreements amounting to NT\$596,880 (US\$19,983) was without settlement date.

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.

As of 30 June 2013, certain held-to-maturity financial assets was sold under repurchase agreements with notional amounts of NT\$42,559,560 (US\$1,420,546). Such repurchase agreements amounting to NT\$40,760,003 (US\$1,360,481) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 30 June 2013 was settled at NT\$40,772,113 (US\$1,360,885) prior to 31 July 2013.

- (2) Held-to-maturity financial assets of NT\$1,284,658 (US\$43,008), NT\$862,710 (US\$28,921), NT\$807,435 (US\$26,950) and NT\$610,570 (US\$21,018) as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, respectively, were pledged to other parties as collateral of business reserves and guarantees.

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9. Investments accounted for using equity method, net

	2014.6.30			2013.12.31		
	Carrying value		% of ownership	Carrying value		% of ownership
	NT\$	US\$		NT\$	US\$	
Investment in subsidiaries						
Seaward Card Co., Ltd.	\$40,157	\$1,344	100.00	\$39,107	\$1,311	100.00
Investment in associates						
Taiwan Real-estate Management Corp.	96,071	3,216	30.15	99,359	3,331	30.15
Taiwan Finance Corp.	1,471,839	49,275	24.57	1,487,419	49,863	24.57
Vista Technology Venture Capital Corp.	-	-	-	789	26	4.76
Subtotal	1,567,910	52,491		1,587,567	53,220	
Total	\$1,608,067	\$53,835		\$1,626,674	\$54,531	

	2013.6.30			2013.1.1		
	Carrying value		% of ownership	Carrying value		% of ownership
	NT\$	US\$		NT\$	US\$	
Investment in subsidiaries						
Seaward Card Co., Ltd.	\$38,272	\$1,278	100.00	\$39,752	\$1,368	100.00
Investment in associates						
Taiwan Real-estate Management Corp.	95,145	3,176	30.15	105,357	3,627	30.15
Taiwan Finance Corp.	1,390,230	46,403	24.57	1,418,699	48,837	24.57
Vista Technology Venture Capital Corp.	886	29	4.76	1,419	49	4.76
Subtotal	1,486,261	49,608		1,525,475	52,513	
Total	\$1,524,533	\$50,886		\$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) On 30 April 2014, Vista Technology Venture Capital Corp. was decided to reduced capital amounted of NT\$10,692 (US\$358) by the meeting of shareholders and carried out the liquidation proceedings on 30 June 2014.
- (3) No investment in the associates was pledged.

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- (4) The carrying amounts of investments accounted for using equity method were NT\$1,608,067 (US\$53,835), NT\$1,587,567 (US\$53,220), NT\$1,524,533 (US\$50,886) and NT\$1,525,475 (US\$52,513) as at 30 June 2014, 31 December 2013, 30 June 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\$17,862 (US\$598), NT\$8,771 (US\$293), NT\$33,639 (US\$1,126) and NT\$11,249 (US\$375) for the three-month periods ended 30 June 2014 and 2013, and six-month periods ended 30 June 2014 and 2013, respectively, and the share of other comprehensive income of these associates and joint ventures accounted for using the equity method amounted to gains NT\$14,778 (US\$495) and losses NT\$27,775 (US\$927), gains NT\$14,778 (US\$495) and losses NT\$18,035 (US\$602) for the three-month periods ended 30 June 2014 and 2013, and six-month periods ended 30 June 2014 and 2013, respectively, which were recognized based on the investees' unaudited financial statements. No material adjustments were anticipated, have those financial statements been audited.

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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Total assets	\$49,245,907	\$1,648,674	\$45,654,713	\$1,530,497
Total liabilities	(42,935,115)	(1,437,399)	(39,254,783)	(1,315,950)
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Total assets	\$43,846,598	\$1,463,505	\$39,117,543	\$1,346,559
Total liabilities	(37,843,073)	(1,263,120)	(36,188,347)	(1,245,726)
	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Revenue	\$173,705	\$5,815	\$119,425	\$3,986
Net income	34,729	1,163	40,166	1,341
	2014.1.1~2014.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Revenue	\$306,173	\$10,250	\$236,670	\$7,900
Net income	162,063	5,426	74,835	2,498

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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$549,730	\$18,404	\$549,730	\$18,429
Short-term bills	324,000,000	10,847,004	272,300,000	9,128,394
Overseas financial instruments	7,256,284	242,929	7,422,283	248,819
Net balance	<u>\$331,806,014</u>	<u>\$11,108,337</u>	<u>\$280,272,013</u>	<u>\$9,395,642</u>

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$549,730	\$18,349	\$549,730	\$18,923
Short-term bills	432,900,000	14,449,266	410,100,000	14,117,040
Overseas financial instruments	8,686,392	289,932	13,393,933	461,065
Net balance	<u>\$442,136,122</u>	<u>\$14,757,547</u>	<u>\$424,043,663</u>	<u>\$14,597,028</u>

- (1) Impairment assessment of investments in debt securities with no active market assets above, please refer to Note XII.4(7).
- (2) As of 30 June 2014, certain investments in debt securities with no active market assets was sold under repurchase agreement with notional amounts of NT\$10,136,910 (US\$339,368). Such repurchase agreements amounting to NT\$3,589,800 (US\$120,181) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 30 June 2014 was settled at NT\$3,591,156 (US\$120,226) prior to 31 July 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.

As of 30 June 2013, certain investments in debt securities with no active market assets was sold under repurchase agreement with notional amounts of NT\$9,425,363 (US\$314,598). Such repurchase agreements amounting to NT\$4,525,530 (US\$151,052) was posted to the “Securities sold under agreements to repurchase” account on the balance sheets. Repurchase agreements entered prior to 30 June 2013 was settled at NT\$4,527,184 (US\$151,108) prior to 31 July 2013.

- (3) NT\$62,000,000 (US\$2,075,661), NT\$50,100,000 (US\$1,679,517), NT\$50,100,000 (US\$1,672,230) and NT\$50,100,000 (US\$1,724,613) of certificates of deposit as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, respectively, were pledged to other parties as collateral for business reserves and guarantees.

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11. Property and equipment, net

	Land		Buildings		Office equipment		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	\$459,070	\$9,829,285	\$328,080	\$4,555,618	\$152,057	\$108,458	\$3,620	\$15,855	\$529	\$6,100,518	\$203,622	\$305,134	\$10,185	\$34,668,616	\$1,157,163
Additions	-	-	-	-	389,415	12,998	3,102	104	435	15	51,247	1,710	215,204	7,183	659,403	22,010
Transfers	-	-	-	-	56,066	1,871	-	-	-	-	72,253	2,412	(134,846)	(4,501)	(6,527)	(218)
Disposals	-	-	(343)	(11)	(360,829)	(12,044)	(3,600)	(120)	-	-	(28,160)	(940)	-	-	(392,932)	(13,115)
Reclassification	(126,327)	(4,216)	(27,151)	(906)	(139,248)	(4,648)	(21,815)	(729)	(11,244)	(375)	(8,707)	(291)	-	-	(334,492)	(11,165)
Exchange differences	-	-	14,601	487	(4,654)	(155)	1,712	57	156	5	1,449	49	5,535	185	18,799	628
2013.6.30	\$13,627,421	\$454,854	\$9,816,392	\$327,650	\$4,496,368	\$150,079	\$87,857	\$2,932	\$5,202	\$174	\$6,188,600	\$206,562	\$391,027	\$13,052	\$34,612,867	\$1,155,303
2014.1.1	\$13,905,089	\$465,520	\$10,017,960	\$335,386	\$4,745,938	\$158,886	\$98,576	\$3,300	\$17,310	\$579	\$6,269,601	\$209,896	\$513,928	\$17,206	\$35,568,402	\$1,190,773
Additions	-	-	75	2	91,704	3,070	2,602	87	3,128	105	66,015	2,210	235,935	7,899	399,459	13,373
Transfers	57,438	1,923	6,002	201	40,345	1,351	18,124	607	-	-	104,125	3,486	(177,743)	(5,951)	48,291	1,617
Disposals	(16,717)	(560)	(5,844)	(196)	(187,304)	(6,270)	(3,694)	(124)	-	-	(78,464)	(2,627)	-	-	(292,023)	(9,777)
Exchange differences	(152)	(5)	(373)	(12)	(539)	(18)	(129)	(4)	(24)	(1)	(114)	(4)	(415)	(14)	(1,746)	(58)
2014.6.30	\$13,945,658	\$466,878	\$10,017,820	\$335,381	\$4,690,144	\$157,019	\$115,479	\$3,866	\$20,414	\$683	\$6,361,163	\$212,961	\$571,705	\$19,140	\$35,722,383	\$1,195,928
Depreciations and impairment:																
2013.1.1	\$-	\$-	\$3,233,300	\$1,079,200	\$3,908,661	\$130,462	\$80,176	\$2,676	\$9,515	\$318	\$5,041,029	\$168,259	\$-	\$-	\$12,272,681	\$409,635
Depreciation	-	-	101,024	3,372	202,967	6,774	2,945	99	508	17	154,792	5,166	-	-	462,236	15,428
Transfers	-	-	(217)	(7)	(355,839)	(11,877)	(3,588)	(120)	-	-	(26,856)	(896)	-	-	(386,500)	(12,900)
Disposals	-	-	(11,737)	(392)	(80,114)	(2,674)	(11,712)	(391)	(6,118)	(204)	(6,871)	(229)	-	-	(116,552)	(3,890)
Exchange difference	-	-	1,483	50	4,022	135	1,260	42	115	4	387	12	-	-	7,267	243
2013.6.30	\$-	\$-	\$3,323,853	\$1,109,433	\$3,679,697	\$122,820	\$69,081	\$2,306	\$4,020	\$135	\$5,162,481	\$172,312	\$-	\$-	\$12,239,132	\$408,516
2014.1.1	\$-	\$-	\$3,448,019	\$1,154,334	\$3,886,262	\$130,106	\$74,248	\$2,486	\$11,918	\$399	\$5,283,626	\$176,887	\$-	\$-	\$12,704,073	\$425,312
Depreciation	-	-	105,809	3,542	168,698	5,648	4,702	158	989	33	156,485	5,239	-	-	436,683	14,620
Transfers	-	-	4,007	134	-	-	-	-	-	-	-	-	-	-	4,007	134
Disposals	-	-	(4,161)	(139)	(187,294)	(6,270)	(3,694)	(124)	-	-	(77,228)	(2,586)	-	-	(272,377)	(9,119)
Exchange difference	-	-	(178)	(6)	(467)	(16)	(115)	(4)	(27)	(1)	(13)	-	-	-	(800)	(27)
2014.6.30	\$-	\$-	\$3,553,496	\$1,188,965	\$3,867,199	\$129,468	\$75,141	\$2,516	\$12,880	\$431	\$5,362,870	\$179,540	\$-	\$-	\$12,871,586	\$430,920
Net carrying amount:																
2014.6.30	\$13,945,658	\$466,878	\$6,464,324	\$216,416	\$822,945	\$27,551	\$40,338	\$1,350	\$7,534	\$252	\$998,293	\$33,421	\$571,705	\$19,140	\$22,850,797	\$765,008
2013.12.31	\$13,905,089	\$465,520	\$6,569,941	\$219,952	\$859,676	\$28,780	\$24,328	\$814	\$5,392	\$180	\$985,975	\$33,009	\$513,928	\$17,206	\$22,864,329	\$765,461
2013.6.30	\$13,627,421	\$454,854	\$6,492,539	\$216,707	\$816,671	\$27,259	\$18,776	\$626	\$1,182	\$39	\$1,026,119	\$34,250	\$391,027	\$13,052	\$22,373,735	\$746,787
2013.1.1	\$13,753,748	\$459,070	\$6,595,985	\$220,160	\$646,957	\$21,595	\$28,282	\$944	\$6,340	\$211	\$1,059,489	\$35,363	\$305,134	\$10,185	\$22,395,935	\$747,528

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.

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12. Investment Properties, net

	Land		Buildings		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cost :						
2013.1.1	\$3,465,861	\$115,683	\$1,015,688	\$33,901	\$4,481,549	\$149,584
Gains arising from						
changes in the fair value	41,257	1,377	10,073	336	51,330	1,713
2013.6.30	\$3,507,118	\$117,060	\$1,025,761	\$34,237	\$4,532,879	\$151,297
2014.1.1	\$3,499,062	\$117,143	\$1,022,071	\$34,217	\$4,521,133	\$151,360
Transfers	(40,722)	(1,363)	-	-	(40,722)	(1,363)
Gains arising from						
changes in the fair value	20,796	696	(13,185)	(441)	7,611	255
Disposals	(45,577)	(1,526)	(22,533)	(754)	(68,110)	(2,280)
2014.6.30	\$3,433,559	\$114,950	\$986,353	\$33,022	\$4,419,912	\$147,972
<u>Impairment:</u>						
2013.1.1	\$(41,625)	\$(1,389)	\$-	\$-	\$(41,625)	\$(1,389)
2013.6.30	\$(41,625)	\$(1,389)	\$-	\$-	\$(41,625)	\$(1,389)
2014.1.1	\$(41,625)	\$(1,394)	\$-	\$-	\$(41,625)	\$(1,394)
Impairment losses	(7,123)	(238)	-	-	(7,123)	(238)
2014.6.30	\$(48,748)	\$(1,632)	\$-	\$-	\$(48,748)	\$(1,632)
<u>Net carrying amount:</u>						
2014.6.30	\$3,384,811	\$113,318	\$986,353	\$33,022	\$4,371,164	\$146,340
2013.12.31	\$3,457,437	\$115,749	\$1,022,071	\$34,217	\$4,479,508	\$149,966
2013.6.30	\$3,465,493	\$115,671	\$1,025,761	\$34,237	\$4,491,254	\$149,908
2013.1.1	\$3,424,236	\$114,294	\$1,015,688	\$33,901	\$4,439,924	\$148,195
			2014.4.1-2014.6.30		2013.4.1-2013.6.30	
			NT\$	US\$	NT\$	US\$
Rental income from investment property			\$19,942	\$668	\$20,689	\$691
Less:						
Direct operating expenses from						
investment property generating rental						
income			(4,148)	(139)	(5,048)	(169)
Direct operating expenses from						
investment property not generating						
rental income			(943)	(32)	(761)	(25)
Total			\$14,851	\$497	\$14,880	\$497

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	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Rental income from investment property	\$39,925	\$1,337	\$41,093	\$1,372
Less:				
Direct operating expenses from investment property generating rental income	(4,444)	(149)	(5,469)	(183)
Direct operating expenses from investment property not generating rental income	(1,223)	(41)	(862)	(29)
Total	\$34,258	\$1,147	\$34,762	\$1,160

- (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 30 June 2014, 31 December 2013, 30 June 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.

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

The main parameters are as follows:

	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Discounted rates	4.625%	4.625%	4.625%	4.625%

Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the discount 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.

	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Rate of return	18%~20%	18%~20%	18%~20%	18%~20%
Overall capital interest rate	1.29%~2.53%	1.29%~4.16%	1.29%~4.16%	1.29%~4.16%

(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	\$233,013	\$1,627,117	\$54,309	\$8,608,180	\$287,322
Additions-acquired separately	-	-	27,367	914	27,367	914
Disposals	-	-	(17,294)	(577)	(17,294)	(577)
Transfers	-	-	23,145	772	23,145	772
Reclassification	(307,980)	(10,280)	(20,980)	(700)	(328,960)	(10,980)
Exchange differences	-	-	1,383	46	1,383	46
2013.6.30	\$6,673,083	\$222,733	\$1,640,738	\$54,764	\$8,313,821	\$277,497
2014.1.1	\$6,989,667	\$234,003	\$1,503,556	\$50,337	\$8,493,223	\$284,340
Additions-acquired separately	-	-	43,207	1,447	43,207	1,447
Disposals	-	-	(24,842)	(832)	(24,842)	(832)
Transfers	-	-	46,888	1,570	46,888	1,570
Exchange differences	(370)	(12)	(93)	(4)	(463)	(16)
2014.6.30	\$6,989,297	\$233,991	\$1,568,716	\$52,518	\$8,558,013	\$286,509

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	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Amortization and impairment:						
2013.1.1	\$-	\$-	\$1,119,908	\$37,380	\$1,119,908	\$37,380
Amortization	-	-	106,957	3,570	106,957	3,570
Disposals	-	-	(17,294)	(577)	(17,294)	(577)
Reclassification	-	-	(15,010)	(501)	(15,010)	(501)
Exchange differences	-	-	1,074	35	1,074	35
2013.6.30	\$-	\$-	\$1,195,635	\$39,907	\$1,195,635	\$39,907
2014.1.1						
2014.1.1	\$-	\$-	\$1,118,363	\$37,441	\$1,118,363	\$37,441
Amortization	-	-	88,038	2,947	88,038	2,947
Disposals	-	-	(24,842)	(832)	(24,842)	(832)
Exchange differences	-	-	2,160	73	2,160	73
2014.6.30	\$-	\$-	\$1,183,719	\$39,629	\$1,183,719	\$39,629
Net carrying amount:						
2014.6.30	\$6,989,297	\$233,991	\$384,997	\$12,889	\$7,374,294	\$246,880
2013.12.31	\$6,989,667	\$234,003	\$385,193	\$12,896	\$7,374,860	\$246,899
2013.6.30	\$6,673,083	\$222,733	\$445,103	\$14,857	\$7,118,186	\$237,590
2013.1.1	\$6,981,063	\$233,013	\$507,209	\$16,929	\$7,488,272	\$249,942

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.

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(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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Prepayment	\$1,011,808	\$33,874	\$808,073	\$27,089
Temporary payments	3,042,844	101,870	84,037	2,817
Interbank settlement fund	2,589,788	86,702	2,572,275	86,231
Refundable deposits, net	4,285,281	143,464	3,495,971	117,196
Operating deposits, net	536,115	17,948	452,270	15,162
Foreclosed properties, net	77,963	2,610	89,686	3,007
Others	357,320	11,962	178,954	5,999
Total	\$11,901,119	\$398,430	\$7,681,266	\$257,501

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Prepayment	\$793,152	\$26,474	\$687,055	\$23,650
Temporary payments	97,753	3,263	198,030	6,817
Interbank settlement fund	2,563,504	85,564	2,552,473	87,865
Refundable deposits, net	3,129,185	104,445	827,482	28,485
Operating deposits, net	452,270	15,096	486,290	16,740
Others	186,038	6,209	171,186	5,893
Total	\$7,221,902	\$241,051	\$4,922,516	\$169,450

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the amounts of land use rights of NT\$349,757 (US\$11,709), NT\$350,413 (US\$11,747), NT\$352,650 (US\$11,771) and NT\$341,370 (US\$11,751) were recognized under prepayment, respectively.

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

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Due to commercial banks	\$13,945,835	\$466,884	\$5,409,342	\$181,339
Due to Post Co., Ltd.	19,778,727	662,160	19,703,976	660,542
Overdrafts from banks	3,383,452	113,273	123,569	4,143
Call loans from banks	29,669,500	993,288	31,748,338	1,064,309
Total	\$66,777,514	\$2,235,605	\$56,985,225	\$1,910,333

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	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Due to commercial banks	\$4,753,081	\$158,648	\$3,596,299	\$123,797
Due to Post Co., Ltd.	19,836,594	662,103	19,919,402	685,694
Overdrafts from banks	51,781	1,728	108,340	3,729
Call loans from banks	21,440,555	715,639	33,307,732	1,146,566
Total	\$46,082,011	\$1,538,118	\$56,931,773	\$1,959,786

16. Financial liabilities at fair value through profit or loss

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Financial liabilities for trading:				
Bond investments	\$199,417	\$6,676	\$497,002	\$16,661
Derivative financial instruments	13,151,152	440,280	10,774,185	361,186
	\$13,350,569	\$446,956	\$11,271,187	\$377,847

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Financial liabilities for trading:				
Derivative financial instruments	\$7,178,537	\$239,604	\$4,967,738	\$171,006

Net gains (losses) arising from financial liabilities of fair value through profit or loss for the three-month periods ended 30 June 2014 and 2013, and six-month periods ended 30 June 2014 and 2013 were losses NT\$551,007 (US\$18,447) and gains NT\$76,859 (US\$2,565), losses NT\$1,873,633 (US\$62,726) and losses NT\$81,594 (US\$2,724), respectively.

17. Payables

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Accounts payable	\$3,638,656	\$121,816	\$3,497,080	\$117,234
Accrued interest payable	2,630,263	88,057	2,531,091	84,850
Accrued expenses	3,877,596	129,816	4,957,366	166,187
Foreign currency payable	55,138	1,846	134,504	4,509
Acceptance	1,245,899	41,711	1,381,544	46,314
Tax payable	177,916	5,956	153,679	5,152
Dividends payable	284,193	9,514	119,800	4,016
Receipts under custody	401,498	13,441	388,419	13,021
Others	3,047,084	102,012	1,992,551	66,797
Total	\$15,358,243	\$514,169	\$15,156,034	\$508,080

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	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Accounts payable	\$7,452,967	\$248,764	\$8,408,434	\$289,447
Accrued interest payable	2,594,603	86,602	2,620,033	90,191
Accrued expenses	2,817,453	94,041	3,874,061	133,359
Foreign currency payable	883,016	29,473	68,653	2,363
Acceptance	1,764,928	58,910	1,644,088	56,595
Tax payable	152,122	5,078	152,317	5,243
Dividends payable	572,280	19,101	407,904	14,041
Receipts under custody	638,306	21,305	228,744	7,874
Others	9,255,757	308,937	4,748,952	163,475
Total	\$26,131,432	\$872,211	\$22,153,186	\$762,588

18. Deposits and remittances

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Check deposits	\$15,586,194	\$521,801	\$17,006,177	\$570,103
Demand deposits	315,456,395	10,560,977	319,832,288	10,721,833
Demand savings deposits	661,751,567	22,154,388	619,830,238	20,778,754
Time deposits	333,814,195	11,175,567	349,502,641	11,716,482
Negotiable certificates of deposit	5,687,400	190,405	6,271,400	210,238
Time savings deposits	316,097,485	10,582,440	302,030,267	10,125,051
Outward remittances	1,496,082	50,087	868,120	29,102
Remittances payable	427,246	14,304	519,332	17,410
Total	\$1,650,316,564	\$55,249,969	\$1,615,860,463	\$54,168,973

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Check deposits	\$14,126,168	\$471,501	\$17,115,953	\$589,189
Demand deposits	273,163,295	9,117,600	266,645,938	9,178,862
Demand savings deposits	587,531,012	19,610,514	579,112,495	19,935,025
Time deposits	393,739,480	13,142,172	384,716,809	13,243,264
Negotiable certificates of deposit	6,892,600	230,060	6,922,200	238,286
Time savings deposits	293,437,316	9,794,303	283,700,913	9,765,952
Outward remittances	1,239,917	41,386	395,743	13,623
Remittances payable	337,773	11,274	1,164,015	40,070
Total	\$1,570,467,561	\$52,418,810	\$1,539,774,066	\$53,004,271

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19. Financial debentures payable

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subordinated financial debentures	\$66,693,573	\$2,232,794	\$51,705,031	\$1,733,323
Discount in financial debentures	(12,225)	(409)	(16,366)	(548)
Valuation adjustment	533,443	17,859	728,548	24,423
Total	\$67,214,791	\$2,250,244	\$52,417,213	\$1,757,198

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subordinated financial debentures	\$51,760,685	\$1,727,660	\$41,438,544	\$1,426,456
Discount in financial debentures	(20,540)	(686)	(23,666)	(815)
Valuation adjustment	909,126	30,345	1,103,753	37,995
Total	\$52,649,271	\$1,757,319	\$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 Notes VI.4, the Bank has adopted hedge accounting to account for its subordinated financial debentures. The Bank had bought back the bonds amount of US\$172,620 principal in May 2009.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank issued a seven-year subordinated financial debentures totaling NT\$3,000,000 with a stated interest rate of 1.70% in May 2014, and the interest is payable annually.

The Bank issued a ten-year subordinated financial debentures totaling NT\$12,000,000 with a stated interest rate of 1.85% in May 2014, 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.

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20. Other financial liabilities

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Borrowed funds	\$-	\$-	\$31,849	\$1,068
Principal received from the sale of structured products	65,070,447	2,178,455	36,113,309	1,210,637
Total	\$65,070,447	\$2,178,455	\$36,145,158	\$1,211,705

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Borrowed funds	\$60,919	\$2,034	\$85,500	\$2,943
Principal received from the sale of structured products	20,517,452	684,828	17,340,691	596,926
Total	\$20,578,371	\$686,862	\$17,426,191	\$599,869

21. Provisions

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Employee benefits provision – Defined benefits plan	\$1,367,980	\$45,798	\$1,358,410	\$45,538
Employee benefits provision – Preferential interest rate deposits	626,439	20,972	629,582	21,106
Reserve for losses on guarentees	101,915	3,412	24,892	835
Reserve for other operating	22,680	759	22,680	760
Total	\$2,119,014	\$70,941	\$2,035,564	\$68,239

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Employee benefits provision - Defined benefits plan	\$1,354,200	\$45,200	\$1,354,200	\$46,616
Employee benefits provision - Preferential interest rate deposits	630,079	21,031	630,292	21,697
Reserve for losses on guarentees	24,892	831	24,892	857
Total	\$2,009,171	\$67,062	\$2,009,384	\$69,170

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	2014.1.1		Addition-other		Used		2014.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Defined benefits plan	\$1,358,410	\$45,478	\$9,570	\$320	\$-	\$-	\$1,367,980	\$45,798
Preferential interest								
rate deposits	629,582	21,078	44,429	1,487	(47,572)	(1,593)	626,439	20,972
Reserve for losses on								
guarantees	24,892	833	77,023	2,579	-	-	101,915	3,412
Reserve for other								
operating	22,680	759	-	-	-	-	22,680	759
Total	\$2,035,564	\$68,148	\$131,022	\$4,386	\$(47,572)	\$(1,593)	\$2,119,014	\$70,941

	2013.1.1		Addition-other		Used		2013.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Defined benefits plan	\$1,354,200	\$45,200	\$-	\$-	\$-	\$-	\$1,354,200	\$45,200
Preferential interest								
rate deposits	630,292	21,038	43,743	1,460	(43,956)	(1,467)	630,079	21,031
Reserve for losses on								
guarantees	24,892	831	-	-	-	-	24,892	831
Total	\$2,009,384	\$67,069	\$43,743	\$1,460	\$(43,956)	\$(1,467)	\$2,009,171	\$67,062

22. Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the three-month and six-month periods ended 30 June 2014 and 2013 were NT\$59,644 (US\$1,997), NT\$50,224 (US\$1,676), NT\$119,298 (US\$3,994) and NT\$96,787 (US\$3,231), respectively, and recorded as "Employee benefits expenses".

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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\$50,014 (US\$1,674), NT\$43,977 (US\$1,468), NT\$99,879 (US\$3,344) and NT\$88,243 (US\$2,945) were recognized for the three-month and six-month periods ended 30 June 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\$76,042 (US\$2,546), NT\$71,944 (US\$2,401), NT\$152,730 (US\$5,113) and NT\$143,282 (US\$4,782) were recognized for the three-month and six-month periods ended 30 June 2014 and 2013, respectively, and recorded as "Employee benefits expenses".

23. Other liabilities

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Unearned receipts	\$818,372	\$27,398	\$1,091,919	\$36,605
Temporary receipts	1,635,350	54,749	1,014,243	34,001
Guarantee deposits received	1,061,099	35,524	1,117,779	37,471
Deferred income	1,386,859	46,430	1,233,330	41,345
Others	604,457	20,236	425,533	14,265
Total	\$5,506,137	\$184,337	\$4,882,804	\$163,687

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	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Unearned receipts	\$948,667	\$31,665	\$695,017	\$23,925
Temporary receipts	881,881	29,435	844,181	29,060
Guarantee deposits received	1,060,201	35,387	1,278,507	44,010
Deferred income	1,151,972	38,450	1,123,325	38,669
Others	317,968	10,613	278,308	9,580
Total	\$4,360,689	\$145,550	\$4,219,338	\$145,244

24. Capital Stock

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the Bank had issued and outstanding capital stock of NT\$67,112,762, NT\$64,668,494, NT\$52,277,026 and NT\$52,277,026 divided into 6,711,276, 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 recapitalization of undistributed earnings of NT\$2,444,268 by issuing 244,427 thousand shares was resolved by the Banks' board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) on 21 April 2014 and approved by the Financial Supervisory commission. The recapitalization record date was 23 June 2014. The authorized share capital amounted to NT\$67,112,762 offer recapitalization.

25. Capital reserves

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Capital reserves from the merger				
Bank	\$10,949,364	\$366,567	\$10,949,303	\$367,057
Additional paid-in capital	13,007,302	435,463	13,007,302	436,048
Others	12,807	428	14,893	499
Total	\$23,969,412	\$802,458	\$23,971,498	\$803,604

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	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Capital reserves from the merger				
Bank	\$10,949,303	\$365,464	\$10,949,303	\$376,912
Additional paid-in capital	4,249,096	141,826	4,249,096	146,268
Others	14,893	497	14,893	513
Total	\$15,213,292	\$507,787	\$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 30 June 2014 and 2013 were both NT\$375, and the six-month periods ended 30 June 2014 and 2013 were both NT\$750 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.

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- (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			
	Amount		Dividend per share	
	NT\$	US\$	NT\$	US\$
Legal reserves	\$3,491,812	\$117,057	\$0.69	\$0.023
Cash dividends	5,703,293	191,193	1.13	0.038
Stock dividends	2,444,268	81,940	0.49	0.016

	2012			
	Amount		Dividend per share	
	NT\$	US\$	NT\$	US\$
Legal reserves	\$3,920,437	\$134,955	\$0.75	\$0.026
Stock dividends	9,147,688	314,894	1.75	0.060

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 years ended 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.

- (5) 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.

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As of 1 January 2014 and 2013, special reserves 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\$9,166 to retained earnings during the six-month period ended 30 June 2014 as results of the use, disposal of or reclassification of related assets. As of 30 June 2014 and 2013, special reserve set aside for the adoption of fair value model for investment properties subsequent measurement amounted to NT\$1,609,943 and NT\$1,619,109, respectively.

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

	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$1,292,205	\$43,261	\$2,005,850	\$66,951
Unrealized gains or losses on available-for-sale financial assets	972,278	32,550	(502,837)	(16,784)
Income tax of unrealized gains or losses on available-for-sale financial	(5,362)	(179)	37,716	1,259
Share of unrealized gains or losses on available-for-sale financial assets of associates and joint ventures accounted for using the equity method	20,086	673	(9,570)	(319)
Ending balance	\$2,279,207	\$76,305	\$1,531,159	\$51,107

28. Non-controlling interests

	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$3,438,990	\$115,132	\$2,967,014	\$99,032
Profit attributable to non-controlling interests	98,617	3,301	118,687	3,961
Other comprehensive income, attributable to non-controlling interests, net of tax: Exchange differences resulting from translating the financial statements of a foreign operation	(4,761)	(159)	95,540	3,189
Unrealized gains (losses) from available-for-sale financial assets	5,308	178	8,465	283
Change in non-controlling interests	(165,215)	(5,531)	(298,924)	(9,977)
Ending balance	\$3,372,939	\$112,921	\$2,890,782	\$96,488

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29. Net interest income

	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Interest income				
Discounts and loans	\$6,666,847	\$223,195	\$6,100,052	\$203,607
Securities	1,486,298	49,759	1,676,048	55,943
Credit cards	533,282	17,854	517,229	17,264
Others	1,373,702	45,989	253,076	8,447
Subtotal	10,060,129	336,797	8,546,405	285,261
Interest expense				
Deposits	2,726,338	91,273	2,347,616	78,358
Due to Central Bank and other banks	96,973	3,247	73,603	2,457
Funds borrowed from the Central Bank and other banks	114,905	3,847	135,211	4,513
Financial debentures	364,996	12,219	321,524	10,732
Others	383,161	12,828	181,525	6,059
Subtotal	3,686,373	123,414	3,059,479	102,119
Net interest income	\$6,373,756	\$213,383	\$5,486,926	\$183,142
	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Interest income				
Discounts and loans	\$13,016,508	\$435,772	\$11,950,696	\$398,888
Securities	2,962,441	99,178	3,326,885	111,044
Credit cards	1,055,795	35,346	1,035,481	34,562
Others	2,802,025	93,807	893,989	29,840
Subtotal	19,836,769	664,103	17,207,051	574,334
Interest expense				
Deposits	5,398,697	180,740	5,113,026	170,662
Due to Central Bank and other banks	173,302	5,802	142,370	4,752
Funds borrowed from the Central Bank and other banks	286,278	9,584	275,286	9,188
Financial debentures	698,695	23,390	610,085	20,363
Others	701,454	23,484	291,385	9,726
Subtotal	7,258,426	243,000	6,432,152	214,691
Net interest income	\$12,578,343	\$421,103	\$10,774,899	\$359,643

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30. Net fee income

	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Fee income:				
Trust business	\$661,532	\$22,147	\$806,245	\$26,911
Cross-selling marketing	721,110	24,142	430,058	14,354
Credit card business	970,579	32,493	818,028	27,304
Loan business	301,932	10,108	392,818	13,112
Others	461,790	15,460	339,182	11,321
Subtotal	3,116,943	104,350	2,786,331	93,002
Fee expense:				
Credit card business	372,545	12,472	299,122	9,984
Others	181,881	6,089	158,855	5,302
Subtotal	554,426	18,561	457,977	15,286
Net fee income	\$2,562,517	\$85,789	\$2,328,354	\$77,716
	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Fee income:				
Trust business	\$1,290,292	\$43,197	\$1,479,794	\$49,392
Cross-selling marketing	1,475,648	49,402	862,883	28,801
Credit card business	1,931,813	64,674	1,631,700	54,463
Loan business	733,796	24,566	647,308	21,606
Others	898,481	30,080	684,412	22,844
Subtotal	6,330,030	211,919	5,306,097	177,106
Fee expense:				
Credit card business	786,023	26,315	590,663	19,715
Others	347,708	11,640	303,575	10,133
Subtotal	1,133,731	37,955	894,238	29,848
Net fee income	\$5,196,299	\$173,964	\$4,411,859	\$147,258

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

	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Short-term bills	\$174,684	\$5,848	\$168,264	\$5,616
Bonds	42,683	1,429	9,724	325
Beneficiary securities	-	-	(5,895)	(197)
Derivative financial instruments	1,017,852	34,076	460,358	15,366
Others	(20,166)	(675)	6,181	206
Total	\$1,215,053	\$40,678	\$638,632	\$21,316

	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Short-term bills	\$417,541	\$13,978	\$270,315	\$9,023
Bonds	86,954	2,911	32,835	1,096
Beneficiary securities	-	-	2,428	81
Derivative financial instruments	2,192,127	73,389	910,947	30,405
Others	(4,453)	(149)	(14,340)	(479)
Total	\$2,692,169	\$90,129	\$1,202,185	\$40,126

Realized gains on financial assets and liabilities at fair value through profit or loss include disposal gains NT\$943,699 (US\$31,594), NT\$470,713 (US\$15,711), NT\$1,964,622 (US\$65,772) and NT\$882,616 (US\$29,460) and the interest income NT\$182,021 (US\$6,094), NT\$147,062 (US\$4,909), NT\$400,286 (US\$13,401) and NT\$287,863 (US\$9,608) during the three-month and six-month periods ended 30 June 2014 and 2013, respectively.

32. Other net non-interest income

	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
The derivative item that in order to hedge risk	\$103,974	\$3,481	\$111,767	\$3,730
Rental income from operating assets	38,191	1,278	35,912	1,199
Rental income from investment properties	19,942	668	20,689	691
Others	51,218	1,715	157,193	5,246
Total	\$213,325	\$7,142	\$325,561	\$10,866

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	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
The derivative item that in order to hedge risk	\$191,449	\$6,409	\$187,725	\$6,266
Rental income from operating assets	75,050	2,513	69,575	2,322
Rental income from investment properties	39,925	1,337	41,093	1,372
Others	302,717	10,134	189,743	6,333
Total	\$609,141	\$20,393	\$488,136	\$16,293

33. Employee benefits expenses

	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Salary	\$2,009,372	\$67,271	\$1,731,282	\$57,786
Insurance	181,531	6,077	251,525	8,395
Post-employment benefit	131,858	4,415	115,850	3,867
Others	137,742	4,611	138,387	4,620
Total	\$2,460,503	\$82,374	\$2,237,044	\$74,668

	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Salary	\$3,959,191	\$132,547	\$3,463,138	\$115,592
Insurance	363,993	12,186	542,253	18,099
Post-employment benefit	264,920	8,869	229,983	7,676
Others	295,621	9,897	267,367	8,925
Total	\$4,883,725	\$163,499	\$4,502,741	\$150,292

34. Depreciation and amortization expenses

	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Depreciation expenses - property and equipment	\$218,096	\$7,302	\$228,134	\$7,615
Amortization expense – intangibles assets	43,741	1,464	53,642	1,790
Total	\$261,837	\$8,766	\$281,776	\$9,405

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	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Depreciation expenses - property and equipment	\$436,683	\$14,620	\$462,236	\$15,428
Amortization expense – intangibles assets	88,038	2,947	106,957	3,570
Total	\$524,721	\$17,567	\$569,193	\$18,998

35. Other general and administrative expenses

	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Utilities expenses	\$49,466	\$1,656	\$44,221	\$1,476
Postage expenses	114,885	3,846	90,933	3,035
Rental expenses	348,866	11,679	314,151	10,486
Business promotion expenses	436,964	14,629	239,507	7,994
Product promotion expenses	353,244	11,826	252,366	8,423
Cash delivery expenses	72,775	2,436	72,296	2,413
Insurance expenses	129,922	4,350	142,417	4,754
Tax expenses	268,794	8,999	229,975	7,676
Other	746,772	25,001	668,250	22,305
Total	\$2,521,688	\$84,422	\$2,054,116	\$68,562

	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Utilities expenses	\$103,526	\$3,466	\$94,331	\$3,149
Postage expenses	217,102	7,268	177,224	5,915
Rental expenses	671,614	22,485	619,469	20,677
Business promotion expenses	798,964	26,748	430,164	14,357
Product promotion expenses	814,804	27,278	495,894	16,552
Cash delivery expenses	148,473	4,971	142,728	4,764
Insurance expenses	260,860	8,733	285,675	9,535
Tax expenses	529,745	17,735	454,135	15,158
Other	1,493,188	49,989	1,362,127	45,465
Total	\$5,038,276	\$168,673	\$4,061,747	\$135,572

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36. Components of other comprehensive income

2014.4.1-2014.6.30

	Arsing during		Income tax relating to		Other comprehensive	
	the period		components of other		income, net of tax	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Exchange differences resulting from translating the financial statements of a foreign operation	\$(393,345)	\$(13,169)	\$55,172	\$1,847	\$(338,173)	\$(11,322)
Unrealized gains (losses) from available-for-sale financial assets	626,183	20,964	(4,635)	(155)	621,548	20,809
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	14,778	495	-	-	14,778	495
Total of other comprehensive income	\$247,616	\$8,290	\$50,537	\$1,692	\$298,153	\$9,982

2013.4.1-2013.6.30

	Arsing during		Income tax relating to		Other comprehensive	
	the period		components of other		income, net of tax	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Exchange differences resulting from translating the financial statements of a foreign operation	\$97,711	\$3,262	\$(13,115)	\$(438)	\$84,596	\$2,824
Unrealized gains (losses) from available-for-sale financial assets	(285,329)	(9,524)	27,161	907	(258,168)	(8,617)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(27,775)	(927)	-	-	(27,775)	(927)
Total of other comprehensive income	\$(215,393)	\$(7,189)	\$14,046	\$469	\$(201,347)	\$(6,720)

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2014.1.1-2014.6.30

	Arsing during		Income tax relating to		Other comprehensive	
	the period		components of other		income, net of tax	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Exchange differences resulting from translating the financial statements of a foreign operation	\$ (91,407)	\$ (3,060)	\$ 14,730	\$ 493	\$ (76,677)	\$ (2,567)
Unrealized gains (losses) from available-for-sale financial assets	982,894	32,905	(5,362)	(180)	977,532	32,725
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	14,778	495	-	-	14,778	495
Total of other comprehensive income	\$ 906,265	\$ 30,340	\$ 9,368	\$ 313	\$ 915,633	\$ 30,653

2013.1.1-2013.6.30

	Arsing during the		Income tax relating to		Other comprehensive	
	period		components of other		income, net of tax	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Exchange differences resulting from translating the financial statements of a foreign operation	\$ 475,582	\$ 15,874	\$ (64,606)	\$ (2,157)	\$ 410,976	\$ 13,717
Unrealized gains (losses) from available-for-sale financial assets	(485,907)	(16,218)	37,716	1,259	(448,191)	(14,959)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(18,035)	(602)	-	-	(18,035)	(602)
Total of other comprehensive income	\$ (28,360)	\$ (946)	\$ (26,890)	\$ (898)	\$ (55,250)	\$ (1,844)

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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

	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Current income tax (expense) income:				
Current income tax charge	\$(655,459)	\$(21,944)	\$(563,522)	\$(18,809)
Adjustments in respect of current income tax of prior periods	109,079	3,652	115,020	3,839
Deferred tax (expense) income:				
Deferred tax (expense) income relating to origination and reversal of temporary differences	(262,419)	(8,785)	19,685	657
	-	-	(110,275)	(3,681)
Income tax of overseas subsidiaries	(18,785)	(629)	(40,372)	(1,347)
Income tax expense	<u>\$(827,584)</u>	<u>\$(27,706)</u>	<u>\$(579,464)</u>	<u>\$(19,341)</u>
	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Current income tax (expense) income:				
Current income tax charge	\$(1,340,797)	\$(44,888)	\$(1,228,240)	\$(40,996)
Adjustments in respect of current income tax of prior periods	208,438	6,978	20,154	673
Deferred tax (expense) income:	(410,841)	(13,754)	249,955	8,343
Deferred tax (expense) income relating to origination and reversal of temporary differences	-	-	(110,275)	(3,681)
Income tax of overseas subsidiaries	(58,941)	(1,973)	(129,951)	(4,338)
Income tax expense	<u>\$(1,602,141)</u>	<u>\$(53,637)</u>	<u>\$(1,198,357)</u>	<u>\$(39,999)</u>

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Income tax relating to components of other comprehensive income

	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Deferred tax (expense) income:				
Exchange differences resulting from translating the financial statements of a foreign operation	\$55,172	\$1,847	\$(13,115)	\$(438)
Unrealized gains (losses) from available-for-sale financial assets	(4,635)	(155)	27,161	907
Income tax relating to components of other comprehensive income	\$50,537	\$1,692	\$14,046	\$469

	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Deferred tax (expense) income:				
Exchange differences resulting from translating the financial statements of a foreign operation	\$14,730	\$493	\$(64,606)	\$(2,157)
Unrealized gains (losses) from available-for-sale financial assets	(5,362)	(179)	37,716	1,259
Income tax relating to components of other comprehensive income	\$9,368	\$314	\$(26,890)	\$(898)

(3) Imputation credit information

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Balances of imputation credit amount	\$2,315	\$78	\$2,863	\$96

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Balances of imputation credit amount	\$132,785	\$4,432	\$111,496	\$3,838

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The actual creditable ratio for 2013 and 2012 were 0.03% and 2.12%, respectively.

The Bank's earnings generated in the year ended 31 December 1997 and prior years have been fully appropriated. As of 30 June 2014, the undistributed earnings amounted to NT\$10,685,071 (US\$357,719) 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.

	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Profit attributable ordinary to equity holders of the parent (in thousands dollars)	<u>\$5,137,671</u>	<u>\$172,001</u>	<u>\$4,189,568</u>	<u>\$139,839</u>
Retroactive adjustment weight-average shares outstanding (in thousands shares)	<u>6,711,276</u>		<u>6,386,898</u>	
Earnings per share (in dollar)	<u>\$0.77</u>	<u>\$0.0258</u>	<u>\$0.66</u>	<u>\$0.0220</u>
	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Profit attributable ordinary to equity holders of the parent (in thousands dollars)	<u>\$10,529,743</u>	<u>\$352,519</u>	<u>\$7,761,095</u>	<u>\$259,049</u>
Retroactive adjustment weight-average shares outstanding (in thousands shares)	<u>6,711,276</u>		<u>6,386,898</u>	
Earnings per share (in dollar)	<u>\$1.57</u>	<u>\$0.0526</u>	<u>\$1.22</u>	<u>\$0.0407</u>

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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 after 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 after recapitalization.

The recapitalization of undistributed earnings of NT\$2,444,268 by issuing 244,429 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 21 April 2014 and approved by the Financial Supervisory commission. The recapitalization record date was 23 June 2014. The authorized share capital amounted to NT\$67,112,762 after 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 Indovina Bank at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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VII. Related parties transactions

Significant transactions with the related parties are summarized as follows:

1. Loans and Deposits

Accounts/Related parties	2014.6.30			2013.12.31		
	Account balance		% of	Account balance		% of
	NT\$	US\$		Account	NT\$	
<u>Loans</u>						
Associates						
Taiwan Real-estate Management Corp.	\$55,000	\$1,841	-	\$60,000	\$2,011	0.01%
Other related parties						
Cathay Real Estate Development Co., Ltd.	60,000	2,009	0.01%	100,000	3,352	0.01%
Cathay General Hospital	99,000	3,314	0.01%	99,000	3,319	0.01%
Tien-Tai energy Corp.	117,050	3,919	0.01%	120,859	4,052	0.01%
Others	1,248,518	41,798	0.11%	890,965	29,868	0.08%
Subtotal	1,524,568	51,040	0.14%	1,210,824	40,591	0.11%
Total	\$1,579,568	\$52,881	0.14%	\$1,270,824	\$42,602	0.12%
<u>Deposits</u>						
Parent company						
Cathay Financial Holding Co., Ltd.	\$1,307	\$43	-	\$3,982	\$134	-
Other related parties						
Cathay Life Insurance Co., Ltd.	18,841,542	630,785	1.14%	25,559,790	856,849	1.58%
Cathay Century Insurance Co., Ltd.	1,254,491	41,998	0.08%	1,470,311	49,290	0.09%
Cathay Securities Corp.	1,250,488	41,864	0.08%	1,300,263	43,589	0.08%
Cathay Futures Corp.	1,926,140	64,484	0.12%	1,920,210	64,372	0.12%
Cathay Pacific Venture Capital Co., Ltd.	167,591	5,611	0.01%	44,992	1,508	-
Cathay Securities Investment Trust Co., Ltd.	311,375	10,424	0.02%	344,818	11,559	0.02%
Cathay Real Estate Development Co., Ltd.	232,757	7,792	0.01%	226,980	7,609	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	8,361	279	-	5,226	175	-
Cathay Century Insurance (Vietnam) Co., Ltd.	253,864	8,499	0.02%	179,870	6,030	0.01%
Cathay Dragon Fund etc.	133,511	4,470	0.01%	1,970,907	66,071	0.12%
Sympbox Information Co., Ltd.	13,037	437	-	142,617	4,781	0.01%
Others	9,496,197	317,918	0.58%	8,558,652	286,914	0.53%
Subtotal	33,889,354	1,134,561	2.07%	41,724,636	1,398,747	2.58%
Total	\$33,890,611	\$1,134,604	2.07%	\$41,728,618	\$1,398,881	2.58%

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Accounts/Related parties	2013.6.30			2013.1.1		
	Account balance		% of	Account balance		% of
	NT\$	US\$		NT\$	US\$	
Loans						
Associates						
Taiwan Real-estate Management Corp.	\$60,000	\$2,003	-	\$65,000	\$2,238	-
Other related parties						
Cathay Real Estate Development Co., Ltd.	970,000	32,377	0.10%	-	-	-
Cathay General Hospital	99,000	3,304	0.01%	103,000	3,546	0.01%
Others	856,509	28,588	0.09%	385,830	13,281	0.04%
Subtotal	1,925,509	64,269	0.20%	488,830	16,827	0.05%
Total	\$1,985,509	\$66,272	0.20%	\$553,830	\$19,065	0.05%
Deposits						
Parent company						
Cathay Financial Holding Co., Ltd.	\$149,479	\$4,989	0.01%	\$93,389	\$3,215	0.01%
Other related parties						
Cathay Life Insurance Co., Ltd.	53,630,146	1,790,058	3.41%	73,919,996	2,544,578	4.80%
Cathay Century Insurance Co., Ltd.	1,447,888	48,327	0.09%	1,285,715	44,259	0.08%
Cathay Securities Corp.	1,224,490	40,871	0.08%	1,797,618	61,880	0.12%
Cathay Futures Corp.	2,238,094	74,703	0.14%	1,978,796	68,117	0.13%
Cathay Pacific Venture Capital Co., Ltd.	88,743	2,962	0.01%	65,757	2,263	-
Cathay Securities Investment Trust Co., Ltd.	755,049	25,202	0.05%	1,745,795	60,096	0.11%
Cathay Real Estate Development Co., Ltd.	249,993	8,344	0.01%	279,019	9,605	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	185,594	6,195	0.01%	1,595	55	-
Cathay Century Insurance (Vietnam) Co., Ltd.	319,876	10,677	0.02%	326,295	11,232	0.02%
Cathay Dragon Fund etc.	1,814,812	60,574	0.12%	3,258,081	112,154	0.21%
Symphox Information Co., Ltd.	102,752	3,430	0.01%	167,730	5,774	0.01%
Others	8,784,991	293,224	0.56%	7,234,987	249,053	0.47%
Subtotal	70,842,428	2,364,567	4.51%	92,061,384	3,169,066	5.97%
Total	\$70,991,907	\$2,369,556	4.52%	\$92,154,773	\$3,172,281	5.98%

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Accounts/Related parties	Interest Income (Expense)			
	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Loans</u>				
Associates				
Taiwan Real-estate Management Corp.	\$278	\$9	\$287	\$10
Other related parties				
Cathay Real Estate Development Co., Ltd.	299	10	4,837	162
Cathay General Hospital	728	24	728	24
Tien-Tai energy Corp.	1,031	35	-	-
Others	6,333	212	4,298	143
Subtotal	8,391	281	9,863	329
Total	<u>\$8,669</u>	<u>\$290</u>	<u>\$10,150</u>	<u>\$339</u>
<u>Deposits</u>				
Parent company				
Cathay Financial Holding Co., Ltd.	\$(20)	\$(1)	\$(232)	\$(8)
Other related parties				
Cathay Life Insurance Co., Ltd.	(6,507)	(218)	(151,317)	(5,051)
Cathay Century Insurance Co., Ltd.	(2,419)	(81)	(2,403)	(80)
Cathay Securities Corp.	(1,211)	(41)	(2,459)	(82)
Cathay Futures Corp.	(5,799)	(194)	(7,179)	(240)
Cathay Pacific Venture Capital Co., Ltd.	(99)	(3)	(277)	(9)
Cathay Securities Investment Trust Co., Ltd.	(1,207)	(40)	(2,710)	(90)
Cathay Real Estate Development Co., Ltd.	(43)	(1)	(53)	(2)
Cathay Life Insurance (Vietnam) Co., Ltd.	(25)	(1)	(1,731)	(58)
Cathay Century Insurance (Vietnam) Co., Ltd.	(2,750)	(92)	(7,480)	(250)
Cathay Dragon Fund etc.	(731)	(24)	(4,738)	(158)
Symphox Information Co., Ltd.	(80)	(3)	(402)	(13)
Others	(25,476)	(853)	(26,050)	(869)
Subtotal	(46,347)	(1,551)	(206,799)	(6,902)
Total	<u>\$(46,367)</u>	<u>\$(1,552)</u>	<u>\$(207,031)</u>	<u>\$(6,910)</u>

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Accounts/Related parties	Interest Income (Expense)			
	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Loans</u>				
Associates				
Taiwan Real-estate Management Corp.	\$562	\$19	\$594	\$20
Other related parties				
Cathay Real Estate Development Co., Ltd.	821	28	5,698	190
Cathay General Hospital	1,448	48	1,477	49
Tien-Tai energy Corp.	2,069	69	-	-
Others	11,818	396	8,598	287
Subtotal	16,156	541	15,773	526
Total	\$16,718	\$560	\$16,367	\$546
<u>Deposits</u>				
Parent company				
Cathay Financial Holding Co., Ltd.	\$(23)	\$(1)	\$(469)	\$(16)
Other related parties				
Cathay Life Insurance Co., Ltd.	(11,118)	(372)	(279,271)	(9,321)
Cathay Century Insurance Co., Ltd.	(5,173)	(173)	(4,737)	(158)
Cathay Securities Corp.	(2,506)	(84)	(4,853)	(162)
Cathay Futures Corp.	(11,815)	(396)	(13,610)	(454)
Cathay Pacific Venture Capital Co., Ltd.	(200)	(7)	(440)	(15)
Cathay Securities Investment Trust Co., Ltd.	(1,789)	(60)	(5,143)	(172)
Cathay Real Estate Development Co., Ltd.	(65)	(2)	(112)	(4)
Cathay Life Insurance (Vietnam) Co., Ltd.	(85)	(3)	(3,205)	(107)
Cathay Century Insurance (Vietnam) Co., Ltd.	(5,759)	(193)	(16,433)	(548)
Cathay Dragon Fund etc.	(4,852)	(162)	(8,740)	(292)
Symphox Information Co., Ltd.	(404)	(13)	(831)	(28)
Others	(50,722)	(1,698)	(52,528)	(1,753)
Subtotal	(94,488)	(3,163)	(389,903)	(13,014)
Total	\$(94,511)	\$(3,164)	\$(390,372)	\$(13,030)

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Accounts / Related parties	Account balance			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>				
Other related parties				
Vietinbank	\$-	\$-	\$6,554,374	\$219,724
<u>Due from commercial banks</u>				
Other related parties				
Vietinbank	7,021,929	235,083	16,175	542
<u>Call loans from banks</u>				
Other related parties				
Vietinbank	-	-	3,844,124	128,868
<u>Due to commercial banks</u>				
Other related parties				
Vietinbank	(3,520,074)	(117,846)	1,601	54

Accounts / Related parties	Account balance			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>				
Other related parties				
Vietinbank	\$6,238,460	\$208,226	\$6,376,067	\$219,486
<u>Due from commercial banks</u>				
Other related parties				
Vietinbank	5,592	187	5,722	197
<u>Call loans from banks</u>				
Other related parties				
Vietinbank	3,579,578	119,479	2,797,772	96,309
<u>Due to commercial banks</u>				
Other related parties				
Vietinbank	33,521	1,119	5,722	197

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Accounts / Related parties	Interest Income (Expense)			
	2014.4.1~2014.6.30		2013.4.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>				
Other related parties				
Vietinbank	\$-	\$-	\$50,858	\$1,698
<u>Due from commercial banks</u>				
Other related parties				
Vietinbank	50,031	1,675	-	-
<u>Call loans from banks</u>				
Other related parties				
Vietinbank	(31,158)	(1,043)	(82,166)	(2,743)
<u>Due to commercial banks</u>				
Other related parties				
Vietinbank	(9,367)	(314)	-	-

Accounts / Related parties	Interest Income (Expense)			
	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>				
Other related parties				
Vietinbank	\$28,198	\$944	\$115,892	\$3,868
<u>Due from commercial banks</u>				
Other related parties				
Vietinbank	70,571	2,363	-	-
<u>Call loans from banks</u>				
Other related parties				
Vietinbank	(70,906)	(2,374)	(145,906)	(4,870)
<u>Due to commercial banks</u>				
Other related parties				
Vietinbank	(9,367)	(314)	-	-

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

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2. Guarantees and transactions of derivative financial instruments

Guarantees

Related Parties	2013.1.1-2013.6.30		2013.6.30		2013.1.1-2013.6.30	
	Maximum balance		Account balance		Service fees	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cathay Hospitality Management Co., Ltd.	\$21,816	\$728	\$21,816	\$728	\$-	\$-

Transactions of derivative financial instruments

Related parties	Category of agreements	Term of agreements	Notional amount		Valuation gains (losses)	
			NT\$	US\$	NT\$	US\$
<u>2014.6.30</u>						
Cathay Life						
Insurance Co., Ltd.	Currency swap	2012.7.19-2015.3.6	\$30,812,450	\$1,031,552	\$394,318	\$13,201
Cathay Century						
Insurance Co., Ltd.	Currency swap	2013.7.12-2016.6.13	1,434,424	48,022	10,458	350
	Interest rate swap	2007.9.27-2015.4.30	400,000	13,391	(10,125)	(339)

Related parties	Category of agreements	Term of agreements	Notional amount		Valuation gains (losses)	
			NT\$	US\$	NT\$	US\$
<u>2013.6.30</u>						
Cathay Life						
Insurance Co., Ltd.	Currency swap	2012.4.27-2015.3.6	\$26,656,200	\$889,726	\$1,137,772	\$37,976
Cathay Century						
Insurance Co., Ltd.	Currency swap	2012.4.11-2014.3.12	2,176,170	72,636	54,352	1,814
	Interest rate swap	2007.9.27-2015.4.30	400,000	13,351	(17,095)	(571)
Cathy Dragon fund etc.	Currency swap	-	-	-	3,672	123

3. Transactions under resale and repurchase agreements

Accounts/Related parties	Account Balance			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>Securities sold under agreements to repurchase</u>				
Other related parties				
Others	\$28,014	\$938	\$-	\$-

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Accounts/Related parties	Account Balance			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Securities sold under agreements to repurchase</u>				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	\$425,000	\$14,186	\$20,000	\$689
Others	-	-	60,081	2,068
Total	\$425,000	\$14,186	\$80,081	\$2,757

Accounts/Related parties	Interest Expense			
	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Securities sold under agreements to repurchase</u>				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	\$-	\$-	\$(507)	\$(17)
Others	(50)	(2)	(31)	(1)
Total	\$(50)	\$(2)	\$(538)	\$(18)

Accounts/Related parties	Interest Expense			
	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Securities sold under agreements to repurchase</u>				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	\$-	\$-	\$(572)	\$(19)
Others	(50)	(2)	(121)	(4)
Total	\$(50)	\$(2)	\$(693)	\$(23)

4. Lease

Accounts/Related parties	2014.4.1-2014.6.30		2013.4.1-2013.6.30		Payment term
	NT\$	US\$	NT\$	US\$	
<u>Rental income</u>					
Other related parties					
Cathay Life Insurance Co., Ltd.	\$14,914	\$499	\$14,940	\$499	Monthly
Cathay Century Insurance Co., Ltd.	2,346	79	2,098	70	Monthly
Cathay Securities Corp.	2,096	70	2,090	70	Monthly
Culture and Charity Foundation of Cathay United Bank	1,158	39	1,238	41	Monthly
<u>Rental expense</u>					
Other related parties					
Cathay Life Insurance Co., Ltd.	100,390	3,361	92,891	3,101	Monthly
Cathay Real Estate Development Co., Ltd.	13,101	439	15,625	522	Monthly

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Accounts/Related parties	2014.1.1-2014.6.30		2013.1.1-2013.6.30		Payment term
	NT\$	US\$	NT\$	US\$	
<u>Rental income</u>					
Other related parties					
Cathay Life Insurance Co., Ltd.	\$29,895	\$1,001	\$27,198	\$908	Monthly
Cathay Century Insurance Co., Ltd.	4,509	151	4,196	140	Monthly
Cathay Securities Corp.	4,191	140	4,181	140	Monthly
Culture and Charity Foundation of Cathay United Bank	2,316	78	2,476	83	Monthly
<u>Rental expense</u>					
Other related parties					
Cathay Life Insurance Co., Ltd.	199,553	6,681	188,193	6,281	Monthly
Cathay Real Estate Development Co., Ltd.	26,203	877	33,020	1,102	Monthly
		2014.6.30		2013.12.31	
Accounts/Related parties	NT\$	US\$	NT\$	US\$	
<u>Refundable deposits</u>					
Other related parties					
Cathay Life Insurance Co., Ltd.		\$93,526	\$3,131	\$95,045	\$3,186
Cathay Real Estate Development Co., Ltd.		13,932	466	13,932	467
		2013.6.30		2013.1.1	
Accounts/Related parties	NT\$	US\$	NT\$	US\$	
<u>Refundable deposits</u>					
Other related parties					
Cathay Life Insurance Co., Ltd.		\$89,267	\$2,980	\$85,466	\$2,942
Cathay Real Estate Development Co., Ltd.		13,932	465	13,932	480
		2014.6.30		2013.12.31	
Accounts/Related parties	NT\$	US\$	NT\$	US\$	
<u>Guarantee deposit received</u>					
Other related parties					
Cathay Life Insurance Co., Ltd.		\$15,112	\$506	\$15,172	\$509
Cathay Securities Corp.		2,808	94	2,536	85
Cathay Century Insurance Co., Ltd.		2,383	80	2,221	74
		2013.6.30		2013.1.1	
Accounts/Related parties	NT\$	US\$	NT\$	US\$	
<u>Guarantee deposit received</u>					
Other related parties					
Cathay Life Insurance Co., Ltd.		\$14,790	\$494	\$14,790	\$509
Cathay Securities Corp.		2,536	85	2,536	87
Cathay Century Insurance Co., Ltd.		2,085	70	2,085	72

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Accounts/Related parties	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>5. Commissions and handling fees income</u>				
Other related parties				
Cathay Life Insurance Co., Ltd.	\$862,381	\$28,871	\$535,495	\$17,874
Cathay Century Insurance Co., Ltd.	22,422	751	21,913	731
Cathay Securities Co., Ltd.	2,964	99	2,524	84
Cathay Securities Investment Trust Co., Ltd.	8,131	272	7,902	264
Cathay Securities Investment Consulting Co., Ltd.	7,073	237	5,490	183

Accounts/Related parties	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Commissions and handling fees income</u>				
Other related parties				
Cathay Life Insurance Co., Ltd.	\$1,734,229	\$58,059	\$1,079,052	\$36,016
Cathay Century Insurance Co., Ltd.	43,029	1,441	39,655	1,324
Cathay Securities Co., Ltd.	5,700	191	5,577	186
Cathay Securities Investment Trust Co., Ltd.	15,038	503	14,545	485
Cathay Securities Investment Consulting Co., Ltd.	12,404	415	10,911	364

Accounts/Related parties	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>6. Other operating income</u>				
Parent company				
Cathay Financial Holdings Co., Ltd.	\$2,296	\$77	\$1,797	\$60
Other related parties				
Cathay Life Insurance Co., Ltd.	2,691	90	2,070	69
Cathay Century Insurance Co., Ltd.	281	9	229	8

Accounts/Related parties	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Other operating income</u>				
Parent company				
Cathay Financial Holdings Co., Ltd.	\$3,054	\$102	\$1,797	\$60
Other related parties				
Cathay Life Insurance Co., Ltd.	3,293	110	2,070	69
Cathay Century Insurance Co., Ltd.	374	13	245	8

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Accounts/Related parties	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
7. Operating expenses				
Subsidiaries				
Seaward Card Co., Ltd.	\$43,620	\$1,460	\$46,819	\$1,563
Other related parties				
Cathay Life Insurance Co., Ltd.	39,364	1,318	24,543	819
Symphox Information Co., Ltd.	102,877	3,444	100,161	3,343
Cathay Real Estate Development Co., Ltd.	1,323	44	1,323	44
Cathay General Hospital	15	1	36	1
Lin Yuan Property Management and Maintenance Co., Ltd.	2,374	79	2,380	79
Cathay Healthcare Inc.	2,623	88	1,313	44
Accounts/Related parties	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Operating expenses</u>				
Subsidiaries				
Seaward Card Co., Ltd.	\$108,068	\$3,618	\$117,390	\$3,918
Other related parties				
Cathay Life Insurance Co., Ltd.	89,464	2,995	46,241	1,543
Symphox Information Co., Ltd.	222,399	7,446	206,968	6,908
Cathay Real Estate Development Co., Ltd.	2,646	89	2,648	88
Cathay General Hospital	27	1	1,911	64
Lin Yuan Property Management and Maintenance Co., Ltd.	3,820	128	4,048	135
Cathay Healthcare Inc.	8,225	275	2,989	100
Accounts/Related parties	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
8. Insurance expenses				
Other related parties				
Cathay Life Insurance Co., Ltd.	\$18,044	\$604	\$174,847	\$5,836
Cathay Century Insurance Co., Ltd.	34,396	1,152	13,831	462
Accounts/Related parties	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Insurance expenses</u>				
Other related parties				
Cathay Life Insurance Co., Ltd.	\$29,920	\$1,002	\$345,487	\$11,532
Cathay Century Insurance Co., Ltd.	46,811	1,567	31,146	1,040

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Accounts/Related parties	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>9. Related party receivables for allocation of linked-tax system</u>				
Parent company				
Cathay Financial Holdings Co., Ltd.	\$502,245	\$16,814	\$256,312	\$8,592
Accounts/Related parties	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Related party receivables for allocation of linked-tax system</u>				
Parent company				
Cathay Financial Holdings Co., Ltd.	\$375,330	\$12,528	\$246,573	\$8,488
Accounts/Related parties	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>10. Other receivables-cash dividends</u>				
Taiwan Finance Corp.	\$27,899	\$931	\$-	\$-
Accounts/Related parties	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>11. Refundable deposit</u>				
Other related parties				
Cathay Futures Corp.	\$52,448	\$1,756	\$52,448	\$1,758
Accounts/Related parties	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Refundable deposit</u>				
Other related parties				
Cathay Futures Corp.	\$61,873	\$2,065	\$64,345	\$2,215
Accounts/Related parties	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>12. Dividends payable</u>				
Other related parties				
Vietinbank	\$284,193	\$9,514	\$119,800	\$4,016
Accounts/Related parties	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Dividends payable</u>				
Other related parties				
Vietinbank	\$572,280	\$19,101	\$407,904	\$14,041

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Accounts/Related parties	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
13. Accrued expenses				
Subsidiaries				
Seaward Card Co., Ltd.	\$23,644	\$792	\$24,857	\$833
Accounts/Related parties	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Accrued expenses</u>				
Subsidiaries				
Seaward Card Co., Ltd.	\$25,497	\$851	\$26,131	\$900
Accounts/Related parties	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
14. Accounts payable				
Other related parties				
Cathay Century Insurance Co., Ltd.	\$2,123	\$71	\$39,745	\$1,332
Symphox Information Co., Ltd.	30,667	1,027	15,655	525
Accounts/Related parties	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Accounts payable</u>				
Other related parties				
Cathay Century Insurance Co., Ltd.	\$8,076	\$270	\$4,855	\$167
Symphox Information Co., Ltd.	24,156	806	12,396	427
Accounts/Related parties	2014.4.1-2014.6.30		2013.4.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
15. Key management personnel compensation				
Short-term employee benefits	\$42,153	\$1,411	\$24,018	\$802
Post-employment benefits	2,640	89	2,138	71
Total	\$44,793	\$1,500	\$26,156	\$873
Accounts/Related parties	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
<u>Key management personnel compensation</u>				
Short-term employee benefits	\$79,785	\$2,671	\$62,566	\$2,088
Post-employment benefits	3,641	122	3,918	131
Total	\$83,426	\$2,793	\$66,484	\$2,219

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

16. Others

- a. The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of NT\$572 (US\$19), NT\$1,282 (US\$43), NT\$4,479 (US\$150) and NT\$1,876 (US\$63) during three-month and six-month periods ended 30 June 2014 and 2013, respectively.
- b. The Bank purchased bonus points in exchange for merchandise for the Bank's customer from Symphox Information Co., Ltd. As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the unconverted bonus points amounted to NT\$22,282 (US\$746), NT\$26,049 (US\$873), NT\$23,720 (US\$792) and NT\$26,517 (US\$913), respectively.
- c. 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\$10,280) during six-month period ended 30 June 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 Notes VI.

IX. Commitments and contingencies

As of 30 June 2014, 31 December 2013, 30 June 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:

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1. The Bank

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
(1) Entrusted Items and Guarantees:				
Trust and security held for				
safekeeping	\$490,542,988	\$16,422,598	\$438,098,386	\$14,686,503
Travelers checks for sale	487,247	16,312	559,217	18,747
Bills for collection	45,657,110	1,528,527	44,881,814	1,504,586
Book-entry for government bonds and depository for short-term marketable securities under management	544,527,400	18,229,910	573,257,300	19,217,476
Entrusted financial management business	5,387,639	180,370	3,190,719	106,963
Guarantees on duties and contracts	10,191,506	341,195	11,270,885	377,837
Unused commercial letters of credit	5,117,051	171,311	3,202,955	107,374
Irrevocable loan commitments	194,774,968	6,520,756	165,615,358	5,551,973
Credit card lines commitments	404,617,652	13,545,954	379,793,417	12,731,928
Stamp tax, securities and memorial currency consignments	-	-	1,006	34
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Entrusted Items and Guarantees:				
Trust and security held for				
safekeeping	\$395,752,086	\$13,209,349	\$337,334,621	\$11,612,207
Travelers checks for sale	472,990	15,787	462,167	15,909
Bills for collection	42,506,808	1,418,785	39,523,311	1,360,527
Book-entry for government bonds and depository for short-term marketable securities under management	564,703,900	18,848,595	564,494,500	19,431,824
Entrusted financial management business	4,262,909	142,287	2,385,838	82,129
Guarantees on duties and contracts	10,711,299	357,520	12,081,454	415,885
Unused commercial letters of credit	3,695,483	123,347	4,281,218	147,374
Irrevocable loan commitments	63,943,341	2,134,291	34,415,264	1,184,691
Credit card lines commitments	301,187,898	10,053,001	295,794,164	10,182,243
Stamp tax, securities and memorial currency consignments	1,006	34	1,006	35

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- (2) As of 30 June 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\$103 million), respectively. The lawsuit was in the litigation procedures in July 2007 and is still under trial by Taipei District Court. The Bank is in mediation procedure with SanDisk Corporation. The Bank has been advised by its legal advisor that it is possible, but not probable, that the action will be resolved in the Bank's favor and accordingly no provision for such claims has been made in these financial statements.

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

2. Indovina Bank

- (1) Entrusted Item and Guarantees:

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Financial guarantee contracts	\$1,491,795	\$49,943	\$535,478	\$17,951
Unused commercial letters of credit	1,256,549	42,067	1,080,247	36,213

	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Financial guarantee contracts	\$660,688	\$22,052	\$852,596	\$29,349
Unused commercial letters of credit	1,308,620	43,679	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:

Periods	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Not later than one year	\$41,291	\$1,382	\$31,503	\$1,056
Later than one year and not later than five year	84,516	2,829	51,630	1,731
Later than five years	48,224	1,614	2,132	71

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Periods	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Not later than one year	\$30,810	\$1,028	\$39,677	\$1,366
Later than one year and not later than five year	53,403	1,782	58,960	2,030
Later than five years	7,147	239	11,100	382

3. CUBC Bank

Entrusted Item and Guarantees:

	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Financial guarantee contracts	\$30,940	\$1,036	\$39,806	\$1,335
Unused commercial letters of credit	5,838	195	1,965	66
Irrevocable loan commitments	261,784	8,764	143,134	4,798
Credit card line commitments	263,527	8,823	201,715	6,762

	2013.1.1	
	NT\$	US\$
Financial guarantee contracts	\$60,683	\$2,089
Unused commercial letters of credit	20,350	701
Irrevocable loan commitments	99,998	3,442
Credit card line commitments	199,925	6,882

X. Losses due to major disasters

None.

XI. Significant subsequent events

None.

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XII. Other

1. Disclosure of financial instruments information

(1) Information of fair value

	2014.6.30			
	Carrying value		Fair value	
	NT\$	US\$	NT\$	US\$
<u>Financial assets</u>				
Assets:				
Financial assets at fair value through profit or loss	\$130,210,052	\$4,359,225	\$130,210,052	\$4,359,225
Available-for-sale financial assets	65,241,138	2,184,169	65,241,138	2,184,169
Held-to-maturity financial assets	51,663,009	1,729,595	53,775,180	1,800,307
Investment in debt securities with no active market	331,806,014	11,108,337	332,356,894	11,126,779
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	97,419,038	3,261,434	97,419,038	3,261,434
Due from the Central Bank and call loan to banks	136,630,902	4,574,185	136,630,902	4,574,185
Securities purchased under agreements to resell	19,216,895	643,351	19,216,895	643,351
Receivable, net	83,992,493	2,811,935	83,992,493	2,811,935
Discounts and loans, net	1,109,998,324	37,160,975	1,109,998,324	37,160,975
Other financial assets, net	4,223	141	4,223	141
Other assets, net	4,821,396	161,412	4,821,396	161,412
Subtotal	1,452,083,271	48,613,433	1,452,083,271	48,613,433
Derivative financial assets for hedging	637,445	21,341	637,445	21,341
Total	\$2,031,640,929	\$68,016,100	\$2,034,303,980	\$68,105,254
<u>Financial liabilities</u>				
Financial assets at fair value through profit or loss	\$13,350,569	\$446,956	\$13,350,569	\$446,956
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	66,777,514	2,235,605	66,777,514	2,235,605
Funds borrowed from the Central Bank and other banks	1,495,750	50,075	1,495,750	50,075
Securities sold under agreements to repurchase	62,862,503	2,104,536	62,862,503	2,104,536
Payables	15,358,243	514,169	15,358,243	514,169
Deposits and remittances	1,650,316,564	55,249,969	1,650,316,564	55,249,969
Financial debentures payable	67,214,791	2,250,244	67,214,791	2,250,244
Other financial liabilities	65,070,447	2,178,455	65,070,447	2,178,455
Others	1,061,099	35,524	1,061,099	35,524
Subtotal	1,930,156,911	64,618,577	1,930,156,911	64,618,577
Total	\$1,943,507,480	\$65,065,533	\$1,943,507,480	\$65,065,533

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	2013.12.31			
	Carrying value		Fair value	
	NT\$	US\$	NT\$	US\$
<u>Financial assets</u>				
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
<u>Financial liabilities</u>				
Financial assets at fair value through profit or loss	\$11,271,187	\$377,847	\$11,271,187	\$377,847
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	56,985,225	1,910,333	56,985,225	1,910,333
Funds borrowed from the Central Bank and other banks	1,497,500	50,201	1,497,500	50,201
Securities sold under agreements to repurchase	58,681,600	1,967,201	58,681,600	1,967,201
Payables	15,156,034	508,080	15,156,034	508,080
Deposits and remittances	1,615,860,463	54,168,973	1,615,860,463	54,168,973
Financial debentures payable	52,417,213	1,757,198	52,417,213	1,757,198
Other financial liabilities	36,145,158	1,211,705	36,145,158	1,211,705
Others	1,117,779	37,471	1,117,779	37,471
Subtotal	1,837,860,972	61,611,162	1,837,860,972	61,611,162
Total	\$1,849,132,159	\$61,989,009	\$1,849,132,159	\$61,989,009

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	2013.6.30			
	Carrying value		Fair value	
	NT\$	US\$	NT\$	US\$
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$77,106,212	\$2,573,639	\$77,106,212	\$2,573,639
Available-for-sale financial assets	59,122,316	1,973,375	59,122,316	1,973,375
Held-to-maturity financial assets	49,947,770	1,667,148	50,681,743	1,691,647
Investment in debt securities with no active market	442,136,122	14,757,547	442,756,828	14,778,265
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	32,109,432	1,071,743	32,109,432	1,071,743
Due from the Central Bank and call loan to banks	96,294,885	3,214,115	96,294,885	3,214,115
Securities purchased under agreements to resell	5,492,597	183,331	5,492,597	183,331
Receivable, net	84,163,846	2,809,207	84,163,846	2,809,207
Discounts and loans, net	996,777,238	33,270,268	996,777,238	33,270,268
Other financial assets, net	656,262	21,905	656,262	21,905
Other assets, net	3,581,455	119,541	3,581,455	119,541
Subtotal	1,219,075,715	40,690,110	1,219,075,715	40,690,110
Derivative financial assets for hedging	1,017,819	33,973	1,017,819	33,973
Total	\$1,848,405,954	\$61,695,792	\$1,849,760,633	\$61,741,009
<u>Financial liabilities</u>				
Financial assets at fair value through profit or loss	\$7,178,537	\$239,604	\$7,178,537	\$239,604
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	46,082,011	1,538,118	46,082,011	1,538,118
Funds borrowed from the Central Bank and other banks	1,506,000	50,267	1,506,000	50,267
Securities sold under agreements to repurchase	56,427,177	1,883,417	56,427,177	1,883,417
Payables	26,131,432	872,211	26,131,432	872,211
Deposits and remittances	1,570,467,561	52,418,810	1,570,467,561	52,418,810
Financial debentures payable	52,649,271	1,757,319	52,649,271	1,757,319
Other financial liabilities	20,578,371	686,862	20,578,371	686,862
Others	1,060,201	35,387	1,060,201	35,387
Subtotal	1,774,902,024	59,242,391	1,774,902,024	59,242,391
Total	\$1,782,080,561	\$59,481,995	\$1,782,080,561	\$59,481,995

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	2013.1.1			
	Carrying value		Fair value	
	NT\$	US\$	NT\$	US\$
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$67,937,886	\$2,338,654	\$67,937,886	\$2,338,654
Available-for-sale financial assets	63,955,328	2,201,560	63,955,328	2,201,560
Held-to-maturity financial assets	21,668,974	745,920	24,476,464	842,563
Investment in debt securities with no active market	424,043,663	14,597,028	423,665,567	14,584,013
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	21,718,721	747,632	21,718,721	747,632
Due from the Central Bank and call loan to banks	109,003,762	3,752,281	109,003,762	3,752,281
Receivable, net	50,742,276	1,746,722	50,742,276	1,746,722
Discounts and loans, net	1,003,183,193	34,532,984	1,003,183,193	34,532,984
Other financial assets, net	13,821	476	13,821	476
Other assets, net	1,313,772	45,225	1,313,772	45,225
Subtotal	1,185,975,545	40,825,320	1,185,975,545	40,825,320
Derivative financial assets for hedging	1,203,138	41,416	1,203,138	41,416
Total	\$1,764,784,534	\$60,749,898	\$1,767,213,928	\$60,833,526
<u>Financial liabilities</u>				
Financial 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

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- (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.

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- 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.

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

Item	2014.6.30							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Bonds	\$15,879,334	\$531,615	\$6,943,748	\$232,466	\$8,935,586	\$299,149	\$-	\$-
Others	100,647,696	3,369,524	-	-	100,647,696	3,369,524	-	-
Available-for-sale financial assets								
Stocks	14,319,905	479,408	10,585,333	354,380	3,734,572	125,028	-	-
Bonds	49,833,951	1,668,361	14,901,496	498,878	34,932,455	1,169,483	-	-
Others	361,149	12,091	361,149	12,091	-	-	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	199,417	6,676	199,417	6,676	-	-	-	-
Financial debentures payable	10,314,791	345,323	-	-	10,314,791	345,323	-	-
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	13,615,253	455,817	330	11	13,614,923	455,806	-	-
Derivative financial assets for hedging	637,445	21,341	-	-	637,445	21,341	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	13,151,152	440,280	-	-	13,151,152	440,280	-	-
2013.12.31								
Item	Total		1 st Level		2 nd Level		3 rd Level	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Bonds	\$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	-	-
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	10,517,961	352,597	-	-	10,517,961	352,597	-	-
Derivative financial assets for hedging	837,179	28,065	-	-	837,179	28,065	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	10,774,185	361,186	-	-	10,774,185	361,186	-	-

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Item	Total		1 st Level		2 nd Level		3 rd Level	
	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	\$11,699,195	\$390,494	\$11,699,195	\$390,494	\$-	\$-	\$-	\$-
Others	56,531,328	1,886,893	363,880	12,145	56,167,448	1,874,748	-	-
Available-for-sale financial assets								
Stocks	12,947,730	432,167	9,066,859	302,632	3,880,871	129,535	-	-
Bonds	44,410,419	1,482,324	13,376,652	446,484	31,033,767	1,035,840	-	-
Others	783,545	26,153	783,545	26,153	-	-	-	-
Liabilities								
Financial debentures payable	10,749,271	358,787	-	-	10,749,271	358,787	-	-

Derivative financial instruments

Assets

Financial assets at fair value through profit or loss	8,292,410	276,783	66	2	8,292,344	276,781	-	-
Derivative financial assets for hedging	1,017,819	33,973	-	-	1,017,819	33,973	-	-

Liabilities

Financial liabilities at fair value through profit or loss	7,178,537	239,604	-	-	7,178,537	239,604	-	-
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2013.1.1

Item	Total		1 st Level		2 nd Level		3 rd Level	
	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.

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(2) Policy and procedure

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

(3) Valuation policy

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

(4) Method of measurement

A. The assumption and calculation of VaR: see VaR section.

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

Interest risk management of trading book

(1) Definition of interest risk

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

(2) Interest risk management procedure of trading book

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

(3) Method of measurement

A. The assumption and calculation of VaR: see VaR section.

B. The Bank measures the investment portfolio's interest risk exposure monthly.

Interest risk management of banking book

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

(1) Strategy

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

(2) Management procedure

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

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

(3) Method of measurement

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

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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.

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(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.

2014.6.30						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$489,925	\$16,402	\$643,232	\$21,534	\$311,553	\$10,430
Foreign exchange	138,087	4,623	150,287	5,031	112,986	3,783
Equity Securities price	262,178	8,777	353,880	11,847	150,959	5,054

2013.12.31						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	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

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2013.6.30						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$605,836	\$20,221	\$876,417	\$29,253	\$457,036	\$15,255
Foreign exchange	150,046	5,008	154,844	5,168	145,275	4,849
Equity Securities price	189,667	6,331	352,855	11,778	133,386	4,452

2013.1.1						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$611,347	\$21,045	\$876,417	\$30,169	\$457,036	\$15,733
Foreign exchange	156,656	5,393	162,280	5,586	146,608	5,047
Equity Securities price	124,933	4,301	165,277	5,689	60,704	2,090

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	2014.6.30	
		NT\$	US\$
Stock Market	Major Stock Exchanges + 15%	\$1,620,987	\$54,268
	Major Stock Exchanges - 15%	(1,620,987)	(54,268)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,142,399)	(138,681)
	Major Interest Rate - 100bp	4,353,702	145,755
Foreign Exchange Market	Major Currencies + 3%	1,718,958	57,548
	Major Currencies - 3%	(1,718,134)	(57,520)
Composite	Major Stock Exchanges -15%	(4,044,428)	(135,401)
	Major Interest Rate + 100bp		
	Major Currencies +3%		

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

Stress Test			
Market/ Product	Scenarios	2013.6.30	
		NT\$	US\$
Stock Market	Major Stock Exchanges +15%	\$1,072,390	\$35,794
	Major Stock Exchanges -15%	(1,072,390)	(35,794)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,177,943)	(139,451)
	Major Interest Rate - 100bp	4,405,332	147,040
Foreign Exchange Market	Major Currencies +3%	1,897,167	63,323
	Major Currencies -3%	(1,896,990)	(63,317)
Composite	Major Stock Exchanges -15%	(3,353,166)	(111,921)
	Major Interest Rate + 100bp		
	Major Currencies +3%		

Stress Test			
Market/ Product	Scenarios	2013.1.1	
		NT\$	US\$
Stock Market	Major Stock Exchanges +15%	\$1,025,960	\$35,317
	Major Stock Exchanges -15%	(1,025,960)	(35,317)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(2,821,676)	(97,132)
	Major Interest Rate - 100bp	2,496,083	85,924
Foreign Exchange Market	Major Currencies +3%	1,450,437	49,929
	Major Currencies -3%	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15%	(2,397,199)	(82,520)
	Major Interest Rate + 100bp		
	Major Currencies +3%		

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Sensitivity analysis

(1) 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.

(2) 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.

(3) 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

	2014.6.30			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$354,413	\$11,865	\$-	\$-
HKD+1%	2,807	94	-	-
JPY+1%	-	-	2,214	74
AUD+1%	222,729	7,457	-	-
CNY+1%	33,930	1,136	6,476	217
NTD+1%	(413,879)	(13,856)	(8,689)	(291)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(165)	(6)	(23,025)	(771)
Yield curves (HKD) parallel shift+1bp	-	-	(13)	-
Yield curves (AUD) parallel shift+1bp	-	-	(959)	(32)
Yield curves (CNY) parallel shift+1bp	-	-	(489)	(16)
Yield curves (NTD) parallel shift+1bp	(3,055)	(102)	(14,764)	(494)
Equity securities price factor sensitivity (Equity Delta)	-	-	108,066	3,618

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	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

	2013.6.30			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT	US	NT	US
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$434,178	\$14,492	\$12	\$-
HKD+1%	35,094	1,171	88,389	2,950
JPY+1%	-	-	3,872	129
NTD+1%	(555,794)	(18,551)	(14,518)	(485)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(166)	(6)	(13,110)	(438)
Yield curves (HKD) parallel shift+1bp	-	-	(23)	(1)
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(402)	(13)	(1,175)	(39)
Equity securities price factor sensitivity (Equity Delta)	2,547	85	68,946	2,301

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	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.

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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.

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(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			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$194,774,968	\$6,520,756	\$165,615,358	\$5,551,973
Credit card commitments	451,861,633	15,127,607	424,006,617	14,214,100
Unused commercial letters of credit	5,117,051	171,311	3,202,955	107,374
Guarantees on duties and contracts	10,191,506	341,195	11,270,885	377,837
Total	\$661,945,158	\$22,160,869	\$604,095,815	\$20,251,284

Off balance sheet items	Maximum exposure to credit risk			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$63,943,341	\$2,134,291	\$34,415,264	\$1,184,691
Credit card commitments	338,520,949	11,299,097	328,719,949	11,315,661
Unused commercial letters of credit	3,695,483	123,347	4,281,218	147,374
Guarantees on duties and contracts	10,711,299	357,520	12,081,454	415,885
Total	\$416,871,072	\$13,914,255	\$379,497,885	\$13,063,611

B. Indovina Bank

Off balance sheet items	Maximum exposure to credit risk			
	2014.6.30		2013.12.31	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$1,491,795	\$49,943	\$535,478	\$17,951
Unused commercial letters of credit	1,256,549	42,067	1,080,247	36,213
Total	\$2,748,344	\$92,010	\$1,615,725	\$54,164

Off balance sheet items	Maximum exposure to credit risk			
	2013.6.30		2013.1.1	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$660,668	\$22,052	\$852,596	\$29,349
Unused commercial letters of credit	1,308,620	43,679	652,199	22,451
Total	\$1,969,308	\$65,731	\$1,504,795	\$51,800

C. CUBC Bank

Off balance sheet items	Maximum exposure to credit risk	
	2014.6.30	
	NT\$	US\$
Finance guarantee contracts	\$30,940	\$1,036
Irrevocable loan commitments	261,784	8,764
Credit card commitments	263,527	8,823
Unused commercial letters of credit	5,838	195
Total	\$562,089	\$18,818

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

Off balance sheet items	Maximum exposure to credit risk	
	2013.1.1	
	NT\$	US\$
Finance guarantee contracts	\$60,683	\$2,089
Irrevocable loan commitments	99,998	3,442
Credit card commitments	199,925	6,882
Unused commercial letters of credit	20,350	701
Total	\$380,956	\$13,114

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

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

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

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

Item	2014.6.30			2013.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$143,653,428	\$4,809,288	12.63	\$108,789,196	\$3,646,973	10.28
Financial institutions and insurance	40,307,461	1,349,429	3.55	28,292,338	948,452	2.67
Leasing and real estate	88,975,131	2,978,745	7.82	83,652,734	2,804,315	7.91
Individuals	517,504,791	17,325,236	45.51	477,139,793	15,995,300	45.10
Others	346,701,977	11,607,030	30.49	360,081,097	12,071,106	34.04
Total	<u>\$1,137,142,788</u>	<u>\$38,069,728</u>	<u>100.00</u>	<u>\$1,057,955,158</u>	<u>\$35,466,146</u>	<u>100.00</u>

Item	2013.6.30			2013.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$103,364,239	\$3,450,075	10.10	\$125,610,955	\$4,323,957	12.20
Financial institutions and insurance	42,788,604	1,428,191	4.18	29,912,516	1,029,691	2.90
Leasing and real estate	82,064,530	2,739,136	8.02	83,834,530	2,885,870	8.14
Individuals	485,736,800	16,212,844	47.47	492,107,196	16,940,007	47.77
Others	309,339,369	10,325,079	30.23	298,671,240	10,281,282	28.99
Total	<u>\$1,023,293,542</u>	<u>\$34,155,325</u>	<u>100.00</u>	<u>\$1,030,136,437</u>	<u>\$35,460,807</u>	<u>100.00</u>

Item	2014.6.30			2013.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$947,386,792	\$31,717,000	83.31	\$898,556,006	\$30,122,561	84.93
Asia	83,228,080	2,786,343	7.32	68,771,004	2,305,431	6.50
America	27,515,484	921,175	2.42	23,009,706	771,361	2.18
Others	79,012,432	2,645,210	6.95	67,618,442	2,266,793	6.39
Total	<u>\$1,137,142,788</u>	<u>\$38,069,728</u>	<u>100.00</u>	<u>\$1,057,955,158</u>	<u>\$35,466,146</u>	<u>100.00</u>

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Item	2013.6.30			2013.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$860,353,954	\$28,716,754	84.08	\$876,857,476	\$30,184,423	85.12
Asia	77,816,626	2,597,351	7.60	69,497,214	2,392,331	6.75
America	23,460,756	783,069	2.29	22,560,687	776,616	2.19
Others	61,662,206	2,058,151	6.03	61,221,060	2,107,437	5.94
Total	\$1,023,293,542	\$34,155,325	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

2014.6.30 (NT\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	\$38,194,069	\$8,281,904	\$2,976,427	\$49,452,400	\$120,120	\$139,466	\$49,711,986	\$114,642	\$1,534,868	\$48,062,476
Others	31,854,638	3,744,584	108,142	35,707,364	8,348	41,986	35,757,698	12,584	345,033	35,400,081
Discounts and loans	664,031,977	374,527,724	42,147,012	1,080,706,713	828,942	23,729,606	1,105,265,261	4,810,198	10,063,369	1,090,391,694

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2014.6.30 (US\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$1,278,677	\$277,265	\$99,646	\$1,655,588	\$4,021	\$4,669	\$1,664,278	\$3,838	\$51,385	\$1,609,055
Others	1,066,442	125,363	3,620	1,195,425	280	1,406	1,197,111	422	11,551	1,185,138
Discounts and loans	22,230,733	12,538,591	1,411,015	36,180,339	27,751	794,429	37,002,519	161,038	336,905	36,504,576

2013.12.31 (NT\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$30,215,292	\$7,679,461	\$3,204,791	\$41,099,544	\$130,931	\$151,472	\$41,381,947	\$125,544	\$1,609,517	\$39,646,886
Others	78,545,653	2,093,766	50,342	80,689,761	4,113	58,573	80,752,447	18,918	328,925	80,404,604
Discounts and loans	673,932,410	280,367,699	46,809,038	1,001,109,147	540,461	25,477,428	1,027,127,036	4,267,369	10,119,032	1,012,740,635

2013.12.31 (US\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$1,012,916	\$257,441	\$107,435	\$1,377,792	\$4,389	\$5,078	\$1,387,259	\$4,209	\$53,956	\$1,329,094
Others	2,633,109	70,190	1,688	2,704,987	138	1,963	2,707,088	634	11,027	2,695,427
Discounts and loans	22,592,438	9,398,850	1,569,193	33,560,481	18,118	854,087	34,432,686	143,056	339,223	33,950,407

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2013.6.30 (NT\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$30,634,215	\$5,952,062	\$2,873,727	\$39,460,004	\$107,001	\$132,166	\$39,699,171	\$109,865	\$1,662,817	\$37,926,489
Others	42,883,644	3,697,142	43,019	46,623,805	3,307	58,860	46,685,972	14,230	154,573	46,517,169
Discounts and loans	667,718,404	257,848,115	38,485,944	964,052,463	632,758	29,711,197	994,396,418	4,717,165	9,415,788	980,263,465

2013.6.30 (US\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$1,022,504	\$198,667	\$95,919	\$1,317,090	\$3,571	\$4,411	\$1,325,072	\$3,667	\$55,501	\$1,265,904
Others	1,431,363	123,403	1,436	1,556,202	110	1,965	1,558,277	475	5,160	1,552,642
Discounts and loans	22,286,996	8,606,412	1,284,578	32,177,986	21,120	991,696	33,190,802	157,449	314,278	32,719,075

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

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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

2014.6.30	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$208,778,010	\$6,989,555	\$53,124,557	\$1,778,525	\$9,529,358	\$319,028	\$271,431,925	\$9,087,108
Unsecured								
personal loans	13,409,121	448,916	5,915,549	198,043	1,546,530	51,776	20,871,200	698,735
Other	190,129,563	6,365,235	37,927,189	1,269,742	5,295,869	177,297	233,352,621	7,812,274
Corporate banking								
Secured	42,545,385	1,424,352	160,527,464	5,374,204	15,121,836	506,254	218,194,685	7,304,810
Unsecured	209,169,898	7,002,675	117,032,965	3,918,077	10,653,419	356,660	336,856,282	11,277,412
Total	\$664,031,977	\$22,230,733	\$374,527,724	\$12,538,591	\$42,147,012	\$1,411,015	\$1,080,706,713	\$36,180,339

2013.12.31	Excellent		Good		Average		Total	
	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	158,450,771	5,311,793	40,060,781	1,342,970	6,522,148	218,644	205,033,700	6,873,407
Corporate banking								
Secured	97,204,460	3,258,614	85,057,423	2,851,405	23,265,825	779,947	205,527,708	6,889,966
Unsecured	214,426,607	7,188,287	95,097,422	3,187,979	6,225,796	208,709	315,749,825	10,584,975
Total	\$673,932,410	\$22,592,438	\$280,367,699	\$9,398,850	\$46,809,038	\$1,569,193	\$1,001,109,147	\$33,560,481

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2013.6.30	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$197,528,492	\$6,593,074	\$42,854,582	\$1,430,393	\$7,863,061	\$262,452	\$248,246,135	\$8,285,919
Unsecured personal								
loans	6,223,017	207,711	2,739,931	91,453	1,000,281	33,387	9,963,229	332,551
Other	169,264,522	5,649,683	31,490,968	1,051,101	5,699,679	190,243	206,455,169	6,891,027
Corporate banking								
Secured	117,956,529	3,937,134	86,570,986	2,889,552	15,230,682	508,367	219,758,197	7,335,053
Unsecured	176,745,844	5,899,394	94,191,648	3,143,913	8,692,241	290,129	279,629,733	9,333,436
Total	\$667,718,404	\$22,286,996	\$257,848,115	\$8,606,412	\$38,485,944	\$1,284,578	\$964,052,463	\$32,177,986

2013.1.1	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$210,365,875	\$7,241,510	\$57,522,974	\$1,980,137	\$11,752,064	\$404,546	\$279,640,913	\$9,626,193
Unsecured personal								
loans	5,023,910	172,940	2,625,973	90,395	1,097,468	37,779	8,747,351	301,114
Other	142,126,809	4,892,489	38,303,966	1,318,553	7,442,926	256,211	187,873,701	6,467,253
Corporate banking								
Secured	119,997,846	4,130,735	78,926,054	2,716,904	17,549,751	604,122	216,473,651	7,451,761
Unsecured	193,179,406	6,649,894	78,442,588	2,700,261	6,527,567	224,701	278,149,561	9,574,856
Total	\$670,693,846	\$23,087,568	\$255,821,555	\$8,806,250	\$44,369,776	\$1,527,359	\$970,885,177	\$33,421,177

C. Credit quality analysis on securities investment

2014.6.30 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$48,780,208	\$1,053,743	\$49,833,951	\$-	\$-	\$49,833,951	\$-	\$49,833,951
Stocks	2,981,432	11,338,473	14,319,905	-	163,785	14,483,690	163,785	14,319,905
Others	57,713	303,436	361,149	-	-	361,149	-	361,149
Held-to-maturity financial assets								
Bonds	49,449,328	594,446	50,043,774	-	-	50,043,774	-	50,043,774
Investments in debt securities with no active market								
Bonds	7,081,750	174,534	7,256,284	-	1,293,511	8,549,795	1,293,511	7,256,284
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	324,000,000	-	324,000,000	-	-	324,000,000	-	324,000,000

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2014.6.30 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$1,633,083	\$35,278	\$1,668,361	\$-	\$-	\$1,668,361	\$-	\$1,668,361
Stocks	99,814	379,594	479,408	-	5,483	484,891	5,483	479,408
Others	1,932	10,159	12,091	-	-	12,091	-	12,091
Held-to-maturity financial assets								
Bonds	1,655,485	19,901	1,675,386	-	-	1,675,386	-	1,675,386
Investments in debt securities with no active market								
Bonds	237,086	5,843	242,929	-	43,305	286,234	43,305	242,929
Preferred Stocks	-	18,404	18,404	-	-	18,404	-	18,404
Others	10,847,004	-	10,847,004	-	-	10,847,004	-	10,847,004

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

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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

2013.6.30 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$42,201,211	\$2,209,208	\$44,410,419	\$-	\$-	\$44,410,419	\$-	\$44,410,419
Stocks	4,142,286	8,805,444	12,947,730	-	189,435	13,137,165	189,435	12,947,730
Others	154,584	628,961	783,545	-	-	783,545	-	783,545
Held-to-maturity financial assets								
Bonds	48,197,659	597,487	48,795,146	-	-	48,795,146	-	48,795,146
Investments in debt securities with no active market								
Bonds	8,047,026	639,366	8,686,392	-	1,212,419	9,898,811	1,212,419	8,686,392
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	432,900,000	-	432,900,000	-	-	432,900,000	-	432,900,000

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2013.6.30 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$1,408,585	\$73,739	\$1,482,324	\$-	\$-	\$1,482,324	\$-	\$1,482,324
Stocks	138,260	293,907	432,167	-	6,323	438,490	6,323	432,167
Others	5,160	20,993	26,153	-	-	26,153	-	26,153
Held-to-maturity financial assets								
Bonds	1,608,733	19,943	1,628,676	-	-	1,628,676	-	1,628,676
Investments in debt securities with no active market								
Bonds	268,592	21,341	289,933	-	40,468	330,401	40,468	289,933
Preferred Stocks	-	18,349	18,349	-	-	18,349	-	18,349
Others	14,449,266	-	14,449,266	-	-	14,449,266	-	14,449,266

2013.1.1 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$48,134,737	\$2,029,777	\$50,164,514	\$-	\$-	\$50,164,514	\$-	\$50,164,514
Stocks	4,542,271	6,709,298	11,251,569	-	438,311	11,689,880	438,311	11,251,569
Others	-	1,770,324	1,770,324	-	-	1,770,324	-	1,770,324
Held-to-maturity financial assets								
Bonds	19,965,414	577,456	20,542,870	-	-	20,542,870	-	20,542,870
Investments in debt securities with no active market								
Bonds	12,637,782	756,057	13,393,839	-	1,273,827	14,667,666	1,273,733	13,393,933
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	410,100,000	-	410,100,000	-	-	410,100,000	-	410,100,000

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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	-	60,940	60,940	-	-	60,940	-	60,940
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.

2014.6.30	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$71,936	\$2,408	\$48,184	\$1,613	\$120,120	\$4,021
Others	6,890	230	1,458	49	8,348	279
Discounts and loans						
Consumer banking						
Residential mortgage loans	262,854	8,800	65,224	2,184	328,078	10,984
Unsecured personal loans	27,171	910	15,099	505	42,270	1,415
Others	224,727	7,523	46,148	1,545	270,875	9,068
Corporate banking						
Secured	9,000	301	4,901	164	13,901	465
Unsecured	169,808	5,685	4,010	134	173,818	5,819

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2013.12.31	Less than 30 days		31 - 60 days		Total	
	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	1,850	62	4,113	138
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	4,785	70,097	2,350	212,827	7,135
Corporate banking						
Secured	-	-	40,814	1,368	40,814	1,368
<hr/>						
2013.6.30	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$67,011	\$2,236	\$39,990	\$1,335	\$107,001	\$3,571
Others	2,268	76	1,039	34	3,307	110
Discounts and loans						
Consumer banking						
Residential mortgage loans	233,563	7,796	50,038	1,670	283,601	9,466
Unsecured personal loans	8,286	276	2,384	80	10,670	356
Others	135,796	4,532	62,670	2,092	198,466	6,624
Corporate banking						
Secured	-	-	140,021	4,674	140,021	4,674
<hr/>						
2013.1.1	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$67,641	\$2,328	\$44,060	\$1,517	\$111,701	\$3,845
Others	4,123	142	1,748	60	5,871	202
Discounts and loans						
Consumer banking						
Residential mortgage loans	375,157	12,914	92,963	3,200	468,120	16,114
Unsecured personal loans	6,895	237	3,132	108	10,027	345
Others	239,662	8,250	94,270	3,245	333,932	11,495
Corporate banking						
Secured	3,216	111	-	-	3,216	111
Unsecured	1,456	50	-	-	1,456	50

(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\$5,483), NT\$163,785 (US\$5,491), NT\$189,435 (US\$6,323) and NT\$438,311 (US\$15,088) as of 30 June 2014, 31 December 2013, 30 June 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\$1,197,925 (US\$40,105), NT\$1,199,326 (US\$40,205), NT\$1,116,833 (US\$37,277) and NT\$1,167,518 (US\$40,190) as of 30 June 2014, 31 December 2013, 30 June 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\$3,200), NT\$95,586 (US\$3,204), NT\$95,586 (US\$3,190) and NT\$106,215 (US\$3,656) as of 30 June 2014, 31 December 2013, 30 June 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 Notes VI.5 and Notes VI.6.

D. Foreclosed properties management policy

Foreclosed properties of the Bank were land and buildings. As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the carrying amounts were NT\$0 (US\$0), NT\$0 (US\$0), NT\$29,311 (US\$978) 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\$77,963 (US\$2,610) and NT\$89,686 (US\$3,007) at 30 June 2014 and 31 December 2013.

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

5. Liquidity risk

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

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

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

A. Financial assets were held to manage liquidity risk

The Bank 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.

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2014.6.30 (NT\$)	0-30 days	31-180 days	181 days - 1 year-	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$29,205,550	\$15,114,195	\$17,682,849	\$18,364	\$62,020,958
Funds borrowed from Central Bank and other banks	1,496,360	-	-	-	1,496,360
Financial liabilities at fair value through profit or loss	-	-	312,173	-	312,173
Securities sold under agreements to repurchase	62,218,235	661,540	-	-	62,879,775
Payables	4,917,173	1,350,269	3,311,038	2,771,894	12,350,374
Deposits and remittances	266,864,506	681,799,655	610,728,319	70,287,395	1,629,679,875
Financial debentures payable	-	-	-	67,005,745	67,005,745
Other capital outflow at maturity	28,713,084	26,495,094	6,148,048	3,908,823	65,265,049

2014.6.30 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$977,755	\$505,999	\$591,994	\$615	\$2,076,363
Funds borrowed from Central Bank and other banks	50,096	-	-	-	50,096
Financial liabilities at fair value through profit or loss	-	-	10,451	-	10,451
Securities sold under agreements to repurchase	2,082,968	22,147	-	-	2,105,115
Payables	164,619	45,205	110,848	92,799	413,471
Deposits and remittances	8,934,198	22,825,566	20,446,211	2,353,110	54,559,085
Financial debentures payable	-	-	-	2,243,246	2,243,246
Other capital outflow at maturity	961,268	887,014	205,827	130,861	2,184,970

2013.12.31 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$29,171,990	\$9,424,870	\$7,667,625	\$4,516,515	\$50,781,000
Funds borrowed from Central Bank and other banks	1,497,640	-	-	-	1,497,640
Financial liabilities at fair value through profit or loss	-	-	500,298	-	500,298
Securities sold under agreements to repurchase	56,051,595	2,640,870	2,677	-	58,695,142
Payables	8,272,115	1,057,094	1,030,517	2,061,034	12,420,760
Deposits and remittances	265,034,724	655,147,509	615,056,779	62,792,426	1,598,031,438
Financial debentures payable	-	-	-	52,064,160	52,064,160
Other capital outflow at maturity	16,425,665	13,555,552	4,233,144	2,053,266	36,267,627

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2013.12.31 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$977,941	\$315,953	\$257,044	\$151,409	\$1,702,347
Funds borrowed from Central Bank and other banks	50,206	-	-	-	50,206
Financial liabilities at fair value through profit or loss	-	-	16,772	-	16,772
Securities sold under agreements to repurchase	1,879,034	88,531	90	-	1,967,655
Payables	277,309	35,437	34,546	69,093	416,385
Deposits and remittances	8,884,838	21,962,706	20,618,732	2,105,009	53,571,285
Financial debentures payable	-	-	-	1,745,362	1,745,362
Other capital outflow at maturity	550,642	454,427	141,909	68,832	1,215,810

2013.6.30 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$23,563,959	\$8,260,029	\$8,732,598	\$70,674	\$40,627,260
Funds borrowed from Central Bank and other banks	1,506,153	-	-	-	1,506,153
Securities sold under agreements to repurchase	55,485,851	950,689	-	-	56,436,540
Payables	15,360,863	1,166,090	3,947,504	2,419,875	22,894,332
Deposits and remittances	331,735,978	639,507,246	520,487,896	60,788,404	1,552,519,524
Financial debentures payable	-	-	-	52,064,099	52,064,099
Other capital outflow at maturity	7,824,096	9,034,595	1,785,116	1,996,493	20,640,300

2013.6.30 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$786,514	\$275,702	\$291,475	\$2,359	\$1,356,050
Funds borrowed from Central Bank and other banks	50,272	-	-	-	50,272
Securities sold under agreements to repurchase	1,851,998	31,732	-	-	1,883,730
Payables	512,712	38,922	131,759	80,770	764,163
Deposits and remittances	11,072,630	21,345,369	17,372,760	2,028,985	51,819,744
Financial debentures payable	-	-	-	1,737,787	1,737,787
Other capital outflow at maturity	261,152	301,555	59,583	66,639	688,929

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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.

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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:

2014.6.30 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$33,546	\$13,742	\$(118,547)	\$(1,208,045)	\$(1,279,304)
- Interest rate derivative instruments	18,652	49,419	103,014	5,111,570	5,282,655
Total	\$52,198	\$63,161	\$(15,533)	\$3,903,525	\$4,003,351

2014.6.30 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$1,123	\$460	\$(3,969)	\$(40,443)	\$(42,829)
- Interest rate derivative instruments	624	1,655	3,449	171,127	176,855
Total	\$1,747	\$2,115	\$(520)	\$130,684	\$134,026

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

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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

2013.6.30 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$45,611	\$225,378	\$312,600	\$(9,374)	\$574,215
- Interest rate derivative instruments	5,959	8,420	45,867	2,178,465	2,238,711
Total	\$51,570	\$233,798	\$358,467	\$2,169,091	\$2,812,926

2013.6.30 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$1,522	\$7,523	\$10,434	\$(313)	\$19,166
- Interest rate derivative instruments	199	281	1,531	72,713	74,724
Total	\$1,721	\$7,804	\$11,965	\$72,400	\$93,890

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

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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:

2014.6.30 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(823,813)	\$(1,437,502)	\$(252,730)	\$618,463	\$(1,895,582)
-Cash inflow	88,335	327,596	444,219	60,935	921,085
- Interest rate derivative instruments					
-Cash outflow	(112)	(59,099)	(124,923)	(192,055)	(376,189)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(823,925)	(1,496,601)	(377,653)	426,408	(2,271,771)
Cash inflow subtotal	88,335	327,596	444,219	60,935	921,085
Net cash flow	\$(735,590)	\$(1,169,005)	\$66,566	\$487,343	\$(1,350,686)

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2014.6.30 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(27,580)	\$(48,125)	\$(8,461)	\$20,705	\$(63,461)
-Cash inflow	2,957	10,967	14,872	2,040	30,836
- Interest rate derivative instruments					
-Cash outflow	(4)	(1,978)	(4,182)	(6,430)	(12,594)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(27,584)	(50,103)	(12,643)	14,275	(76,055)
Cash inflow subtotal	2,957	10,967	14,872	2,040	30,836
Net cash flow	\$(24,627)	\$(39,136)	\$2,229	\$16,315	\$(45,219)

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
- 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)

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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
- 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)

2013.6.30 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(1,068,912)	\$(2,039,607)	\$(771,745)	\$(49,953)	\$(3,930,217)
-Cash inflow	155,330	152,202	270,423	59,846	637,801
- Interest rate derivative instruments					
-Cash outflow	-	(28,546)	(360,532)	(103,293)	(492,371)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,068,912)	(2,068,153)	(1,132,277)	(153,246)	(4,422,588)
Cash inflow subtotal	155,330	152,202	270,423	59,846	637,801
Net cash flow	\$(913,582)	\$(1,915,951)	\$(861,854)	\$(93,400)	\$(3,784,787)

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2013.6.30 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(35,678)	\$(68,077)	\$(25,759)	\$(1,668)	\$(131,182)
-Cash inflow	5,185	5,080	9,026	1,997	21,288
- Interest rate derivative instruments					
-Cash outflow	-	(953)	(12,034)	(3,447)	(16,434)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(35,678)	(69,030)	(37,793)	(5,115)	(147,616)
Cash inflow subtotal	5,185	5,080	9,026	1,997	21,288
Net cash flow	\$(30,493)	\$(63,950)	\$(28,767)	\$(3,118)	\$(126,328)

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
- 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)

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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
- 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:

2014.6.30	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable commitments	\$163,083,470	\$5,459,775	\$220,123,467	\$7,369,383	\$263,429,664	\$8,819,205	\$646,636,601	\$21,648,363
Financial guarantee contracts	13,166,993	440,810	2,130,393	71,322	11,171	374	15,308,557	512,506
Leasing commitments								
Non-cancellable operating lease payments	656,584	21,981	991,897	33,207	65,434	2,191	1,713,915	57,379
Total	\$176,907,047	\$5,922,566	\$223,245,757	\$7,473,912	\$263,506,269	\$8,821,770	\$663,659,073	\$22,218,248

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2013.12.31	Not later than 1 year		1~5 year		Later than 5 year		Total	
	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

2013.6.30	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable commitments	\$15,086,110	\$503,542	\$93,509,482	\$3,121,144	\$293,868,698	\$9,808,702	\$402,464,290	\$13,433,388
Financial guarantee								
contracts	13,578,814	453,232	814,214	27,176	13,754	459	14,406,782	480,867
Leasing commitments								
Non-cancellable operating								
lease payments	662,642	22,117	934,156	31,180	55,064	1,838	1,651,862	55,135
Non-cancellable								
operating lease receipts	48,781	1,628	297,401	9,927	-	-	346,182	11,555
Total	\$29,376,347	\$980,519	\$95,555,253	\$3,189,427	\$293,937,516	\$9,810,999	\$418,869,116	\$13,980,945

2013.1.1	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable commitments	\$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.

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

(2) Capital management procedures

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

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

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

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

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

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

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

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

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

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

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

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

(3) Regulatory capital ratio

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

As of 30 June 2014 and 2013, the ratio of the Bank and its subsidiaries’ eligible capital to its consolidated risk-weighted assets were 13.99% and 12.93%, respectively.

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

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

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Balance Sheet Based on Trust

30 June 2014

	Trust Assets		Trust Liabilities		
	NT\$	US\$	NT\$	US\$	
Bank deposits	\$13,154,014	\$440,375	Custody securities payable	\$143,886,417	\$4,817,088
Bonds	130,964,417	4,384,480	Other liabilities	56	2
Common stock	1,945,422	65,130	Trust capital	357,808,385	11,978,854
Mutual funds	180,492,847	6,042,613	Accumulated Losses		
Insurance product	2,433,370	81,465	Earnings distribution	(48,065)	(1,609)
Real estate			Net income	36,590	1,225
Land	28,506,863	954,364	Retained Losses	(259,217)	(8,678)
Buildings, net	40,816	1,367	Net assets		
Custody securities	143,886,417	4,817,088	Capital account	-	-
			Distributable revenue	-	-
Total	<u>\$501,424,166</u>	<u>\$16,786,882</u>	Total	<u>\$501,424,166</u>	<u>\$16,786,882</u>

Balance Sheet Based on Trust

30 June 2013

	Trust Assets		Trust Liabilities		
	NT\$	US\$	NT\$	US\$	
Bank deposits	\$11,726,882	\$391,418	Custody securities payable	138,876,488	4,635,397
Bonds	128,854,957	4,300,900	Other liabilities	56	2
Common stock	1,977,530	66,006	Trust capital	334,663,111	11,170,331
Mutual funds	170,938,495	5,705,557	Accumulated Losses		
Insurance product	2,204,740	73,589	Earnings distribution	(68,269)	(2,279)
Real estate			Net income	24,179	807
Land	18,699,368	624,144	Retained Losses	(184,594)	(6,162)
Buildings, net	32,511	1,085	Net assets		
Custody securities	138,876,488	4,635,397	Capital account	-	-
			Distributable revenue	-	-
Total	<u>\$473,310,971</u>	<u>\$15,798,096</u>	Total	<u>\$473,310,971</u>	<u>\$15,798,096</u>

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Income Statement Based on Trust

Items	2014.1.1-2014.6.30		2013.1.1-2013.6.30	
	NT\$	US\$	NT\$	US\$
Trust revenue				
Interest income	\$24,668	\$826	\$22,530	\$752
Rental income	168	6	168	6
Cash dividend income	400	13	2,755	92
Investment income-bonds	526	17	-	-
Investment income-stock	680	23	3,487	116
Investment income-funds	22,959	769	9,008	301
Investment income-beneficiary securities	3,627	121	-	-
Subtotal	53,028	1,775	37,948	1,267
Trust expense				
Management fee	6,395	214	5,847	195
Supervisor fee	506	17	160	5
Taxes	2,053	69	887	30
Processing fee	622	21	861	29
Investment loss-stock	190	6	1,831	61
Investment loss-funds	6,627	222	4,183	140
Others	45	1	-	-
Subtotal	16,438	550	13,769	460
Income equalization	-	-	-	-
Net income before tax	36,590	1,225	24,179	807
Net income	\$36,590	\$1,225	\$24,179	\$807

Details of Trust Properties

Items	2014.6.30		2013.6.30	
	NT\$	US\$	NT\$	US\$
Bank deposits	\$13,154,014	\$440,375	\$11,726,882	\$391,418
Bonds	130,964,417	4,384,480	128,854,957	4,300,900
Common stock	1,945,422	65,130	1,977,530	66,006
Mutual fund	180,492,847	6,042,613	170,938,495	5,705,557
Insurance product	2,433,370	81,465	2,204,740	73,589
Real estate				
Land	28,506,863	954,364	18,699,368	624,144
Buildings, net	40,816	1,367	32,511	1,085
Custody securities	143,886,417	4,817,088	138,876,488	4,635,397
Total	\$501,424,166	\$16,786,882	\$473,310,971	\$15,798,096

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(2) The Bank conducts trust business by Trust Enterprise Act Article 3. The related trust business information as of 30 June 2014 and 2013 are as follows:

Items	2014.6.30		2013.6.30	
	NT\$	US\$	NT\$	US\$
Special trust of money that invest in				
foreign securities	\$264,888,803	\$8,868,055	\$252,621,097	\$8,431,946
Special trust money that invest in				
domestic securities	45,970,497	1,539,019	46,729,990	1,559,746
Trust of money-custody securities	143,886,417	4,817,088	138,876,488	4,635,397
Trust of real estate	31,148,377	1,042,798	19,890,625	663,906
Trust of real estate price	5,410,200	181,125	5,166,055	172,432
Trust of insurance claims	124,246	4,160	120,128	4,010
Personal and corporate trust	5,960,024	199,532	5,677,427	189,500
Trust of business employee's savings	2,479,313	83,003	2,546,532	84,997
Trust of securities	1,556,289	52,102	1,682,629	56,162
Total	\$501,424,166	\$16,786,882	\$473,310,971	\$15,798,096

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.

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

	2014.6.30			2013.12.31		
	Foreign	Exchange	NTD	Foreign	Exchange	NTD
	Currency	Rate		Currency	Rate	
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$8,266,391	29.9150	\$247,289,087	\$7,427,530	29.9500	\$222,454,524
HKD	4,438,158	3.8597	17,129,958	2,937,369	3.8627	11,346,175
CNY	20,459,400	4.8188	98,589,757	12,209,077	4.9431	60,350,689
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	7,253,396	29.9150	216,985,341	7,367,326	29.9500	220,651,414
CNY	7,660,327	4.8188	36,913,584	6,031,058	4.9431	29,812,123
AUD	440,838	28.1246	12,398,392	421,709	26.7004	11,259,799
	2013.6.30			2013.1.1		
	Foreign	Exchange	NTD	Foreign	Exchange	NTD
	Currency	Rate		Currency	Rate	
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$6,169,724	30.1200	\$185,832,087	\$6,041,510	29.1360	\$176,025,435
HKD	3,250,397	3.8831	12,621,617	3,600,008	3.7586	13,530,990
CNY	6,315,591	4.9078	30,995,658	1,304,373	4.6794	6,103,683
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	6,553,989	30.1200	197,406,149	6,740,878	29.1360	196,402,221
CNY	3,945,053	4.9078	19,361,531	1,774,508	4.6794	8,303,633
AUD	338,501	27.8866	9,439,642	183,671	30.2650	5,558,803

10. 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:

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	2013.12.31		2013.6.30		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	1,797,025	59,981	1,714,078	59,004
Increase in deferred tax assets	10,286	345	10,367	346	17,453	601
Increase in tax liabilities	122,937	4,121	111,773	3,731	112,422	3,870
Increase in retained earnings	1,765,271	59,178	1,695,619	56,596	1,619,109	55,735
Increase in other equity	145,979	4,894	-	-	-	-
			2014.4.1-2014.6.30		2013.4.1-2013.6.30	
			NT\$	US\$	NT\$	US\$
Effects on the consolidated statements of comprehensive income						
Increase in non-interest income			\$7,547	\$253	\$51,330	\$1,713
Decrease in operating expenses			-	-	15,809	528
Decrease in income tax expenses			(2,265)	(76)	(23,892)	(797)
Increase in net income			9,812	328	91,031	3,038
Increase in other comprehensive income			-	-	-	-
Increase in earnings per share			-	-	0.01	0.0003
			2014.1.1-2014.6.30		2013.1.1-2013.12.31	
			NT\$	US\$	NT\$	US\$
Effects on the consolidated statements of comprehensive income						
Increase in non-interest income	\$7,611	\$255	\$104,438	\$3,501	\$51,330	\$1,713
Decrease in operating expenses	-	-	64,805	2,172	31,618	1,055
Increase in income tax expenses	42,559	1,425	23,081	774	6,438	215
(Decrease) increase in net income	(34,948)	(1,170)	146,162	4,900	76,510	2,554
Increase in other comprehensive income	-	-	145,979	4,894	-	-
(Decrease) increase in earnings per share	(0.01)	(0.0003)	0.02	0.0007	0.01	0.0003

11. Certain items in the financial statements have been reclassified for comparison purposes.

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XIII. Segment information

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

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

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

2014.4.1-2014.6.30	Corporate Banking		Retail Banking		Offshore Banking		Other Segment		Consolidated	
	Segment		Segment		Segment		Segment		Segment	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net interest income										
(from external customer)	\$1,640,845	\$54,933	\$1,420,931	\$47,571	\$2,114,092	\$70,776	\$1,197,888	\$40,103	\$6,373,756	\$213,383
Inter-segment revenues	\$(1,218,278)	\$(40,786)	\$2,919,359	\$97,736	\$(422,450)	\$(14,143)	\$(1,278,631)	\$(42,807)	\$-	\$-
Segment net income	\$661,271	\$22,138	\$3,045,115	\$101,946	\$1,178,366	\$39,450	\$1,118,886	\$37,458	\$6,003,638	\$200,992
Income tax expense									(827,584)	(27,706)
Net income after income taxes									\$5,176,054	\$173,286

2013.4.1-2013.6.30	Corporate Banking		Retail Banking		Offshore Banking		Other Segment		Consolidated	
	Segment		Segment		Segment		Segment		Segment	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net interest income										
(from external customer)	\$1,648,937	\$55,038	\$1,084,259	\$36,190	\$2,074,205	\$69,233	\$679,525	\$22,681	\$5,486,926	\$183,142
Inter-segment revenues	\$(1,016,083)	\$(33,915)	\$2,411,575	\$80,493	\$(317,183)	\$(10,587)	\$(1,078,309)	\$(35,991)	\$-	\$-
Segment net income	\$473,230	\$15,795	\$2,731,011	\$91,155	\$2,176,198	\$72,637	\$(560,317)	\$(18,702)	\$4,820,122	\$160,885
Income tax expense									(579,464)	(19,341)
Net income after income taxes									\$4,240,658	\$141,544

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2014.1.1-2014.6.30	Corporate Banking		Retail Banking		Offshore Banking		Other Segment		Consolidated	
	Segment		Segment		Segment		Segment		Segment	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net interest income										
(from external customer)	\$3,237,945	\$108,401	\$2,709,549	\$90,712	\$4,172,698	\$139,695	\$2,458,151	\$82,295	\$12,578,343	\$421,103
Inter-segment revenues	\$(2,328,976)	\$(77,971)	\$5,519,696	\$184,791	\$(1,011,877)	\$(33,876)	\$(2,178,843)	\$(72,944)	\$-	\$-
Segment net income	\$1,086,365	\$36,370	\$5,937,329	\$198,772	\$3,283,357	\$109,922	\$1,923,450	\$64,394	\$12,230,501	\$409,458
Income tax expense									(1,602,141)	(53,637)
Net income after income taxes									\$10,628,360	\$355,821

2013.1.1-2013.6.30	Corporate Banking		Retail Banking		Offshore Banking		Other Segment		Consolidated	
	Segment		Segment		Segment		Segment		Segment	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net interest income										
(from external customer)	\$3,299,216	\$110,121	\$2,162,627	\$72,184	\$3,899,261	\$130,149	\$1,413,795	\$47,189	\$10,774,899	\$359,643
Inter-segment revenues	\$(2,022,977)	\$(67,523)	\$4,585,592	\$153,057	\$(473,158)	\$(15,793)	\$(2,089,457)	\$(69,741)	\$-	\$-
Segment net income	\$1,043,853	\$34,842	\$5,315,197	\$177,410	\$3,875,149	\$129,344	\$(1,156,060)	\$(38,587)	\$9,078,139	\$303,009
Income tax expense									(1,198,357)	(39,999)
Net income after income taxes									\$7,879,782	\$263,010

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 six-month periods ended 30 June 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.