Cathay United Bank and Its Subsidiaries
Consolidated Financial Statements
For The Nine-Month Periods Ended
30 September 2014 and 2013
With Independent Auditors' Report

Review Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

The Board of Directors
Cathay United Bank

We have reviewed the accompanying consolidated balance sheets of Cathay United Bank ("the Bank") and its subsidiaries as of 30 September 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month and nine-month periods ended 30 September 2014 and 2013. These consolidated financial statements are the responsibility of the Bank's management.

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

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

As described in Note IV to the consolidated financial statements, 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 nine-month period ended 30 September 2013 and the consolidated balance sheets as of 1 January 2013 and 31 December 2013.

Ernst & Young

ERNST & YOUNG
Taipei, Taiwan
The Republic of China
13 November 2014

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated balance sheets

30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013

(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Cash and cash equivalents	IV, VI and VII	$121,198,296	$68,239,741	$47,799,006	$34,974,286
Due from the Central Bank and call loans to banks	VI and VII	146,979,030	151,945,066	132,346,377	109,003,762
Financial assets at fair value through profit or loss	IV, V and VI	133,811,662	163,059,557	146,594,955	67,937,886
Derivative financial assets for hedging	IV and VI	649,783	837,179	1,027,014	1,203,138
Securities purchased under agreements to resell	IV	28,135,430	7,645,763	4,425,564	-
Receivables, net	IV, V, VI and VII	72,242,982	120,778,165	83,247,504	50,742,276
Assets held for sale, net		-	81,950	972,350,368	1,003,183,193
Discounts and loans, net	IV, V, VI and VII	1,115,695,247	1,031,105,321	64,672,288	63,955,328
Available-for-sale financial assets, net	IV, V and VI	69,041,626	67,908,890	49,267,181	21,668,974
Held-to-maturity financial assets, net	IV, V and VI	52,028,836	51,395,078	1,511,340	1,565,227
Investments accounted for using equity method, net	IV and VI	1,613,700	1,626,674	6,903	13,821
Other financial assets, net	IV and V	4,248	22,154	393,105,515	424,043,663
Investments in debt securities with no active market, net	IV, V and VI	366,255,069	280,272,013	22,582,857	22,395,935
Property and equipment, net	IV, VI and VII	22,859,132	22,864,329	4,491,254	4,439,924
Investment property, net	IV, V and VI	4,295,732	4,479,508	7,399,673	7,488,272
Intangible assets, net	IV, V and VI	7,364,983	7,374,860	1,532,563	1,562,335
Deferred tax assets	IV and V	1,159,558	1,456,700	5,959,959	4,922,516
Other assets, net	IV, VI and VII	15,537,016	7,681,266		
Total assets		$2,158,872,330	$1,988,774,214	$1,938,320,321	$1,819,100,536

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

English Translation of Financial Statements Originally Issued in Chinese
Cathay United Bank and Its Subsidiaries
Consolidated balance sheets (continued)
30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013
(Expressed in thousands of New Taiwan Dollars)

Liabilities and equity	Notes	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Liabilities					
Due to the Central Bank and call loans from banks	VI and VII	$71,776,229	$56,985,225	$50,893,236	$56,931,773
Funds borrowed from the Central Bank and other banks		1,521,800	1,497,500	1,483,500	1,456,800
Financial liabilities at fair value through profit or loss	IV, V and VI	19,250,262	11,271,187	6,902,171	4,967,738
Securities sold under agreements to repurchase	IV, VI and VII	60,177,562	58,681,600	55,899,348	20,369,249
Payables	VI and VII	20,137,103	15,156,034	15,094,326	22,153,186
Deposits and remittances	VI and VII	1,694,715,480	1,615,860,463	1,589,789,924	1,539,774,066
Financial debentures payable	IV and VI	67,288,890	52,417,213	52,420,588	42,518,631
Other financial liabilities	VI	72,840,621	36,145,158	28,509,455	17,426,191
Provisions	IV, V and VI	2,129,228	2,035,564	2,008,396	2,009,384
Deferred tax liabilities	IV and V	816,830	677,593	662,827	650,472
Other liabilities	VI and VII	4,576,183	4,882,804	4,435,681	4,219,338
Total liabilities		2,015,230,188	1,855,610,341	1,808,099,452	1,712,476,828
Equity					
Equity attribute to equity holders of parent					
Capital stock	VI				
Common stock		67,112,762	64,668,494	64,668,494	52,277,026
Capital reserves	VI	23,969,412	23,971,498	23,971,498	15,213,292
Retained earnings	VI				
Legal reserves		29,772,901	26,281,089	26,281,089	22,360,652
Special reserves		1,880,952	1,890,118	1,890,118	1,890,118
Undistributed earnings		15,234,778	11,785,535	8,905,804	10,512,233
Other equity		2,174,738	1,128,149	1,156,451	1,403,373
Subtotal		140,145,543	129,724,883	126,873,454	103,656,694
Non-controlling interests	VI	3,496,599	3,438,990	3,347,415	2,967,014
Total equity		143,642,142	133,163,873	130,220,869	106,623,708
Total liabilities and equity		$2,158,872,330	$1,988,774,214	$1,938,320,321	$1,819,100,536

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 and nine-month periods ended 30 September 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

Items	Notes	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Interest income	IV, VI and VII	$10,256,038	$8,917,943	$30,092,807	$26,124,994
Interest expense	VI and VII	(3,788,737)	(3,392,633)	(11,047,163)	(9,824,785)
Net interest income		6,467,301	5,525,310	19,045,644	16,300,209
Non-interest income					
Net fee income	IV, VI and VII	3,467,492	2,387,056	8,663,791	6,798,915
Gain on financial assets and liabilities at fair value through profit or loss	VI and VII	935,648	1,072,515	3,627,817	2,274,700
Realized gain on available-for-sale financial assets		717,660	318,355	1,932,455	846,430
Gain on foreign currency exchange, net	IV	225,421	210,626	712,953	742,320
Impairment loss of assets		-	-	(7,123)	-
Investment income recognized by the equity method		15,558	16,897	49,197	28,146
Gain (loss) on investment in debt securities with no active market		-	(318)	-	229,309
Others	IV, VI and VII	273,678	228,246	882,819	716,382
Net noninterest income		5,635,457	4,233,377	15,861,909	11,636,202
Net operating income		12,102,758	9,758,687	34,907,553	27,936,411
Bad debt expense and losses on guarantees		(617,402)	(223,650)	(744,974)	(189,554)
Operating expenses					
Employee benefits expenses	IV, V and VI	(2,603,088)	(2,290,921)	(7,486,813)	(6,793,662)
Depreciation and amortization expenses	VI	(268,010)	(290,726)	(792,731)	(859,919)
Other general and administrative expenses	IV, VI and VII	(3,218,277)	(2,437,690)	(8,256,553)	(6,499,437)
Total operating expenses		(6,089,375)	(5,019,337)	(16,536,097)	(14,153,018)
Income from continuing operations before income taxes		5,395,981	4,515,700	17,626,482	13,593,839
Income tax expense	IV and VI	(791,880)	(554,906)	(2,394,021)	(1,753,263)
Net income		4,604,101	3,960,794	15,232,461	11,840,576
Other comprehensive income					
Exchange differences on translation of foreign operations	VI	468,587	(233,517)	377,180	242,065
Net gains (losses) on available-for-sale financial assets		(125,624)	123,852	857,270	(362,055)
Share of other comprehensive profit of associates		(9,925)	(26,503)	4,853	(44,538)
Income tax relating to components of other comprehensive income		(132,269)	18,928	(122,901)	(7,962)
Other comprehensive income		200,769	(117,240)	1,116,402	(172,490)
Total comprehensive income		$4,804,870	$3,843,554	$16,348,863	$11,668,086
Net income attributable to:					
Equity holders of the parent		$4,549,204	$3,893,243	$15,078,947	$11,654,338
Non-controlling interests		54,897	67,551	153,514	186,238
Net income		$4,604,101	$3,960,794	$15,232,461	$11,840,576
Net comprehensive income attributable to:					
Equity holders of the parent		$4,681,210	$3,805,576	$16,126,039	$11,407,416
Non-controlling interests		123,660	37,978	222,824	260,670
Total comprehensive income		$4,804,870	$3,843,554	$16,348,863	$11,668,086
Earnings per share (In dollars)					
Net income from continuing operations	VI	$0.68	$0.60	$2.25	$1.82

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated statements of changes in equity

For the nine-month periods ended 30 September 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

	Equity attribute to equity holders of parent											
	Capital stock		Retained earnings			Equity adjustment						
ITEMS	Capital stock	Capital reserves	Legal reserves	Special reserves	Undistributed earnings	Foreign currency translation adjustment	Unrealized gains or losses on available-for-sale financial assets	Revalution surplus	Others	Total	Non-controlling interest	Total Equity
Balance, 1 January 2013	$52,277,026	$15,213,292	$22,360,652	$1,890,118	$10,512,233	$(601,247)	$2,005,850	$-	$(1,230)	$103,656,694	$2,967,014	$106,623,708
Earning appropriation and distribution (Note)												
Legal reserves	-	-	3,920,437	-	(3,920,437)	-	-	-	-	-	-	-
Stock dividends	9,147,688	-	-	-	(9,147,688)	-	-	-	-	-	-	-
Net income for nine-month period ended 30 September 2013	-	-	-	-	11,654,338	-	-	-	-	11,654,338	186,238	11,840,576
Other comprehensive income for the nine-month period ended 30 September 2013	-	-	-	-	-	155,621	(402,543)	-	-	(246,922)	74,432	(172,490)
Total comprehensive income for the nine-month period ended 30 September 2013	-	-	-	-	11,654,338	155,621	(402,543)	-	-	11,407,416	260,670	11,668,086
Capital addition	3,243,780	8,758,206	-	-	-	-	-	-	-	12,001,986	-	12,001,986
Price difference between book value and fair value on purchase of subsidiary equity	-	-	-	-	(192,642)	-	-	-	-	(192,642)	-	(192,642)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	119,731	119,731
Balance, 30 September 2013	$64,668,494	$23,971,498	$26,281,089	$1,890,118	$8,905,804	$(445,626)	$1,603,307	$-	$(1,230)	$126,873,454	$3,347,415	$130,220,869
Balance, 1 January 2014	$64,668,494	$23,971,498	$26,281,089	$1,890,118	$11,785,535	$(309,082)	$1,292,205	$145,979	$(953)	$129,724,883	$3,438,990	$133,163,873
Earnings appropriation and distribution (Note)												
Legal reserves	-	-	3,491,812	-	(3,491,812)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(5,703,293)	-	-	-	-	(5,703,293)	-	(5,703,293)
Stock dividends	2,444,268	-	-	-	(2,444,268)	-	-	-	-	-	-	-
Net income for the nine-month period ended 30 September 2014	-	-	-	-	15,078,947	-	-	-	-	15,078,947	153,514	15,232,461
Other comprehensive income for the nine-month period ended 30 September 2014	-	-	-	-	-	267,671	779,421	-	-	1,047,092	69,310	1,116,402
Total comprehensive income for the nine-month period ended 30 September 2014	-	-	-	-	15,078,947	267,671	779,421	-	-	16,126,039	222,824	16,348,863
Changes in amount of associates accounted for using the equity method	-	(2,086)	-	-	-	-	-	-	-	(2,086)	-	(2,086)
Reversal of special reserves	-	-	-	(9,166)	9,166	-	-	-	-	-	-	-
Others	-	-	-	-	503	-	-	(503)	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	(165,215)	(165,215)
Balance, 30 September 2014	$67,112,762	$23,969,412	$29,772,901	$1,880,952	$15,234,778	$(41,411)	$2,071,626	$145,476	$(953)	$140,145,543	$3,496,599	$143,642,142

Note: Bouns to employees $1,500 thousands deducted from consolidated statemensts of comprehensive income

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

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

Items	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Operating activities		
Net income before income tax	$17,626,482	$13,593,839
Adjustment items:		
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation expenses	654,758	699,222
Amortization expenses	137,973	160,697
Bad debt expenses	744,974	189,554
Interest expense	11,047,163	9,824,785
Interest income	(30,092,807)	(26,124,994)
Dividends income	(662,739)	(536,866)
Proportionate share of gains from associates or joint venture under equity method	(49,197)	(28,146)
(Gain) loss on disposal of property and equipment	(30,888)	7,789
Gain on disposal of investment properties	(56,492)	-
Impairment loss of non-financial assets	7,123	-
Gain on valuation of investment properties	(7,551)	(51,330)
Foreign currency translation adjustment	(1,678)	(8,129)
Change in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(3,076,451)	(1,633,075)
(Increase) decrease in financial assets at fair value through profit or loss	29,248,874	(78,798,375)
Decrease in derivative financial assets for hedging	187,396	176,124
(Increase) decrease in receivables	49,648,006	(33,134,539)
(Increase) decrease in discounts and loans	(85,395,908)	30,805,085
Increase in available-for-sale financial assets	(260,757)	(1,097,843)
Increase in held-to-maturity financial assets	(617,714)	(27,577,657)
Decrease in other financial assets	17,906	6,716
(Increase) decrease in investments in debt securities with no active market	(85,983,056)	30,938,148
(Increase) decrease in other assets	(3,451,641)	40,805
Increase (decrease) in due to the Central Bank and other banks	14,664,569	(6,187,406)
Increase in financial liabilities at fair value through profit or loss	7,979,075	1,934,433
Increase in securities sold under agreements to repurchase	1,495,962	35,530,099
Increase (decrease) in payables	3,981,997	(7,760,517)
Increase in deposits and remittances	78,525,380	49,688,921
Increase in other financial liabilities	36,695,463	11,083,264
Increase (decrease) in provisions	84,116	(988)
Increase in other liabilities	353,283	265,525
Cash flows from operating activities	43,413,621	2,005,141
Interest received	27,725,748	25,834,034
Cash dividends received	662,739	536,866
Interest paid	(9,479,776)	(9,129,081)
Income tax paid	(1,673,647)	(426,899)
Net cash flows from operating activities	60,648,685	18,820,061
Investing activities		
Investing in a Subsidiary	-	(338,612)
Capital return due to capital decrease in equity-accounted investee	509	-
Purchase of property and equipment	(639,284)	(888,363)
Proceeds from sale of property and equipments	53,669	964
Proceeds from sale of assets held for sale	65,981	-
Purchase of intangible assets	(66,222)	(42,420)
Proceeds from sale of investment properties	195,842	-
Increase in other assets	(4,372,949)	(701,551)
Cash dividends received	64,594	37,496
Net cash flows used in investing activities	(4,697,860)	(1,932,486)
Financing activities		
Increase in funds borrowed from the Central Bank and call loans from banks	24,300	26,700
Increase in financial debentures payable	14,871,677	9,901,957
Decrease in other liabilities	(13,780)	(265,605)
Distribution of cash dividends	(5,703,293)	-
Capital addition	-	12,001,986
Net cash flows from financing activities	9,178,904	21,665,038
Effects of foreign exchange rate changes	462,373	389,399
Net increase in cash and cash equivalents	65,592,102	38,942,012
Cash and cash equivalents at beginning of the period	184,944,809	102,950,210
Cash and cash equivalents at end of the period	$250,536,911	$141,892,222
The components of cash and cash equivalents		
Cash and cash equivalents in balance sheet	$121,198,296	$47,799,006
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	101,203,185	89,667,652
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	28,135,430	4,425,564
Cash and cash equivalents at end of the period	$250,536,911	$141,892,222

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

English Translation of Financial Statements Originally Issued in Chinese
Cathay United Bank and Its Subsidiaries
Notes to consolidated financial statements
For the nine-month periods ended 30 September 2014 and 2013
(Expressed in thousands of New Taiwan Dollars 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 September 2014 and 2013, the Bank and its subsidiaries employed 9,220 and 8,781 employees, respectively.

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

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

The consolidated financial statements of the Bank and its subsidiaries ("the Group") for the nine-month periods ended 30 September 2014 and 2013 were authorized for issue in accordance with the Board of Directors' resolution on 13 November 2014.

III. Newly issued or revised standards and interpretations

1. International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission ("FSC") and would be applicable for annual periods beginning on or after 1 January 2015, but not yet adopted by the Group at the date of issuance of the Group's financial statements are listed below.

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

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

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

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

   IFRS 3 "Business Combinations"

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

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

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

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

IFRS 7 "Financial Instruments: Disclosures"

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

IAS 1 "Presentation of Financial Statements"

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

IAS 34 "Interim Financial Reporting"

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

IFRIC 13 "Customer Loyalty Programmes"

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

(b) *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.

(c) *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.

(d) *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.

(e) *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.

(f) *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.

(g) *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.

(h) *IFRS 12 "Disclosures of Interests in Other Entities"*

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

(i) *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.

(j) *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.

(k) *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.

(l) *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.

(m) *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.

(n) *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.

(o) *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.

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

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

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

IAS 1 "Presentation of Financial Statements"

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

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

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

IAS 32 "Financial Instruments: Presentation" (Amendment)

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

IAS 34 "Interim Financial Reporting" (Amendment)

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

(q) *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 so that they are applicable for annual periods beginning on or after 1 January 2015. When the Bank and its subsidiaries applies the amendments to IAS 19 in 2015, employee benefits will be recognized based on actuarial calculations in accordance with IAS 19. The Bank and its subsidiaries anticipates that as of 1 January 2014, deferred tax assets will be retrospectively restated to increase by $110,057; accrued pension liabilities will be retrospectively restated to increase by $647,396; equity will be retrospectively restated to decrease by $537,339. Except the impact above, the Bank and its subsidiaries is still currently determining the potential impact of the standards and interpretations.

2. Standards or interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below:

(a) *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.

(b) *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.

(c) *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.

(d) *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.

(e) *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.

(f) *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.

(g) *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.

(h) *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.

(i) *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.

(j) *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.

(k) *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.

(l) *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.

(m) *IAS 27"Separate Financial Statements" — Equity Method in Separate Financial Statements*

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In 2003, the equity method was removed from the options. This amendment removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions.

The amendment is effective for annual periods beginning on or after 1 January 2016.

(n) *IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The amendment is effective for annual periods beginning on or after 1 January 2016.

(o) *Improvements to International Financial Reporting Standards (2012-2014 cycle):*

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendment clarifies that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendment is effective for annual periods beginning on or after 1 January 2016.

IFRS 7 "Financial Instruments: Disclosures"

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 *Financial Instruments: Disclosures* is required. The amendment also clarifies that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 *Interim Financial Reporting.* The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 19 "Employee Benefits"

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 34 "Interim Financial Reporting"

The amendment clarifies what is meant by "elsewhere in the interim financial report" under IAS 34; the amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is effective for annual periods beginning on or after 1 January 2016.

The abovementioned standards and interpretations issued by IASB have not yet recognized by FSC at the date of issuance of the Group's financial statements, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations.

IV. Summary of significant accounting policies

1. Statement of compliance

The consolidated financial statements of the Group for the nine-month periods ended 30 September 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"*.

2. Basis of preparation

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

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

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

3. Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of ownership (%) 2014.9.30	2013.12.31	2013.9.30	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 (%) 2014.9.30	2013.12.31	2013.9.30	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%	100%	70%

The Bank acquired 70% of the voting shares of SBC Bank for US$22,500 thousands 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 thousands 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.

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 thousands which is presented as "investment accounted for using equity method".

As of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, and for the nine-month periods ended 30 September 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 (%)			
			2014.9.30	2013.12.31	2013.9.30	2013.1.1
The Bank	Seaward Card Co., Ltd. ("Seaward Card") Seaward Card was incorporated on 9 April 1999.	Wholesale banking	100%	100%	100%	100%

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

4. Business combinations and goodwill

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

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

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

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

5. Investments accounted for using the equity method

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

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

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

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

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

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

(1) Future cash flows the Bank expects to derive from the investment in the associate, including cash flows from the operation of the associate and from the ultimate disposal of such investment, or

(2) present value of the future cash flows from dividends expected to be received from the associate and from the disposal of the investment.

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

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

6. Foreign currency transactions

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

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

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

(1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(2) Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.

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

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

7. Translation of financial statements in foreign currency

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

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

8. Cash and cash equivalents

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

9. Bills and bonds under repurchase or resell agreements

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

10. Financial assets and financial liabilities

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

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

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

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

(2) Held-to-maturity financial assets

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

(3) Available-for-sale financial assets

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

(4) Loans and receivables

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

① Those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading;

② Those that the entity upon initial recognition designates as at fair value through profit or loss;

③ Those that the entity upon initial recognition designates as available-for-sale; or

④ Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

(5) Other financial assets

① Investments in debt securities with no active market

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

② Financial assets carried at cost

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

(1) Available-for-sale financial assets

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

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

(2) Financial assets carried at amortized cost

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

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

(3) Loans and receivables

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

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

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

In addition, in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", the Bank shall allocate sufficient loan loss provision and reserves against liability on guarantees. The minimum loan loss provision and guarantee reserve shall be the sum of 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 longers 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.

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.

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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.

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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.

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

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

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

24. Income taxes

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

Current income tax

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

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

Deferred tax

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

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

(1) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(1) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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.

V. Significant accounting judgements, estimates and assumptions

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

1. Judgement

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

(1) Investment properties

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

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

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

2. Estimates and assumptions

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

(1) Impairment losses on loans and receivables

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

(2) Fair value of financial instruments

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

(3) Impairment of non-financial assets

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

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

(4) Award credits and deferred income

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

(5) Income tax

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

(6) Pension benefits

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

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

(7) Fair value of investment property

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

VI. Breakdown of Significant Accounts

1. Cash and cash equivalents

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Cash on hand	$13,815,238	$14,268,298	$13,166,394	$13,255,565
Checks for clearance	2,764,298	3,315,374	2,275,064	8,353,592
Due from commercial banks	104,618,760	50,656,069	32,357,548	13,365,129
Total	$121,198,296	$68,239,741	$47,799,006	$34,974,286

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Cash and cash equivalents in balance sheet	$121,198,296	$68,239,741	$47,799,006	$34,974,286
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	101,203,185	109,059,305	89,667,652	67,975,924
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	28,135,430	7,645,763	4,425,564	-
Cash and cash equivalents at end of the period in statement of cash flows	$250,536,911	$184,944,809	$141,892,222	$102,950,210

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

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Overdrafts	$-	$-	$20,824	$-
Call loans to banks	40,489,317	91,421,834	82,919,405	30,984,776
Due from the Central Bank - Statutory reserve on deposits	45,775,845	42,885,761	42,678,725	41,027,838
Due from the Central Bank - General deposits	60,713,868	17,637,471	6,727,423	36,991,148
Total	$146,979,030	$151,945,066	$132,346,377	$109,003,762

(1) The Bank

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

As provided by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included $44,355,985, $41,504,190, $41,349,095 and $39,842,844 as of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013 respectively, which are subject to withdrawal restrictions.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These non-interest bearing reserves may be withdrawn momentarily. As of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013 the balances of foreign-currency deposit reserves were $143,049, $278,535 and $249,228 and $215,606, 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 $767,939, $790,488, $779,980 and $758,109 as of 30 September 2014, 31 December 2013, 30 September 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 $508,872, $312,548, $300,422 and $211,279 as of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, respectively.

3. Financial assets at fair value through profit or loss

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Financial assets for trading:				
Stocks	$-	$-	$53,760	$-
Short-term bills	102,334,812	143,666,541	123,211,543	59,110,475
Mutual funds	-	-	300,552	-
Bonds	13,534,403	8,238,507	14,215,139	3,197,378
Overseas financial instruments	332,640	636,548	1,415,853	974,079
Derivative financial instruments	17,609,807	10,517,961	7,398,108	4,655,954
Total	$133,811,662	$163,059,557	$146,594,955	$67,937,886

(1) As of 1 January 2013, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of $2,950,500. Such repurchase agreements amounting to $3,252,317 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 $3,255,003 prior to 31 March 2013.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(2) As of 30 September 2014, 31 December 2013, 30 September 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):

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Currency and swap forward contracts	$57,833,151	$29,310,866	$24,635,018	$21,601,412
Interest rate swap	25,155,819	17,012,021	16,666,788	9,443,064
Cross currency swap	4,268,551	1,866,877	1,526,170	872,607
Options	19,832,307	7,771,967	10,783,091	5,654,976
Futures	10,000	-	-	500

(3) Net gains arising from financial assets at fair value through profit or loss for the three-month periods ended 30 September 2014 and 2013, and for the nine-month periods ended 30 September 2014 and 2013 were $4,024,691, $1,097,714, $8,509,493 and $2,381,493, respectively.

(4) The Bank issued subordinated financial debentures amounting to US$990 million in September 2014, which will be issued as unlimited and fifteen-year dominant subordinated financial debentures amounting to US$660 million and US$330 million in October 2014, respectively, with fixed interest rates. The Bank converted fixed interest rate into floating interest rate with interest exchange contract to reduce the fair value risk resulting from interest rate. The interest rate swap evaluations for the nine-month periods ended 30 September 2014 were $40,273.

4. Derivative financial assets for hedging

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

In order to hedge the fair value risk from future market interest rate fluctuations, the Bank entered into interest rate swap transactions, where the interest rate payable on fixed-interest-rate financial debentures issued has been swapped with a floating interest rate. The fair value of the above interest rate swap transactions on 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013 were $649,783, $837,179, $1,027,014, and $1,203,138, respectively. For the three-month periods ended 30 September 2014 and 2013, and for the nine-month periods ended 30september 2014 and 2013, net gains on the hedging derivative financial instrument amounted to $1,248, $24,379, $16,487 and $6,105, respectively. For the three-month periods ended 30 September 2014 and 2013, and for the nine-month periods ended 30 September 2014 and 2013, and net gains from the hedged risk of the hedged items amounted to $98,081, $86,640、$289,530 and $274,365, respectively.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

5. Receivables, net

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Notes receivable	$-	$7,776	$75	$-
Accounts receivable	49,914,838	46,194,040	39,253,158	36,746,133
Interest receivable	4,535,697	3,277,826	3,477,548	3,248,886
Related party receivables for allocation of linked-tax system	-	256,312	174,195	246,573
Foreign currency receivable	307,599	103,526	75,068	88,657
Acceptances	1,667,396	1,378,174	1,434,690	1,639,720
Factoring receivable	11,015,834	69,249,723	38,530,505	9,151,418
Others	6,620,568	2,400,211	2,244,711	1,632,947
Total	74,061,932	122,867,588	85,189,950	52,754,334
Adjustment for discounts and premiums	(7,323)	(6,519)	(6,129)	(5,603)
Less: allowance for doubtful accounts	(1,811,627)	(2,082,904)	(1,936,317)	(2,006,455)
Net balance	$72,242,982	$120,778,165	$83,247,504	$50,742,276

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

	2014.1.1-2014.9.30		
	Individually impaired	Collectively impaired	Total
Balance, beginning of the period	$144,462	$1,938,442	$2,082,904
Reversal of doubtful accounts	(457,101)	-	(457,101)
Write-offs	(235,852)	-	(235,852)
Debt counseling recoveries	97,664	-	97,664
Recoveries	418,791	-	418,791
Reclassification	157,900	(225,564)	(97,664)
Effects of exchange rates change	-	2,885	2,885
Balance, end of the period	$125,864	$1,685,763	$1,811,627

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1~2013.9.30		
	Individually impaired	Collectively impaired	Total
Balance, beginning of the period	$116,138	$1,890,317	$2,006,455
Reversal of doubtful accounts	(273,395)	-	(273,395)
Write-offs	(232,832)	-	(232,832)
Debt counseling recoveries	101,813	-	101,813
Recoveries	437,794	-	437,794
Reclassification	(14,304)	(89,533)	(103,837)
Effects of exchange rates change	-	319	319
Balance, end of the period	$135,214	$1,801,103	$1,936,317

(2) Impairment assessment of receivables – the Bank

Item		Receivables			
		2014.9.30	2013.12.31	2013.9.30	2013.1.1
With objective evidence of impairment	Individual assessment	$18,649	$37,173	$38,276	$37,241
	Collective assessment	159,910	172,872	159,023	140,445
Without objective evidence of impairment	Collective assessment	73,378,554	121,924,349	84,206,387	52,562,725

Item		Allowance for doubtful accounts			
		2014.9.30	2013.12.31	2013.9.30	2013.1.1
With objective evidence of impairment	Individual assessment	$6,954	$15,853	$16,321	$5,208
	Collective assessment	118,910	128,609	118,893	110,930
Without objective evidence of impairment	Collective assessment	1,685,763	1,938,442	1,801,103	1,890,317

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

6. Discounts and loans, net

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Outward documentary bills	$13,256,408	$6,669,210	$1,708,581	$1,764,969
Overdrafts	1,220,078	867,731	837,601	594,231
Short-term loans	335,011,611	289,442,041	226,273,447	221,898,435
Medium-term loans	312,584,072	321,832,295	327,913,090	347,094,239
Long-term loans	466,124,270	422,175,426	424,827,063	439,958,850
Delinquent accounts	2,686,394	3,721,958	4,438,462	4,177,439
Total	1,130,882,833	1,044,708,661	985,998,244	1,015,488,163
Adjustment for discounts and premium	907,561	982,481	1,021,266	1,097,491
Less: allowance for doubtful accounts	(16,095,147)	(14,585,821)	(14,669,142)	(13,402,461)
Net balance	$1,115,695,247	$1,031,105,321	$972,350,368	$1,003,183,193

(1) As of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013 the accounts without interest accrued were $3,362,123, $3,001,620, $5,011,320 and $3,802,624, respectively. The non-accrued interest on such accounts amounted to $5,069, $47,432, $63,004 and $148,482 for the three-month periods ended 30 September 2014 and 2013, and for the nine-month periods ended 30 September 2014 and 2013.

(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

	2014.1.1-2014.9.30		
	Individually impaired	Collectively impaired	Total
Balance, beginning of the period	$4,267,369	$10,119,032	$14,386,401
Provision of doubtful accounts	971,940	-	971,940
Write-offs	(1,198,895)	-	(1,198,895)
Debt counseling recoveries	91,521	-	91,521
Recoveries	1,396,307	-	1,396,307
Reclassification	(1,253,309)	1,350,973	97,664
Effects of exchange rates change	-	37,051	37,051
Balance, end of the period	$4,274,933	$11,507,056	$15,781,989

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1-2013.9.30		
	Individually impaired	Collectively impaired	Total
Balance, beginning of the period	$3,838,785	$9,198,147	$13,036,932
Provision of doubtful accounts	529,509	-	529,509
Write-offs	(319,595)	-	(319,595)
Debt counseling recoveries	86,542	-	86,542
Recoveries	1,045,256	-	1,045,256
Reclassification	(288,699)	390,512	101,813
Effects of exchange rates change	-	13,114	13,114
Balance, end of the period	$4,891,798	$9,601,773	$14,493,571

② Indovina Bank

	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Balance, beginning of the period	$170,576	$355,255
Provision (reversal) of doubtful accounts	47,665	(71,295)
Effects of exchange rates change, etc.	(9,076)	(123,220)
Balance, end of the period	$209,165	$160,740

③ CUBC Bank

	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Balance, beginning of the period	$28,844	$10,274
Provision of doubtful accounts	74,672	4,735
Effects of exchange rates change, etc.	477	(178)
Balance, end of the period	$103,993	$14,831

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

Item		Discounts and loans			
		2014.9.30	2013.12.31	2013.9.30	2013.1.1
With objective evidence of impairment	Individual assessment	$16,111,669	$19,557,154	$22,356,936	$24,407,642
	Collective assessment	6,014,701	5,920,274	6,061,403	2,346,283
Without objective evidence of impairment	Collective assessment	1,088,309,559	1,001,649,608	940,354,901	971,701,928

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item		Allowance for doubtful accounts			
		2014.9.30	2013.12.31	2013.9.30	2013.1.1
With objective evidence of impairment	Individual assessment	$3,181,846	$3,280,804	$3,817,640	$3,413,547
	Collective assessment	1,093,087	986,565	1,074,158	425,238
Without objective evidence of impairment	Collective assessment	11,507,056	10,119,032	9,601,773	9,198,147

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

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Stocks	$9,415,392	$14,172,615	$13,797,690	$11,217,884
Mutual funds and beneficiary securities	342,827	469,473	392,676	1,271,338
Bonds	33,793,567	36,358,499	35,360,375	34,012,397
Overseas financial instruments	25,489,840	16,908,303	15,121,547	17,453,709
Net balance	$69,041,626	$67,908,890	$64,672,288	$63,955,328

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

(2) As of 30 September 2014, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of $16,374,568. Such repurchase agreements amounting to $16,300,401 was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 30 September 2014 was settled at $16,315,362 prior to 31 December 2014, and repurchase agreements amounting to $186,387was without settlement date.

As of 31 December 2013, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of $14,414,200. Such repurchase agreements amounting to $14,071,807 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 $14,079,632 prior to 30 September 2014. In addition, the amount of $1,411,144 was without settlement date.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

As of 30 September 2013, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of $65,065,238. Such repurchase agreements amounting to $55,899,348 was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 30 September 2013 was settled at $55,902,042 prior to 31 March 2014..

As of 1 January 2013, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of $15,936,600. Such repurchase agreements amounting to $17,116,932 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 $17,125,290 prior to 30 September 2013.

(3) Available-for-sale financial assets of $977,531, $1,473,453, $1,499,509 and $1,603,158 as of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, respectively, were pledged to other parties as collateral for business reserves and guarantees.

8. Held-to-maturity financial assets, net

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Bonds	$1,539,895	$951,287	$953,988	$962,740
Overseas financial instruments	50,488,941	50,443,791	48,313,193	20,706,234
Net balance	$52,028,836	$51,395,078	$49,267,181	$21,668,974

(1) As of 30 September 2014, certain held-to-maturity financial assets was sold under repurchase agreements with notional amounts of $39,897,513. Such repurchase agreements amounting to $40,170,719 was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 30 September 2014 was settled at $40,177,468 prior to 31 July 2014. In addition, the amount of $19,915 was without settlement date.

As of 31 December 2013, certain held-to-maturity financial assets was sold under repurchase agreements with notional amounts of $42,319,350. Such repurchase agreements amounting to $39,394,999 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 $39,411,066 prior to 31 January 2014.

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(2) Held-to-maturity financial assets of $1,555,888, $862,710, $813,615 and $610,570 as of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, respectively, were pledged to other parties as collateral of business reserves and guarantees.

9. Investments accounted for using equity method, net

	2014.9.30		2013.12.31	
	Carrying value	% of ownership	Carrying value	% of ownership
Investment in subsidiaries				
Seaward Card Co., Ltd.	$40,653	100.00	$39,107	100.00
Investment in associates				
Taiwan Real-estate Management Corp.	94,743	30.15	99,359	30.15
Taiwan Finance Corp.	1,478,304	24.57	1,487,419	24.57
Vista Technology Venture Capital Corp.	-	-	789	4.76
Subtotal	1,573,047		1,587,567	
Total	$1,613,700		$1,626,674	

	2013.9.30		2013.1.1	
	Carrying value	% of ownership	Carrying value	% of ownership
Investment in subsidiaries				
Seaward Card Co., Ltd.	$38,758	100.00	$39,752	100.00
Investment in associates				
Taiwan Real-estate Management Corp.	94,091	30.15	105,357	30.15
Taiwan Finance Corp.	1,377,634	24.57	1,418,699	24.57
Vista Technology Venture Capital Corp.	857	4.76	1,419	4.76
Subtotal	1,472,582		1,525,475	
Total	$1,511,340		$1,565,227	

(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) Vista Technology Venture Capital Corp. that the Bank invested reduced capital by $10,692 and carried out the liquidation proceedings on 30 June 2014 after the resolution by the meeting of shareholders on 30 April 2014.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(3) No investment in the associates was pledged.

(4) The carrying amounts of investments accounted for using equity method were $1,573,047, $1,587,567, $1,472,582 and $1,525,475 as at 30 September 2014, 31 December 2013, 30 September 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 $15,063, $12,823, $47,651, and $27,046 for the three-month periods ended 30 September 2014 and 2013, and nine-month periods ended 30 September 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 losses $9,925 and losses $26,503 , gains $4,853 and losses $44,538 for the three-method periods ended 30 September 2014 and 2013, and nine-month periods ended 30 September 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:

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Total assets	$49,485,087	$45,654,713	$43,581,286	$39,117,543
Total liabilities	(43,127,144)	(39,254,783)	(37,644,232)	(32,964,288)

	2014.7.1~ 2014.9.30	2013.7.1~ 2013.9.30	2014.1.1~ 2014.9.30	2013.1.1~ 2013.9.30
Revenue	$145,326	$130,300	$451,499	$366,970
Net income	62,302	52,499	224,365	127,334

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

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Preferred stocks	$549,730	$549,730	$549,730	$549,730
Short-term bills	355,000,000	272,300,000	385,000,000	410,100,000
Overseas financial instruments	10,705,339	7,422,283	7,555,785	13,393,933
Net balance	$366,255,069	$280,272,013	$393,105,515	$424,043,663

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(2) As of 30 September 2014, certain investments in debt securities with no active market assets was sold under repurchase agreement with notional amounts of $4,219,738. Such repurchase agreements amounting to $3,500,140 was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 30 September 2014 was settled at $3,500,405 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 $10,739,833. Such repurchase agreements amounting to $3,803,650 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 $3,805,024 prior to 31 January 2014.

(3) Investments in debt securities with no active market of $62,000,000, $50,100,000, $50,100,000 and $50,100,000 as of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, respectively, were pledged to other parties as collateral for business reserves and guarantees.

11. Property and equipment, net

	Land	Buildings	Office equipment	Transportation Equipment	Leasehold improvements	Other equipment	Construction in progress and prepayment for equipment	Total
Cost:								
2013.1.1	$13,753,748	$9,829,285	$4,555,618	$108,458	$15,855	$6,100,518	$305,134	$34,668,616
Additions	-	-	435,008	4,435	571	75,402	372,947	888,363
Transfers	-	10,893	65,491	(80)	625	102,909	(183,534)	(3,696)
Disposals	-	(337)	(392,729)	(12,011)	(310)	(31,290)	-	(436,677)
Exchange differences	2,315	2,422	8,370	1,376	295	(2,377)	3,027	15,428
2013.9.30	$13,756,063	$9,842,263	$4,671,758	$102,178	$17,036	$6,245,162	$497,574	$35,132,034
2014..1.1	$13,905,089	$10,017,960	$4,745,938	$98,576	$17,310	$6,269,601	$513,928	$35,568,402
Additions	-	514	116,837	2,646	3,301	122,655	393,331	639,284
Transfers	57,438	33,335	55,965	19,967	-	236,548	(369,521)	33,732
Disposals	(16,717)	(6,642)	(195,573)	(15,829)	-	(106,554)	-	(341,315)
Exchange differences	2,107	5,136	5,179	1,209	274	(7,334)	2,206	8,777
2014.9.30	$13,947,917	$10,050,303	$4,728,346	$106,569	$20,885	$6,514,916	$539,944	$35,908,880

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	Land	Buildings	Office equipment	Transportation Equipment	Leasehold improvements	Other equipment	Construction in progress and prepayment for equipment	Total
Depreciations and impairment:								
2013.1.1	$-	$3,233,300	$3,908,661	$80,176	$9,515	$5,041,029	$-	$12,272,681
Depreciation	-	151,295	306,659	5,813	1,825	233,630	-	699,222
Transfers	-	42	4,333	45	-	(4,420)	-	-
Disposals	-	(175)	(386,360)	(11,094)	(310)	(29,975)	-	(427,914)
Exchange difference	-	924	3,202	819	174	69	-	5,188
2013.9.30	$-	$3,385,386	$3,836,495	$75,759	$11,204	$5,240,333	$-	$12,549,177
2014.1.1	$-	$3,448,019	$3,886,262	$74,248	$11,918	$5,283,626	$-	$12,704,073
Depreciation	-	158,713	251,296	7,034	1,441	236,274	-	$654,758
Transfers	-	4,007	-	-	-	-	-	4,007
Disposals	-	(4,264)	(195,562)	(15,829)	-	(103,825)	-	(319,480)
Exchange difference	-	1,121	3,668	907	201	493	-	6,390
2014.9.30	$-	$3,607,596	$3,945,664	$66,360	$13,560	$5,416,568	$-	$13,049,748
Net carrying amount:								
2014.9.30	$13,947,917	$6,442,707	$782,682	$40,209	$7,325	$1,098,348	$539,944	$22,859,132
2013.12.31	$13,905,089	$6,569,941	$859,676	$24,328	$5,392	$985,975	$513,928	$22,864,329
2013.9.30	$13,756,063	$6,456,877	$835,263	$26,419	$5,832	$1,004,829	$497,574	$22,582,857
2013.1.1	$13,753,748	$6,595,985	$646,957	$28,282	$6,340	$1,059,489	$305,134	$22,395,935

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

12. Investment Properties, net

	Land	Buildings	Total
Cost :			
2013.1.1	$3,465,861	$1,015,688	$4,481,549
Gains arising from changes in the fair value	41,257	10,073	51,330
2013.9.30	$3,507,118	$1,025,761	$4,532,879
2014.1.1	$3,499,062	$1,022,071	$4,521,133
Transfers	(40,722)	-	(40,722)
Gains (Losses) arising from changes in the fair value	19,939	(12,388)	7,551
Disposals	(118,902)	(24,580)	(143,482)
2014.9.30	$,3,359,377	$985,103	$4,344,480

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	Land	Buildings	Total
Impairment:			
2013.1.1	$(41,625)	$-	$(41,625)
2013.9.30	$(41,625)	$-	$(41,625)
2014.1.1	$(41,625)	$-	$(41,625)
Impairment	(7,123)	-	(7,123)
2014.9.30	$(48,748)	$-	$(48,748)
Net carrying amount:			
2014.9.30	$3,310,629	$985,103	$4,295,732
2013.12.31	$3,457,437	$1,022,071	$4,479,508
2013.9.30	$3,465,493	$1,025,761	$4,491,254
2013.1.1	$3,424,236	$1,015,688	$4,439,924

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Rental income from investment property	$19,966	$20,998	$59,891	$62,091
Less:				
Direct operating expenses from investment property generating rental income	(222)	(408)	(4,666)	(5,877)
Direct operating expenses from investment property not generating rental income	(96)	(52)	(1,319)	(914)
Total	$19,648	$20,538	$53,906	$55,300

(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 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

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

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

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

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

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

The main parameters are as follows:

	2014.9.30	2013.12.31	2013.9.30	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 discont rate is determined based on an interest rate not lower than the floating interest rate on a 2-year time deposit of petty cash as posted by the Chunghwa Post Co., Ltd., plus the risk premium.

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

	2014.9.30	2013.12.31	2013.9.30	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%

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(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
Cost:			
2013.1.1	$6,981,063	$1,627,117	$8,608,180
Additions-acquired separately	-	42,420	42,420
Disposals	-	(55,916)	(55,916)
Transfers	-	23,694	23,694
Exchange differences	5,644	1,138	6,782
2013.9.30	$6,986,707	$1,638,453	$8,625,160
2014.1.1	$6,989,667	$1,503,556	$8,493,223
Additions-acquired separately	-	66,222	66,222
Disposals	-	(70,330)	(70,330)
Transfers	-	56,580	56,580
Exchange differences	5,137	1,078	6,215
2014.9.30	$6,994,804	$1,557,106	$8,551,910

	Goodwill	Computer software	Total
Amortization and impairment:			
2013.1.1	$-	$1,119,908	$1,119,908
Amortization	-	160,697	160,697
Disposals	-	(55,916)	(55,916)
Exchange differences	-	798	798
2013.9.30	$-	$1,225,487	$1,225,487
2014.1.1			
2014.1.1	$-	$1,118,363	$1,118,363
Amortization	-	137,973	137,973
Disposals	-	(70,330)	(70,330)
Exchange differences	-	921	921
2014.9.30	$-	$1,186,927	$1,186,927
Net carrying amount:			
2014.9.30	$6,994,804	$370,179	$7,364,983
2013.12.31	$6,989,667	$385,193	$7,374,860
2013.9.30	$6,986,707	$412,966	$7,399,673
2013.1.1	$6,981,063	$507,209	$7,488,272

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Impairment testing of goodwill:

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

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

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

① Discount rates

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

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

Assumptions are based on published industry research.

(3) Sensitivity to changes in assumptions:

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

14. Other assets, net

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Prepayment	$1,178,669	$808,073	$960,087	$687,055
Temporary payments	3,171,580	84,037	70,867	198,030
Interbank settlement fund	2,593,837	2,572,275	2,610,390	2,552,473
Refundable deposits, net	7,777,515	3,495,971	1,572,732	827,482
Operating deposits, net	536,218	452,270	452,270	486,290
Foreclosed properties, net	55,505	89,686	88,847	-
Others	223,692	178,954	204,766	171,186
Total	$15,537,016	$7,681,266	$5,959,959	$4,922,516

As of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, the amounts of land use rights of $355,072, $350,413. $345,018 and $341,370 were recognized under prepayment, respectively.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Due to commercial banks	$14,443,610	$5,409,342	$5,974,071	$3,596,299
Due to Post Co., Ltd.	19,829,723	19,703,976	19,826,305	19,919,402
Overdrafts from banks	116,465	123,569	840,481	108,340
Call loans from banks	37,386,431	31,748,338	24,252,379	33,307,732
Total	$71,776,229	$56,985,225	$50,893,236	$56,931,773

16. Financial liabilities at fair value through profit or loss

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Financial liabilities for trading:				
Bond investments	$946,304	$497,002	$-	$-
Derivative financial instruments	18,303,958	10,774,185	6,902,171	4,967,738
	$19,250,262	$11,271,187	$6,902,171	$4,967,738

Net gains (losses) arising from financial liabilities of fair value through profit or loss for the three-month periods ended 30 September 2014 and 2013, and nine-month periods ended 30 September 2014 and 2013 were losses $3,089,043, $25,199, $4,962,676 and $106,793, respectively.

17. Payables

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Accounts payable	$2,950,272	$3,497,080	$2,423,310	$8,408,434
Accrued interest payable	3,374,416	2,531,091	3,048,053	2,620,033
Accrued expenses	4,821,167	4,957,366	3,569,023	3,874,061
Foreign currency payable	341,141	134,504	80,371	68,653
Acceptance	1,677,832	1,381,544	1,435,470	1,644,088
Tax payable	157,225	153,679	79,556	152,317
Dividends payable	289,142	119,800	118,680	407,904
Receipts under custody	1,467,225	388,419	1,390,572	228,744
Related party payables for allocation of linked-tax system	142,883	-	-	-
Others	4,915,800	1,992,551	2,949,291	4,748,952
Total	$20,137,103	$15,156,034	$15,094,326	$22,153,186

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

18. Deposits and remittances

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Check deposits	$17,320,951	$17,006,177	$12,902,023	$17,115,953
Demand deposits	331,399,236	319,832,288	289,395,748	266,645,938
Demand savings deposits	678,889,315	619,830,238	615,489,268	579,112,495
Time deposits	334,059,271	349,502,641	364,536,832	384,716,809
Negotiable certificates of deposit	5,826,100	6,271,400	6,766,500	6,922,200
Time savings deposits	325,220,902	302,030,267	298,944,140	283,700,913
Outward remittances	1,280,951	868,120	1,254,793	395,743
Remittances payable	718,754	519,332	500,620	1,164,015
Total	$1,694,715,480	$1,615,860,463	$1,589,789,924	$1,539,774,066

19. Financial debentures payable

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Subordinated financial debentures	$66,864,138	$51,705,031	$51,613,364	$41,438,544
Discount in financial debentures	(10,237)	(16,366)	(18,204)	(23,666)
Valuation adjustment	434,989	728,548	825,428	1,103,753
Total	$67,288,890	$52,417,213	$52,420,588	$42,518,631

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 thousands principal in May 2009.

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

The Bank issued a seven-year subordinated financial debentures totaling $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 $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 $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 $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 $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 $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 $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 $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 $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 $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 $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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

20. Other financial liabilities

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Borrowed funds	$-	$31,849	$49,163	$85,500
Principal received from the sale of structured products	72,840,621	36,113,309	28,460,292	17,340,691
Total	$72,840,621	$36,145,158	$28,509,455	$17,426,191

21. Provisions

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Employee benefits provision - Defined benefits plan	$1,367,957	$1,358,410	$1,354,200	$1,354,200
Employee benefits provision - Preferential interest rate deposits	621,877	629,582	629,304	630,292
Reserve for losses on guarentees	116,714	24,892	24,892	24,892
Reserve for other operating	22,680	22,680	-	-
Total	$2,129,228	$2,035,564	$2,008,396	$2,009,384

	2014.1.1	Addition-other	Used	2014.9.30
Defined benefits plan	$1,358,410	$9,736	$(189)	$1,367,957
Preferential interest rate deposits	629,582	66,749	(74,454)	621,877
Reserve for losses on guarantees	24,892	91,822	-	116,714
Reserve for other operating	22,680	-	-	22,680
Total	$2,035,564	$168,307	$(74,643)	$2,219,228

	2013.1.1	Addition-other	Used	2013.9.30
Defined benefits plan	$1,354,200	$-	$-	$1,354,200
Preferential interest rate deposits	630,292	65,639	(66,627)	629,304
Reserve for losses on guarantees	24,892	-	-	24,892
Total	$2,009,384	$65,639	$(66,627)	$2,008,396

22. Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the three-month and nine-month periods ended 30 September 2014 and 2013 were $63,364, $55,590, $182,662 and $151,951, respectively, and recorded as "Employee benefits expenses".

Defined benefits plan

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

Pension costs amounted to $50,190, $44,203, $150,069 and $132,446 were recognized for the three-month and nine-month periods ended 30 September 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 $76,014, $74,759, $228,744 and $218,041 were recognized for the three-month and nine-month periods ended 30 September 2014 and 2013, respectively, and recorded and "Employee benefits expenses".

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

23. Other liabilities

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Unearned receipts	$584,161	$1,091,919	$831,463	$695,017
Temporary receipts	1,298,361	1,014,243	1,100,840	844,181
Guarantee deposits received	1,086,857	1,117,779	1,032,948	1,278,507
Deferred income	1,249,162	1,233,330	1,178,483	1,123,325
Others	357,642	425,533	291,947	278,308
Total	$4,576,183	$4,882,804	$4,435,681	$4,219,338

24. Capital Stock

As of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, the Bank had issued and outstanding capital stock of $67,112,762, $64,668,494, $64,668,494 and $52,277,026 divided into 6,711,276, 6,466,849, 6,466,849 and 5,227,703 thousand common shares, respectively, with par value $10 per share.

The recapitalization of undistributed earnings of $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 $61,424,714 offer recapitalization.

The Bank increased its capital by $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 $64,668,494 offer recapitalization.

The recapitalization of undistributed earnings of $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 $67,112,762 offer recapitalization.

25. Capital reserves

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Capital reserves from the merger Bank	$10,949,303	$10,949,303	$10,949,303	$10,949,303
Additional paid-in capital	13,007,302	13,007,302	13,007,302	4,249,096
Others	12,807	14,893	14,893	14,893
Total	$23,969,412	$23,971,498	$23,971,498	$15,213,292

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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 September 2013 and 2014 were both $375, and the nine-month periods ended 30 September 2014 and 2013 were both $1,125 based on the average actual payment over the past three year and recognized as operating expense. The actual amount of payments resolved at the next year shareholders' meeting might differ from the estimation mentioned above and the difference, if any, will be recognized as income or expense in the next year.

(4) On 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		2012	
	Amount	Dividend per share	Amount	Dividend per share
Legal reserves	$3,491,812	$0.69	$3,920,437	$0.75
Cash dividends	5,703,293	1.13	-	-
Stock dividends	2,444,268	0.49	9,147,688	1.75
	$11,639,373	$2.31	$13,068,125	$2.50

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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 $1,619,109 was recognized as special reserve. The Bank recognized $1,619,109 as special reserves.

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

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

	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Beginning balance	$1,292,205	$2,005,850
Unrealized gains or losses on available-for-sale financial assets	828,020	(401,779)
Income tax of unrealized gains or losses on avaliable-for-sale financial assets	(68,077)	23,912
Share of unrealized gains or losses on available-for-sale financial assets of associates and joint ventures accounted for using the equity method	19,478	(24,676)
Ending balance	$2,071,626	$1,603,307

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

28. Non-controlling interests

	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Beginning balance	$3,438,990	$2,967,014
Profit attributable to non-controlling interests	153,514	186,238
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	54,685	54,570
Unrealized gains (losses) from available-for-sale financial assets	14,625	19,862
Change in non-controlling interests	(165,215)	119,731
Ending balance	$3,496,599	$3,347,415

29. Net interest income

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Interest income				
Discounts and loans	$6,825,659	$6,167,439	$19,840,167	$18,118,135
Securities	1,610,526	1,697,520	4,572,967	5,024,405
Credit cards	551,260	519,378	1,607,055	1,554,859
Others	1,270,593	533,606	4,072,618	1,427,595
Subtotal	10,256,038	8,917,943	30,092,807	26,124,994
Interest expense				
Deposits	2,792,472	2,655,453	8,191,169	7,768,479
Due to Central Bank and other banks	99,801	69,706	273,103	212,076
Funds borrowed from the Central Bank and other banks	62,024	106,129	348,302	381,415
Financial debentures	408,621	338,515	1,107,316	948,600
Others	425,819	222,830	1,127,273	514,215
Subtotal	3,788,737	3,392,633	11,047,163	9,824,785
Net interest income	$6,467,301	$5,525,310	$19,045,644	$16,300,209

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

30. Net fee income

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Fee income:				
Trust business	$746,713	$557,825	$2,037,005	$2,037,619
Cross-selling marketing	1,148,638	732,466	2,624,286	1,595,349
Credit card business	1,259,991	868,244	3,191,804	2,499,944
Loan business	450,925	297,954	1,184,721	945,262
Others	425,277	397,686	1,323,758	1,082,098
Subtotal	4,031,544	2,854,175	10,361,574	8,160,272
Fee expense:				
Credit card business	368,551	287,018	1,154,574	877,681
Others	195,501	180,101	543,209	483,676
Subtotal	564,052	467,119	1,697,783	1,361,357
Net fee income	$3,467,492	$2,387,056	$8,663,791	$6,798,915

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

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Short-term bills	$121,065	$71,858	$538,606	$342,173
Bonds	15,293	72,668	102,247	105,503
Beneficiary securities	-	4,736	-	7,164
Derivative financial instruments	806,368	902,977	2,998,495	1,813,924
Others	(7,078)	20,276	(11,531)	5,936
Total	$935,648	$1,072,515	$3,627,817	$2,274,700

Realized gains on financial assets and liabilities at fair value through profit or loss include disposal gains $1,100,203, $699,390, $3,064,825 and $1,582,006 and the interest income $165,268 , $169,375, $565,554 and $457,238 during the three-month and nine-month periods ended 30 September 2014 and 2013, respectively.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

32. Other net non-interest income

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
The devivative item that in order to hedge risk	$98,081	$86,641	$289,530	$274,366
Rental income from operatin assets	39,483	34,937	114,533	104,512
Rental income from investment properties	19,966	20,998	59,891	62,091
Gain on valuation of investment properties	(60)	-	7,551	51,330
Gain on disposal of investment properties	21,986	-	56,492	-
Others	94,222	85,670	354,822	224,083
Total	$273,678	$228,246	$882,819	$716,382

33. Employee benefits expenses

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Salary	$2,135,642	$1,840,964	$6,094,833	$5,304,089
Insurance	190,772	194,312	554,765	736,565
Post-employment benefit	135,763	121,691	400,683	351,674
Others	140,911	133,954	436,532	401,334
Total	$2,603,088	$2,290,921	$7,486,813	$6,793,662

34. Depreciation and amortization expenses

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Depreciation expenses - property and equipment	$218,075	$236,986	$654,758	$699,222
Depreciation expenses - investment properties	-	-	-	-
Amortization expense - intangibles assets	49,935	53,740	137,973	160,697
Total	$268,010	$290,726	$792,731	$859,919

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

35. Other general and administrative expenses

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Utilities expenses	$63,293	$66,849	$166,819	$161,180
Postage expenses	120,992	108,262	338,094	285,486
Rental expenses	336,266	325,709	1,007,880	945,178
Business promotion expenses	500,264	264,281	1,299,228	694,773
Product promotion expenses	648,154	364,806	1,462,958	860,700
Cash delivery expenses	72,703	72,037	221,176	214,765
Insurance expenses	136,089	146,268	396,949	431,943
Tax expenses	470,654	248,314	1,000,399	702,449
Other	869,862	841,164	2,363,050	2,202,963
Total	$3,218,277	$2,437,690	$8,256,553	$6,499,437

36. Components of other comprehensive income

2014.7.1-2014.9.30

	Arsing during the period	Income tax relating to components of other comprehensive income (expense)	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$468,587	$(69,554)	$399,033
Unrealized gains (losses) from available-for-sale financial assets	(125,624)	(62,715)	(188,339)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(9,925)	-	(9,925)
Total of other comprehensive income	$333,038	$(132,269)	$200,769

2013.7.1-2013.9.30

	Arsing during the period	Income tax relating to components of other comprehensive income (expense)	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$(233,517)	$32,732	$(200,785)
Unrealized gains (losses) from available-for-sale financial assets	123,852	(13,804)	110,048
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(26,503)	-	(26,503)
Total of other comprehensive income	$(136,168)	$18,928	$(117,240)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2014.1.1-2014.9.30

	Arsing during the period	Income tax relating to components of other comprehensive income (expense)	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$377,180	$(54,824)	$322,356
Unrealized gains (losses) from available-for-sale financial assets	857,270	(68,077)	789,193
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	4,853	-	4,853
Total of other comprehensive income	$1,239,303	$(122,901)	$1,116,402

2013.1.1-2013.9.30

	Arsing during the period	Income tax relating to components of other comprehensive income (expense)	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$242,065	$(31,874)	$210,191
Unrealized gains (losses) from available-for-sale financial assets	(362,055)	23,912	(338,143)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(44,538)	-	(44,538)
Total of other comprehensive income	$(164,528)	$(7,962)	$(172,490)

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

Income tax (expense) income recognized in profit or loss

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Current income tax (expense) income:				
Current income tax charge	$(838,324)	$(450,510)	$(2,179,121)	$(1,678,750)
Adjustments in respect of current income tax of prior periods	(6,954)	111,965	201,484	132,119
Deferred tax (expense) income:				
Deferred tax (expense) income relating to origination and reversal of temporary differences	86,878	(200,959)	(323,963)	48,996
Tax (expense) income recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	-	20,833	-	(89,442)
Income tax of overseas subsidiaries	(33,480)	(36,235)	(92,421)	(166,186)
Income tax expense	$(791,880)	$(554,906)	$(2,394,021)	$(1,753,263)

Income tax relating to components of other comprehensive income

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Deferred tax (expense) income:				
Exchange differences resulting from translating the financial statements of a foreign operation	$(69,554)	$32,732	$(54,824)	$(31,874)
Unrealized gains (losses) from available-for-sale financial assets	(62,715)	(13,804)	(68,077)	23,912
Income tax relating to components of other comprehensive income	$(132,269)	$18,928	$(122,901)	$(7,962)

(3) Imputation credit information

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Balances of imputation credit amount	$82,530	$2,863	$2,019	$111,496

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 September 2014, the undistributed earnings amounted to $15,234,778 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.

	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Profit attributable ordinary to equity holders of the parent (in thousands dollars)	$4,549,204	$3,893,243	$15,078,947	$11,654,338
Retroactive adjustment weight-average shares outstanding (in thousands shares)	6,711,276	6,386,898	6,711,276	6,386,898
Earnings per share (in dollar)	$0.68	$0.60	$2.25	$1.82

The recapitalization of undistributed earnings of $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 $61,424,714 offer recapitalization.

The Bank increased its capital by $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 $64,668,494 offer recapitalization.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

The recapitalization of undistributed earnings of $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 $67,112,762 offer recapitalization.

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

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

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.

VII. Related parties transactions

Significant transactions with the related parties are summarized as follows:

1. Loans and Deposits

	2014.9.30 Account balance		2013.12.31 Account balance	
Accounts/Related parties	Amount	% of Account	Amount	% of Account
Loans				
Associates				
Taiwan Real-estate Management Corp.	$55,000	0.01%	$60,000	0.01%
Other related parties				
Cathay Real Estate Development Co., Ltd.	770,000	0.07%	100,000	0.01%
Cathay General Hospital	99,000	0.01%	99,000	0.01%
Tien-Tai energy Corp.	114,958	0.01%	120,859	0.01%
Others	1,256,030	0.11%	890,965	0.08%
Subtotal	2,239,988	0.20%	1,210,824	0.11%
Total	$2,294,988	0.21%	$1,270,824	0.12%

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2014.9.30 Account balance		2013.12.31 Account balance	
Accounts/Related parties	Amount	% of Account	Amount	% of Account
Deposits				
Parent company				
Cathay Financial Holding Co., Ltd.	$10,375	-	$3,982	-
Other related parties				
Cathay Life Insurance Co., Ltd.	21,561,646	1.27%	25,559,790	1.58%
Cathay Century Insurance Co., Ltd.	1,150,511	0.07%	1,470,311	0.09%
Cathay Securities Corp.	1,749,985	0.10%	1,300,263	0.08%
Cathay Futures Corp.	1,960,437	0.12%	1,920,210	0.12%
Cathay Pacific Venture Capital Co., Ltd.	33,416	-	44,992	-
Cathay Securities Investment Trust Co., Ltd.	318,845	0.02%	344,818	0.02%
Cathay Real Estate Development Co., Ltd.	241,952	0.01%	226,980	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	23,569	-	5,226	-
Cathay Century Insurance (Vietnam) Co., Ltd.	143,331	0.01%	179,870	0.01%
Cathay Dragon Fund etc.	179,269	0.01%	1,970,907	0.12%
Symbox Information Co., Ltd.	16,607	-	142,617	0.01%
Others	9,939,748	0.59%	8,558,652	0.53%
Subtotal	37,319,416	2.20%	41,724,636	2.58%
Total	$37,329,791	2.20%	$41,728,618	2.58%

	2013.9.30 Account balance		2013.1.1 Account balance	
Accounts/Related parties	Amount	% of Account	Amount	% of Account
Loans				
Associates				
Taiwan Real-estate Management Corp.	$60,000	0.01%	$65,000	-
Other related parties				
Cathay Real Estate Development Co., Ltd.	610,000	0.06%	-	-
Cathay General Hospital	99,000	0.01%	103,000	0.01%
Others	843,063	0.09%	385,830	0.04%
Subtotal	1,552,063	0.16%	488,830	0.05%
Total	$1,612,063	0.17%	$553,830	0.05%

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Accounts/Related parties	2013.9.30 Account balance Amount	2013.9.30 % of Account	2013.1.1 Account balance Amount	2013.1.1 % of Account
Deposits				
Parent company				
Cathay Financial Holding Co., Ltd.	$119,869	0.01%	$93,389	0.01%
Other related parties				
Cathay Life Insurance Co., Ltd.	25,678,870	1.62%	73,919,996	4.80%
Cathay Century Insurance Co., Ltd.	1,372,974	0.09%	1,285,715	0.08%
Cathay Securities Corp.	1,592,497	0.10%	1,797,618	0.12%
Cathay Futures Corp.	1,953,751	0.12%	1,978,796	0.13%
Cathay Pacific Venture Capital Co., Ltd.	80,367	-	65,757	-
Cathay Securities Investment Trust Co., Ltd.	345,010	0.02%	1,745,795	0.11%
Cathay Real Estate Development Co., Ltd.	134,795	0.01%	279,019	0.02%
Cathay Life Insurance (Vietnam) Co., Ltd.	17,704	-	1,595	-
Cathay Century Insurance (Vietnam) Co., Ltd.	203,514	0.01%	326,295	0.02%
Cathay Dragon Fund etc.	1,794,041	0.11%	3,258,081	0.21%
Symphox Information Co., Ltd.	86,164	0.01%	167,730	0.01%
Others	8,266,505	0.52%	7,234,987	0.47%
Subtotal	41,526,192	2.61%	92,061,384	5.97%
Total	$41,646,061	2.62%	$92,154,773	5.98%

Accounts/Related parties	Interest Income 2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Loans				
Associates				
Taiwan Real-estate Management Corp.	$277	$290	$839	$884
Other related parties				
Cathay Real Estate Development Co., Ltd.	436	3,351	1,257	9,049
Cathay General Hospital	736	737	2,184	2,214
Tien-Tai energy Corp.	1,024	-	3,093	-
Others	6,411	3,991	18,229	12,589
Subtotal	8,607	8,079	24,763	23,852
Total	$8,884	$8,369	$25,602	$24,736

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	Interest Expense			
Accounts/Related parties	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Deposits				
Parent company				
Cathay Financial Holding Co., Ltd.	\$(84)	\$(1,208)	\$(107)	\$(1,677)
Other related parties				
Cathay Life Insurance Co., Ltd.	(5,319)	(34,979)	(16,437)	(314,250)
Cathay Century Insurance Co., Ltd.	(2,215)	(2,172)	(7,388)	(6,909)
Cathay Securities Corp.	(1,340)	(2,015)	(3,846)	(6,868)
Cathay Futures Corp.	(5,978)	(6,193)	(17,793)	(19,803)
Cathay Pacific Venture Capital Co., Ltd.	(51)	(206)	(251)	(646)
Cathay Securities Investment Trust Co., Ltd.	(1,094)	(1,296)	(2,883)	(6,439)
Cathay Real Estate Development Co., Ltd.	(28)	(33)	(93)	(145)
Cathay Life Insurance (Vietnam) Co., Ltd.	(65)	(414)	(150)	(3,619)
Cathay Century Insurance (Vietnam) Co., Ltd.	(3,065)	(6,032)	(8,824)	(22,465)
Cathay Dragon Fund etc.	(21)	(2,003)	(4,873)	(10,743)
Symphox Information Co., Ltd.	(36)	(237)	(440)	(1,068)
Others	(25,996)	(18,280)	(76,718)	(70,808)
Subtotal	(45,208)	(73,860)	(139,696)	(463,763)
Total	\$(45,292)	\$(75,068)	\$(139,803)	\$(465,440)

	Account balance			
Accounts / Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Call loans to banks				
Other related parties				
Vietinbank	\$-	\$6,554,374	\$6,344,748	\$6,376,067
Due from commercial banks				
Other related parties				
Vietinbank	7,109,089	16,175	7,741	5,722
Call loans from banks				
Other related parties				
Vietinbank	-	3,844,124	4,795,493	2,797,772
Due to commercial banks				
Other related parties				
Vietinbank	3,581,380	1,601	14,823	5,722

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	Interest Income (Expense)			
Accounts / Related parties	2014.7.1~ 2014.9.30	2013.7.1~ 2013.9.30	2014.1.1- 2014.9.30	2013.1.1- 2013.9.30
Call loans to banks				
Other related parties				
Vietinbank	$-	$98,037	$28,198	$213,929
Due from commercial banks				
Other related parties				
Vietinbank	51,105	19	121,676	19
Call loans from banks				
Other related parties				
Vietinbank	-	(27,601)	(70,906)	(173,507)
Due to commercial banks				
Other related parties				
Vietinbank	(40,336)	-	(49,703)	-

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

2. Transactions under resale and repurchase agreements

	Account Balance			
Accounts/Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Securities sold under agreements to repurchase				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	$-	$-	$-	$20,000
Others	56,068	-	-	60,081
Total	$56,068	$-	$-	$80,081

	Interest Expense			
Accounts/Related parties	2014.7.1- 2014.9.30	2013.7.1- 2013.9.30	2014.1.1- 2014.9.30	2013.1.1- 2013.9.30
Securities sold under agreements to repurchase				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	$-	$(225)	$-	$(797)
Others	(85)	-	(135)	(121)
Total	$(85)	$(225)	$(135)	$(918)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

3. Lease

Accounts/Related parties	2014.7.1-2014.9.30	2013.7.1-2013.9.30	Payment term
Rental income			
Other related parties			
Cathay Life Insurance Co., Ltd.	$14,915	$14,928	Monthly
Cathay Century Insurance Co., Ltd.	2,221	2,098	Monthly
Cathay Securities Corp.	2,200	2,091	Monthly
Culture and Charity Foundation of Cathay United Bank	1,158	1,185	Monthly
Rental expense			
Other related parties			
Cathay Life Insurance Co., Ltd.	99,247	93,090	Monthly
Cathay Real Estate Development Co., Ltd.	9,617	14,727	Monthly

Accounts/Related parties	2014.1.1-2014.9.30	2013.1.1-2013.9.30	Payment term
Rental income			
Other related parties			
Cathay Life Insurance Co., Ltd.	$44,810	$42,126	Monthly
Cathay Century Insurance Co., Ltd.	6,730	6,294	Monthly
Cathay Securities Corp.	6,391	6,272	Monthly
Culture and Charity Foundation of Cathay United Bank	3,474	3,661	Monthly
Rental expense			
Other related parties			
Cathay Life Insurance Co., Ltd.	298,800	281,283	Monthly
Cathay Real Estate Development Co., Ltd.	35,820	47,747	Monthly

Accounts/Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Refundable deposits				
Other related parties				
Cathay Life Insurance Co., Ltd.	$99,771	$95,045	$90,138	$85,466
Cathay Real Estate Development Co., Ltd.	13,932	13,932	13,932	13,932

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Accounts/Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Guarantee deposit received				
Other related parties				
Cathay Life Insurance Co., Ltd.	$15,293	$15,172	$14,790	$14,790
Cathay Securities Corp.	3,023	2,536	2,536	2,536
Cathay Century Insurance Co., Ltd.	2,383	2,221	2,085	2,085

Accounts/Related parties	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
4. Commissions and handling fees income				
Other related parties				
Cathay Life Insurance Co., Ltd.	$1,265,441	$834,641	$2,999,670	$1,913,693
Cathay Century Insurance Co., Ltd.	22,774	20,436	65,803	60,091
Cathay Securities Co., Ltd.	3,661	3,301	9,361	8,878
Cathay Securities Investment Trust Co., Ltd.	9,050	6,454	24,088	20,999
Cathay Securities Investment Consulting Co., Ltd.	4,583	5,567	16,987	16,478

Accounts/Related parties	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
5. Other operating income				
Parent company				
Cathay Financial Holdings Co., Ltd.	$1,656	$-	$4,710	$-
Other related parties				
Cathay Life Insurance Co., Ltd.	602	-	3,895	-
Cathay Century Insurance Co., Ltd.	94	239	468	484

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Accounts/Related parties	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
6. Operating expenses				
Subsidiaries				
Seaward Card Co., Ltd.	$41,439	$47,943	$149,507	$165,333
Other related parties				
Cathay Life Insurance Co., Ltd.	27,422	19,455	116,886	65,696
Symphox Information Co., Ltd.	100,186	91,794	322,585	298,762
Cathay Real Estate Development Co., Ltd.	1,323	1,323	3,969	3,971
Cathay General Hospital	31	18	58	1,929
Lin Yuan Property Management and Maintenance Co., Ltd.	1,903	1,671	5,723	5,719
Cathay Healthcare Inc.	5,225	1,253	13,450	4,242

Accounts/Related parties	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
7. Insurance expenses				
Other related parties				
Cathay Life Insurance Co., Ltd.	$18,316	$71,024	$48,236	$416,511
Cathay Century Insurance Co., Ltd.	24,978	13,662	71,789	44,808

Accounts/Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
8. Related party receivables for allocation of linked-tax system				
Parent company				
Cathay Financial Holdings Co., Ltd.	$-	$256,312	$174,195	$246,573

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Accounts/Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
9. Related party receivables for commission of collecting insurances				
Cathay Life Insurance Co., Ltd.	$490,864	$142,559	$346,728	$139,104

Accounts/Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
10. Refundable deposit				
Other related parties				
Cathay Futures Corp.	$52,448	$52,448	$52,238	$64,345

Accounts/Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
11. Dividends payable				
Other related parties				
Vietinbank	$289,142	$119,800	$118,680	$407,904

Accounts/Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
12. Accrued expenses				
Subsidiaries				
Seaward Card Co., Ltd.	$23,550	$24,857	$26,537	$26,131

Accounts/Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
13. Accounts payable				
Other related parties				
Cathay Century Insurance Co., Ltd.	$12,860	$39,745	$5,002	$4,855
Symphox Information Co., Ltd.	35,563	15,655	21,802	12,396

Accounts/Related parties	2014.9.30	2013.12.31	2013.9.30	2013.1.1
14. Related party payables for allocation of linked-tax system				
Parent company				
Cathay Financial Holdings Co., Ltd.	$142,883	$-	$-	$-

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Accounts/Related parties	2014.7.1-2014.9.30	2013.7.1-2013.9.30	2014.1.1-2014.9.30	2013.1.1-2013.9.30
15. Key management personnel compensation				
Short-term employee benefits	$41,433	$39,133	$123,365	$117,210
Post-employment benefits	960	1,802	8,116	5,720
Total	$42,393	$40,935	$131,481	$122,930

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 $542, $1,602, $5,021 and $3,478 during three-month periods ended 30 September 2014 and 2013, and the nine-month periods ended 30 September 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 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, the unconverted bonus points amounted to $21,755, $26,049, $29,554 and $26,517, respectively.

c. The Bank entered into a contract with Cathay Life Insurance Co., Ltd. to transferring credit facilities. The transferring loan amount was $307,050 during nine-month period ended 30 September 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

IX. Commitments and contingencies

As of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, the Bank and its subsidiaries had the following commitments and contingent liabilities, which are not reflected in the consolidated financial statements:

1. The Bank

	2014.9.30	2013.12.31
(1) Entrusted Items and Guarantees:		
Trust and security held for safekeeping	$512,655,659	$438,098,386
Travelers checks for sale	490,146	559,217
Bills for collection	45,611,246	44,881,814
Book-entry for government bonds and depository for short-term marketable securities under management	511,876,500	573,257,300
Entrusted financial management business	5,926,650	3,190,719
Guarantees on duties and contracts	11,647,351	11,270,885
Unused commercial letters of credit	4,834,696	3,202,955
Irrevocable loan commitments	175,298,046	165,615,358
Credit card lines commitments	410,882,149	379,793,417
Stamp tax, securities and memorial currency consignments	-	1,006

	2013.9.30	2013.1.1
Entrusted Items and Guarantees:		
Trust and security held for safekeeping	$415,075,509	$337,334,621
Travelers checks for sale	475,676	462,167
Bills for collection	43,362,213	39,523,311
Book-entry for government bonds and depository for short-term marketable securities under management	571,833,500	564,494,500
Entrusted financial management business	3,625,881	2,385,838
Guarantees on duties and contracts	10,943,240	12,081,454
Unused commercial letters of credit	4,132,696	4,281,218
Irrevocable loan commitments	54,457,780	34,415,264
Credit card lines commitments	336,662,203	295,794,164
Stamp tax, securities and memorial currency consignments	1,006	1,006

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(2) As of 30 September 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 \$0.99 billion and \$3.09 billion, respectively. The lawsuit was in the litigation procedures in July 2007 and the case went in the Bank's favor. However, the Lee and Li Attorneys-at-Law appealed against the decision, and the case 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:

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Financial guarantee contracts	\$1,561,354	\$535,478	\$560,694	\$852,596
Unused commercial letters of credit	1,373,761	1,080,247	1,222,438	652,199

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

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Not later than one year	\$33,762	\$31,503	\$23,787	\$39,677
Later than one year and not later than five year	75,507	51,630	44,556	58,960
Later than five years	42,680	2,132	3,844	11,100

3. CUBC Bank

Entrusted Item and Guarantees:

	2014.9.30	2013.12.31	2013.9.30	2013.1.1
Financial guarantee contracts	\$15,843	\$39,806	\$8,159	\$60,683
Unused commercial letters of credit	3,014	1,965	15,194	20,350
Irrevocable loan commitments	255,429	143,134	152,754	99,998
Credit card line commitments	247,830	201,715	196,530	199,925

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

X. Losses due to major disasters

None.

XI. Significant subsequent events

None.

XII. Other

1. Disclosure of financial instruments information

(1) Information of fair value

	2014.9.30		2013.12.31	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Assets:				
Financial assets at fair value through profit or loss	$133,811,662	$133,811,662	$163,059,557	$163,059,557
Available-for-sale financial assets	69,041,626	69,041,626	67,908,890	67,908,890
Held-to-maturity financial assets	52,028,836	51,301,626	51,395,078	52,465,600
Investment in debt securities with no active market	366,255,069	367,657,656	280,272,013	280,671,503
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	107,383,058	107,383,058	53,971,443	53,971,443
Due from the Central Bank and call loan to banks	146,979,030	146,979,030	151,945,066	151,945,066
Securities purchased under agreements to resell	28,135,430	28,135,430	7,645,763	7,645,763
Receivable, net	72,242,982	72,242,982	120,778,165	120,778,165
Discounts and loans, net	1,115,695,247	1,115,695,247	1,031,105,321	1,031,105,321
Other financial assets, net	4,248	4,248	22,154	22,154
Other assets, net	8,313,733	8,313,733	3,948,241	3,948,241
Subtotal	1,478,753,728	1,478,753,728	1,369,416,153	1,369,416,153
Derivative financial assets for hedging	649,783	649,783	837,179	837,179
Total	$2,100,540,704	$2,101,216,081	$1,932,888,870	$1,934,358,882

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2014.9.30		2013.12.31	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Financial assets at fair value through profit or loss	$19,250,262	$19,250,262	$11,271,187	$11,271,187
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	71,776,229	71,776,229	56,985,225	56,985,225
Funds borrowed from the Central Bank and other banks	1,521,800	1,521,800	1,497,500	1,497,500
Securities sold under agreements to repurchase	60,177,562	60,177,562	58,681,600	58,681,600
Payables	20,137,103	20,137,103	15,156,034	15,156,034
Deposits and remittances	1,694,715,480	1,694,715,480	1,615,860,463	1,615,860,463
Financial debentures payable	67,288,890	67,288,890	52,417,213	52,417,213
Other financial liabilities	72,840,621	72,840,621	36,145,158	36,145,158
Others	1,086,857	1,086,857	1,117,779	1,117,779
Subtotal	1,989,544,542	1,989,544,542	1,837,860,972	1,837,860,972
Total	$2,008,794,804	$2,008,794,804	$1,849,132,159	$1,849,132,159

	2013.9.30		2013.1.1	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Financial assets at fair value through profit or loss	$146,594,955	$146,594,955	$67,937,886	$67,937,886
Available-for-sale financial assets	64,672,288	64,672,288	63,955,328	63,955,328
Held-to-maturity financial assets	49,267,181	50,693,758	21,668,974	24,476,464
Investment in debt securities with no active market	393,105,515	392,151,681	424,043,663	423,665,567
Loans and receivable:				
Cash and cash equivalents (exclude cash on hand)	34,632,612	34,632,612	21,718,721	21,718,721
Due from the Central Bank and call loan to banks	132,346,377	132,346,377	109,003,762	109,003,762
Securities purchased under agreements to resell	4,425,564	4,425,564	-	-
Receivable, net	83,247,504	83,247,504	50,742,276	50,742,276
Discounts and loans, net	972,350,368	972,350,368	1,003,183,193	1,003,183,193
Other financial assets, net	6,903	6,903	13,821	13,821
Other assets, net	2,025,002	2,025,002	1,313,772	1,313,772
Subtotal	1,229,034,330	1,229,034,330	1,185,975,545	1,185,975,545
Derivative financial assets for hedging	1,027,014	1,027,014	1,203,138	1,203,138
Total	$1,883,701,283	$1,884,174,026	$1,764,784,534	$1,767,213,928

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.9.30		2013.1.1	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Financial assets at fair value through profit or loss	$6,902,171	$6,902,171	$4,967,738	$4,967,738
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	50,893,236	50,893,236	56,931,773	56,931,773
Funds borrowed from the Central Bank and other banks	1,483,500	1,483,500	1,456,800	1,456,800
Securities sold under agreements to repurchase	55,899,348	55,899,348	20,369,249	20,369,249
Payables	15,094,326	15,094,326	22,153,186	22,153,186
Deposits and remittances	1,589,789,924	1,589,789,924	1,539,774,066	1,539,774,066
Financial debentures payable	52,420,588	52,420,588	42,518,631	42,518,631
Other financial liabilities	28,509,455	28,509,455	17,426,191	17,426,191
Others	1,032,948	1,032,948	1,278,507	1,278,507
Subtotal	1,795,123,325	1,795,123,325	1,701,908,403	1,701,908,403
Total	$1,802,025,496	$1,802,025,496	$1,706,876,141	$1,706,876,141

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

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

B. Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments, held-to-maturity financial assets and derivatives financial instruments of hedging. If no quoted market prices exist for certain financial instruments, the fair value of such instruments has been derived based on pricing models. A price model incorporates all factors that market participants would consider in setting a price. The discounted cash flow technique is used to estimate the fair value of a debt instrument where an active market does not exist. The estimates, hypotheses and discount rates for valuation refer to quoted prices, from financial instruments, of financial instruments having substantially the same terms and characteristics, including the credit quality of debtors, the remaining term over which the contractual interest rate is fixed, the remaining term to repayment of the principal, and the currency in which the payments are to be made.

C. Discounts and loans, deposits and principals received from the sale of structured products are classified as interest-bearing financial instruments. Thus, their carrying value is equivalent to their fair value. The face value of delinquent accounts deducted from allowance for doubtful accounts is adopted as fair value.

D. Investment accounted for using the equity method were non-listed stocks that do not have a quoted price in an active market. The variability in the range of reasonable fair value estimates is not insignificant for that instrument and the probabilities of the various estimates within the range cannot be reasonably assessed. Since the fair value cannot be reliably measured, the carrying amount should be the reasonable basis to estimate the fair value.

E. According to the "Regulations Governing the Preparation of Financial Reports by Public Banks", financial assets measured at cost are the stocks that were not public traded in Taiwan Stock Exchange and GreTai Securities Market and derivative instruments linked to or settled by delivery of such unquoted equity investments shall be measured at cost.

F. The fair value of financial debentures payable is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities.

G. If the derivatives do not have market prices available to compare, the discounted-cash-flow model is applied to forward currency and interest rate swap and Black-Scholes model, Binomial Option Price model or Monte-Carlo-method are applied to option derivatives.

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

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

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

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

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

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

Item	2014.9.30 Total	1st Level	2nd Level	3rd Level
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss:				
Financial assets for trading				
Bonds	$18,680,821	$2,473,683	$16,207,138	$-
Others	97,442,463	-	97,442,463	-
Available-for-sale financial assets				
Stocks	12,150,379	8,467,540	3,682,839	-
Bonds	55,414,196	24,834,322	30,579,874	-
Others	462,434	462,434	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	946,304	946,304	-	-
Financial debentures payable	10,388,890	-	10,388,890	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	17,609,807	575	17,609,232	
Derivative financial assets for hedging	649,783	-	649,783	-
Liabilities				-
Financial liabilities at fair value through profit or loss	18,303,958	714	18,303,244	

Item	2013.12.31 Total	1st Level	2nd Level	3rd Level
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss:				
Financial assets for trading				
Bonds	$8,812,709	$4,309,686	$4,503,023	$-
Others	143,666,541	-	143,666,541	-
Available-for-sale financial assets				
Stocks	14,208,356	10,631,376	3,576,980	-
Bonds	51,887,035	15,528,536	36,358,499	-
Others	951,174	951,174	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	497,002	-	497,002	-
Financial debentures payable	10,517,213	-	10,517,213	-

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item	2013.12.31 Total	1st Level	2nd Level	3rd Level
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$10,517,961	$-	$10,517,961	$-
Derivative financial assets for hedging	837,179	-	837,179	-
Liabilities				
Financial liabilities at fair value through profit or loss	10,774,185	-	10,774,185	-

Item	2013.9.30 Total	1st Level	2nd Level	3rd Level
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss:				
Financial assets for trading				
Stocks	$53,760	$53,760	$-	$-
Bonds	14,787,979	2,141,014	12,646,965	-
Others	123,512,095	300,552	123,211,543	-
Available-for-sale financial assets				
Stocks	13,833,212	10,313,811	3,519,401	-
Bonds	49,590,014	18,020,089	31,569,925	-
Others	392,676	392,676	-	-
Liabilities				
Financial debentures payable	10,520,588	-	10,520,588	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	7,398,108	-	7,398,108	-
Derivative financial assets for hedging	1,027,014	-	1,027,014	-
Liabilities				
Financial liabilities at fair value through profit or loss	6,902,171	-	6,902,171	-

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.1.1			
Item	Total	1st Level	2nd Level	3rd Level
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss:				
Financial assets for trading				
Bonds	$4,030,538	$824,388	$3,206,150	$-
Others	59,110,475	-	59,110,475	-
Available-for-sale financial assets				
Stocks	11,251,569	7,348,855	3,902,714	-
Bonds	50,164,514	15,861,748	34,302,766	-
Others	1,770,324	1,770,324	-	-
Liabilities				
Financial debentures payable	10,618,631	-	10,618,631	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	4,655,954	61	4,655,893	-
Derivative financial assets for hedging	1,203,138	-	1,203,138	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,967,738	-	4,967,738	-

2. Financial risk management

Risk control and hedging strategy

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

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

A. To amend the risk management policies, risk appetite or risk tolerance and report the above issues to board of directors for approval.
B. To manage and decide the strategy about the Bank's credit risk, market risk and operating risk management.
C. To report the significant risk management issues, such as credit ratings, market assessment and risk indicators.
D. To analyze the issues that the Bank's business unit brought up for discussion.
E. Other issues.

The Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

3. Market risk

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

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

Market risk management process

(1) Identification and measurement

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

(2) Monitoring and reporting

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

Risk management policy of the trading book

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

(1) Strategy

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

(2) Policy and procedure

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

(3) Valuation policy

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

(4) Method of measurement

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

Interest risk management of trading book

(1) Definition of interest risk

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

(2) Interest risk management procedure of trading book

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

(3) Method of measurement

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

Interest risk management of banking book

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

(1) Strategy

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

(2) Management procedure

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

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

(3) Method of measurement

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

Foreign exchange risk management

(1) Definition of foreign exchange risk

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

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

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

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Risk management of equity price

(1) Definition of risk of equity price

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

(2) Purpose of risk management in equity prices

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

(3) Procedure of risk management of equity prices

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

(4) Measured methodology

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

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

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

2014.9.30			
Factors of market risk	Average balance	Maximum balance	Minimum balance
Interest rate	$484,835	$655,843	$311,553
Foreign exchange	161,061	337,424	112,986
Equity Securities price	255,835	353,880	150,959

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.12.31			
Factors of market risk	Average balance	Maximum balance	Minimum balance
Interest rate	$555,070	$772,357	$311,553
Foreign exchange	148,142	154,844	144,266
Equity Securities price	231,969	352,855	133,386

2013.9.30			
Factors of market risk	Average balance	Maximum balance	Minimum balance
Interest rate	$583,087	$772,357	$457,036
Foreign exchange	148,352	154,844	144,266
Equity Securities price	219,457	352,855	133,386

2013.1.1			
Factors of market risk	Average balance	Maximum balance	Minimum balance
Interest rate	$611,347	$876,417	$457,036
Foreign exchange	156,656	162,280	146,608
Equity Securities price	124,933	165,277	60,704

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 Stress Test			
Market/ Product	Scenarios	2014.9.30	2013.12.31
Stock Market	Major Stock Exchanges + 15%	$1,312,640	$1,211,069
	Major Stock Exchanges - 15%	(1,312,640)	(1,211,069)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(5,608,630)	(4,564,436)
	Major Interest Rate - 100bp	5,522,130	4,796,889
Foreign Exchange Market	Major Currencies + 3%	2,461,923	1,703,503
	Major Currencies - 3%	(2,461,922)	(1,703,201)
Composite	Major Stock Exchanges -15% Major Interest Rate + 100bp Major Currencies +3%	(4,459,347)	(4,072,002)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Stress Test			
Market/ Product	Scenarios	2013.9.30	2013.1.1
Stock Market	Major Stock Exchanges +15%	$1,355,043	$1,025,960
	Major Stock Exchanges -15%	(1,355,043)	(1,025,960)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,620,512)	(2,821,676)
	Major Interest Rate - 100bp	4,861,799	2,496,083
Foreign Exchange Market	Major Currencies +3%	1,755,973	1,450,437
	Major Currencies -3%	(1,755,777)	(1,365,947)
Composite	Major Stock Exchanges -15%	(4,219,582)	(2,397,199)
	Major Interest Rate + 100bp		
	Major Currencies +3%		

Sensitivity analysis

A. Interest rate risk

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

B. Foreign exchange risk

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

C. Equity price risk

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Market risk factor sensitivity of the Bank

	2014.9.30	
	Sensitivity of profit or loss	Sensitivity of equity
Foreign exchange rate factor sensitivity (FX Delta)		
USD+1%	$614,782	$1,188
HKD+1%	3,144	-
JPY+1%	121	2,433
AUD+1%	28,003	-
CNY+1%	155,309	25,817
NTD+1%	(801,359)	(29,438)
Interest rate factor sensitivity (PVBP)		
Yield curves (USD) parallel shift+1bp	(580)	(27,584)
Yield curves (HKD) parallel shift+1bp	-	(6)
Yield curves (AUD) parallel shift+1bp	-	(1,210)
Yield curves (CNY) parallel shift+1bp	24	(5,984)
Yield curves (NTD) parallel shift+1bp	(6,252)	(15,298)
Equity securities price factor sensitivity (Equity Delta)	-	87,505

	2013.12.31	
	Sensitivity of profit or loss	Sensitivity of equity
Foreign exchange rate factor sensitivity (FX Delta)		
USD+1%	$463,690	$1,294
HKD+1%	123,647	-
JPY+1%	-	3,736
AUD+1%	16,696	-
CNY+1%	4,261	-
NTD+1%	(594,806)	(6,258)
Interest rate factor sensitivity (PVBP)		
Yield curves (USD) parallel shift+1bp	(249)	(27,121)
Yield curves (HKD) parallel shift+1bp	-	(29)
Yield curves (AUD) parallel shift+1bp	-	(923)
Yield curves (CNY) parallel shift+1bp	-	(637)
Yield curves (NTD) parallel shift+1bp	(5,171)	(12,667)
Equity securities price factor sensitivity (Equity Delta)	-	80,738

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.9.30	
	Sensitivity of profit or loss	Sensitivity of equity
Foreign exchange rate factor sensitivity (FX Delta)		
USD+1%	$435,032	$12
HKD+1%	115,314	-
JPY+1%	-	1,614
AUD+1%	16,580	-
CNY+1%	3,921	-
NTD+1%	(571,734)	(2,405)
Interest rate factor sensitivity (PVBP)		
Yield curves (USD) parallel shift+1bp	(269)	(29,642)
Yield curves (HKD) parallel shift+1bp	-	(36)
Yield curves (AUD) parallel shift+1bp	-	(617)
Yield curves (CNY) parallel shift+1bp	-	(526)
Yield curves (NTD) parallel shift+1bp	(3,145)	(13,167)
Equity securities price factor sensitivity (Equity Delta)	2,094	88,242

	2013.1.1	
	Sensitivity of profit or loss	Sensitivity of equity
Foreign exchange rate factor sensitivity (FX Delta)		
USD+1%	$411,904	$5,220
HKD+1%	3,042	-
JPY+1%	1	-
NTD+1%	(458,563)	(5,769)
Interest rate factor sensitivity (PVBP)		
Yield curves (USD) parallel shift+1bp	(349)	(18,027)
Yield curves (HKD) parallel shift+1bp	-	(30)
Yield curves (JPY) parallel shift+1bp	-	(1)
Yield curves (NTD) parallel shift+1bp	(771)	(8,373)
Equity securities price factor sensitivity (Equity Delta)	-	68,397

4. Credit risk

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

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

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

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

Credit business (including the loan commitments and guarantees)

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

(1) Category of credit risk

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

(2) Grade of credit quality

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

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

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

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

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

Due from and call loans to other banks

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

(3) Hedge of credit risk and easing policy

A. Collateral

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

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

B. Limit of credit risk and control of credit risk concentration

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

C. Net settlement agreement

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

(4) The Bank's maximum exposures to credit risk

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

A. The Bank

Off balance sheet items	Maximum exposure to credit risk	
	2014.9.30	2013.12.31
Irrevocable loan commitments	$175,298,046	$165,615,358
Credit card commitments	458,728,110	424,006,617
Unused commercial letters of credit	4,834,696	3,202,955
Guarantees on duties and contracts	11,647,351	11,270,885
Total	$650,508,203	$604,095,815

Off balance sheet items	Maximum exposure to credit risk	
	2013.9.30	2013.1.1
Irrevocable loan commitments	$54,457,780	$34,415,264
Credit card commitments	373,279,533	328,719,949
Unused commercial letters of credit	4,132,696	4,281,218
Guarantees on duties and contracts	10,943,240	12,081,454
Total	$442,813,249	$379,497,885

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

B. Indovina Bank

Off balance sheet items	Maximum exposure to credit risk	
	2014.9.30	2013.12.31
Finance guarantee contracts	$1,561,354	$535,478
Unused commercial letters of credit	1,373,761	1,080,247
Total	$2,935,115	$1,615,725

Off balance sheet items	Maximum exposure to credit risk	
	2013.9.30	2013.1.1
Finance guarantee contracts	$560,694	$852,596
Unused commercial letters of credit	1,222,438	652,199
Total	$1,783,132	$1,504,795

C. CUBC Bank

Off balance sheet items	Maximum exposure to credit risk	
	2014.9.30	2013.12.31
Finance guarantee contracts	$15,843	$39,806
Irrevocable loan commitments	255,429	143,134
Credit card commitments	247,830	201,715
Unused commercial letters of credit	3,014	1,965
Total	$522,116	$386,620

Off balance sheet items	Maximum exposure to credit risk	
	2013.9.30	2013.1.1
Finance guarantee contracts	$8,159	$60,683
Irrevocable loan commitments	152,754	99,998
Credit card commitments	196,530	199,925
Unused commercial letters of credit	15,194	20,350
Total	$372,637	$380,956

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

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

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

	2014.9.30		2013.12.31	
Item	Amount	%	Amount	%
Industry type				
Manufacturing	$110,477,493	9.64	$108,789,196	10.28
Financial institutions and insurance	38,791,297	3.39	28,292,338	2.67
Leasing and real estate	90,961,073	7.94	83,652,734	7.91
Individuals	533,499,379	46.56	477,139,793	45.10
Others	372,049,783	32.47	360,081,097	34.04
Total	$1,145,779,025	100.00	$1,057,955,158	100.00

	2013.9.30		2013.1.1	
Item	Amount	%	Amount	%
Industry type				
Manufacturing	$106,813,701	10.69	$125,610,955	12.20
Financial institutions and insurance	30,918,493	3.10	29,912,516	2.90
Leasing and real estate	82,560,100	8.26	83,834,530	8.14
Individuals	476,690,324	47.72	492,107,196	47.77
Others	301,969,312	30.23	298,671,240	28.99
Total	$998,951,930	100.00	$1,030,136,437	100.00

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item	2014.9.30 Amount	%	2013.12.31 Amount	%
Geographic Region				
Domestic	$950,068,732	82.92	$898,556,006	84.93
Asia	87,137,825	7.60	68,771,004	6.50
America	24,508,268	2.14	23,009,706	2.18
Others	84,064,200	7.34	67,618,442	6.39
Total	$1,145,779,025	100.00	$1,057,955,158	100.00

Item	2013.9.30 Amount	%	2013.1.1 Amount	%
Geographic Region				
Domestic	$842,336,479	84.32	$876,857,476	85.12
Asia	74,589,395	7.47	69,497,214	6.75
America	22,594,150	2.26	22,560,687	2.19
Others	59,431,906	5.95	61,221,060	5.94
Total	$998,951,930	100.00	$1,030,136,437	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

2014.9.30	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	$36,291,186	$7,829,314	$2,970,379	$47,090,879	$126,403	$139,979	$47,357,261	$115,044	$1,493,337	$45,748,880
Others	23,449,958	2,458,272	249,650	26,157,880	3,392	38,580	26,199,852	10,820	192,426	25,996,606
Discounts and loans	665,494,336	381,681,831	40,685,491	1,087,861,658	444,901	22,126,370	1,110,432,929	4,274,933	11,507,056	1,094,650,940

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.12.31	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

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

2013.1.1	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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

2014.9.30	Excellent	Good	Average	Total
Consumer banking				
Residential mortgage loans	$218,382,044	$49,863,127	$9,437,702	$277,682,873
Unsecured personal loans	12,105,565	8,804,197	2,597,249	23,507,011
Other	199,418,301	41,007,957	5,795,844	246,622,102
Corporate banking				
Secured	34,546,364	165,478,628	14,501,327	214,526,319
Unsecured	201,042,062	116,527,922	8,353,369	325,923,353
Total	$665,494,336	$381,681,831	$40,685,491	$1,087,861,658

2013.12.31	Excellent	Good	Average	Total
Consumer banking				
Residential mortgage loans	$195,160,827	$55,381,641	$9,553,020	$260,095,488
Unsecured personal loans	8,689,745	4,770,432	1,242,249	14,702,426
Other	158,450,771	40,060,781	6,522,148	205,033,700
Corporate banking				
Secured	97,204,460	85,057,423	23,265,825	205,527,708
Unsecured	214,426,607	95,097,422	6,225,796	315,749,825
Total	$673,932,410	$280,367,699	$46,809,038	$1,001,109,147

2013.9.30	Excellent	Good	Average	Total
Consumer banking				
Residential mortgage loans	$204,598,781	$47,219,583	$8,821,848	$260,640,212
Unsecured personal loans	7,914,511	3,699,980	1,158,094	12,772,585
Other	115,927,862	36,281,144	6,220,931	158,429,937
Corporate banking				
Secured	116,730,478	76,092,223	19,948,463	212,771,164
Unsecured	200,298,219	89,991,138	4,837,488	295,126,845
Total	$645,469,851	$253,284,068	$40,986,824	$939,740,743

2013.1.1	Excellent	Good	Average	Total
Consumer banking				
Residential mortgage loans	$210,365,875	$57,522,974	$11,752,064	$279,640,913
Unsecured personal loans	5,023,910	2,625,973	1,097,468	8,747,351
Other	142,126,809	38,303,966	7,442,926	187,873,701
Corporate banking				
Secured	119,997,846	78,926,054	17,549,751	216,473,651
Unsecured	193,179,406	78,442,588	6,527,567	278,149,561
Total	$670,693,846	$255,821,555	$44,369,776	$970,885,177

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

C. Credit quality analysis on securities investment

2014.9.30	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	$54,188,618	$1,225,578	$55,414,196	$-	$-	$55,414,196	$-	$55,414,196
Stocks	492,148	11,658,231	12,150,379	-	163,785	12,314,164	163,785	12,150,379
Others	52,557	409,877	462,434	-	-	462,434	-	462,434
Held-to-maturity financial assets								
Bonds	49,769,286	605,094	50,374,380	-	-	50,374,380	-	50,374,380
Investments in debt securities with no active market								
Bonds	7,998,964	162,719	8,161,683	-	1,314,374	9,476,057	1,314,374	8,161,683
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	357,543,656	-	357,543,656	-	-	357,543,656	-	357,543,656

2013.12.31	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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

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

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2014.9.30	Less than 30 days	31 - 60 days	Total
Receivables			
Credit card business	$76,903	$49,500	$126,403
Others	2,062	1,330	3,392
Discounts and loans			
Consumer banking			
Residential mortgage loans	178,248	58,103	236,351
Unsecured personal loans	22,816	13,867	36,683
Others	91,752	46,599	138,351
Corporate banking			
Secured	274	33,125	33,399
Unsecured	117	-	117

2013.12.31	Less than 30 days	31 - 60 days	Total
Receivables			
Credit card business	$70,578	$60,353	$130,931
Others	2,263	1,850	4,113
Discounts and loans			
Consumer banking			
Residential mortgage loans	191,508	65,998	257,506
Unsecured personal loans	19,377	9,937	29,314
Others	142,730	70,097	212,827
Corporate banking			
Secured	-	40,814	40,814

2013.9.30	Less than 30 days	31 - 60 days	Total
Receivables			
Credit card business	$65,874	$55,726	$121,600
Others	3,242	1,041	4,283
Discounts and loans			
Consumer banking			
Residential mortgage loans	235,874	64,783	300,657
Unsecured personal loans	7,973	3,711	11,684
Others	157,787	52,306	210,093
Corporate banking			
Secured	71,834	-	71,834
Unsecured	19,890	-	19,890

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.1.1	Less than 30 days	31 - 60 days	Total
Receivables			
Credit card business	$67,641	$44,060	$111,701
Others	4,123	1,748	5,871
Discounts and loans			
Consumer banking			
Residential mortgage loans	375,157	92,963	468,120
Unsecured personal loans	6,895	3,132	10,027
Others	239,662	94,270	333,932
Corporate banking			
Secured	3,216	-	3,216
Unsecured	1,456	-	1,456

(7) Impairment analysis of financial assets

A. The Bank has recognized accumulated impairment loss for available-for-sale financial assets in the amount of $163,785, $163,785, $189,052 and $438,311 as of 30 September 2014, 31 December 2013, 30 September 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 $1,218,788, $1,199,326, $1,100,147 and $1,167,518 as of 30 September 2014, 31 December 2013, 30 September 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 $95,586, $95,586, $95,586 and $106,215 as of 30 September 2014, 31 December 2013, 30 September 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 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, the carrying amounts were $0, $0, $29,311 and $29,311, respectively, and were made provisioning for impairment at the end of financial reporting period.

The carrying amount of foreclosed properties in CUBC Bank were $55,505 and $89,686 $88,847,$0 at 30 September 2014, 31 December 2013, 30 September 2013 and 1 Janaury 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2014.9.30	0-30 days	31-180 days	181 days - 1 year-	Over 1 year	Total
Due to the Central Bank and call loans from banks	$37,553,909	$18,981,296	$10,596,820	$19,105	$67,151,130
Funds borrowed from Central Bank and other banks	1,522,193	-	-	-	1,522,193
Financial liabilities at fair value through profit or loss	-	-	-	946,850	946,850
Securities sold under agreements to repurchase	57,813,221	2,383,085	-	-	60,196,306
Payables	10,244,771	1,878,166	3,692,659	438,613	16,254,209
Deposits and remittances	263,191,202	702,739,350	628,666,905	78,866,872	1,673,464,329
Financial debentures payable	22,736	9,308	2,412,513	64,935,107	67,379,664
Other capital outflow at maturity	34,595,711	27,197,391	7,225,550	4,035,103	73,053,755

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

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

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.1.1	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

(2) Maturity analysis of derivative financial liabilities

A. Net settled derivative financial instruments

Net settled derivatives engaged by the Bank include:

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

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

2014.9.30	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	$155,510	$15,351	$(40,568)	$(1,121,281)	$(990,988)
- Interest rate derivative instruments	10,289	22,857	40,784	7,592,555	7,666,485
Total	$165,799	$38,208	$216	$6,471,274	$6,675,497

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.12.31	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	$315,261	$471,071	$(53,722)	$2,722	$735,332
- Interest rate derivative instruments	434	20,450	55,428	3,745,737	3,822,049
Total	$315,695	$491,521	$1,706	$3,748,459	$4,557,381

2013.9.30	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	$133,969	$455,095	$223,584	$496	$813,144
- Interest rate derivative instruments	163	10,674	59,669	2,959,410	3,029,916
Total	$134,132	$465,769	$283,253	$2,959,906	$3,843,060

2013.1.1	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

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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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:

2014.9.30	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	$(2,753,780)	$(1,865,702)	$22,566	$692,911	$(3,904,005)
-Cash inflow	125,679	714,411	660,310	113,689	1,614,089
- Interest rate derivative instruments					
-Cash outflow	(35,029)	(217,125)	(27,569)	(306,407)	(586,130)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(2,788,809)	(2,082,827)	(5,003)	386,504	(4,490,135)
Cash inflow subtotal	125,679	714,411	660,310	113,689	1,614,089
Net cash flow	$(2,663,130)	$(1,368,416)	$655,307	$500,193	$(2,876,046)

2013.12.31	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)

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.9.30	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	$(893,266)	$(1,080,673)	$172,071	$8,430	$(1,793,438)
-Cash inflow	58,073	94,971	192,036	188,420	533,500
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	(1,308)	(93,849)	(142,337)	(59,548)	(297,042)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(894,574)	(1,174,522)	29,734	(51,118)	(2,090,480)
Cash inflow subtotal	58,073	94,971	192,036	188,420	533,500
Net cash flow	$(836,501)	$(1,079,551)	$221,770	$137,302	$(1,556,980)

2013.1.1	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)

(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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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:

2014.9.30	Not later than 1 year	1~5 year	Later than 5 year	Total
Irrevocable commitments	$171,100,926	$203,552,175	$259,373,055	$634,026,156
Financial guarantee contracts	14,366,931	2,096,719	18,397	16,482,047
Leasing commitments				
Non-cancellable operating lease payments	697,361	1,087,961	95,279	1,880,601
Total	$186,765,218	$206,736,855	$259,486,731	$652,388,804

2013.12.31	Not later than 1 year	1~5 year	Later than 5 year	Total
Irrevocable commitments	$209,239,328	$125,932,919	$254,449,728	$589,621,975
Financial guarantee contracts	13,695,430	763,290	15,120	14,473,840
Leasing commitments				
Non-cancellable operating lease payments	597,184	740,153	63,081	1,400,418
Total	$223,531,942	$127,436,362	$254,527,929	$605,496,233

2013.9.30	Not later than 1 year	1~5 year	Later than 5 year	Total
Irrevocable commitments	$49,497,658	$92,944,172	$285,295,483	$427,737,313
Financial guarantee contracts	14,285,974	777,847	12,115	15,075,936
Leasing commitments				
Non-cancellable operating lease payments	407,362	532,968	44,237	984,567
Non-cancellable operating lease receipts	168,764	176,726	-	345,490
Total	$64,359,758	$94,431,713	$285,351,835	$444,143,306

2013.1.1	Not later than 1 year	1~5 year	Later than 5 year	Total
Irrevocable commitments	$58,419,184	$136,578,962	$168,137,067	$363,135,213
Financial guarantee contracts	15,532,327	821,920	8,425	16,362,672
Leasing commitments				
Non-cancellable operating lease payments	553,733	553,135	-	1,106,868
Total	$74,505,244	$137,954,017	$168,145,492	$380,604,753

6. Capital management

(1) Overview

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

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

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

(2) Capital management procedures

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

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

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

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

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

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

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

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

(a)Total Risk-weighted Assets: The sum of the risk-weighted assets and the capital requirements for market risk and operational risk multiplied by 12.5. Those assets already deducted from the regulatory capital, however, shall be deducted from the total risk-weighted assets.
(b)Risk-weighted Assets for Credit Risk: The measurement of the risk of loss caused by the counterparty's default. This risk measurement is expressed as the total of each of the bank's transaction items on and off the balance sheet times a risk weight.
(c)The Capital Requirement for Market Risk: The capital required for assessed losses from the bank's transaction items on and off the balance sheet arising from movements in market prices (interest rates, exchange rates, and stock prices, etc.).
(d)The Capital Requirement for Operational Risk: The capital required for the risk of loss resulting from inadequate or failed internal process, people and systems or external events.

(3) Regulatory capital ratio

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

As of 30 September 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.

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

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

The assets and liabilities managed under the Bank's trust were $502,981,517, $470,844,297, $466,947,552 and $474,721,352 as of 30 September 2014, 31 December 2013, 30 September 2013 and 1 January 2013, respectively.

8. Implementation of cross-selling marketing strategies implemented between the Bank, Cathay Financial Holding Co., Ltd., and its subsidiaries

The Bank has entered into cross-selling marketing contracts with Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd. and Cathay Securities Corp. The contracts cover joint use of operation sites and facilities as well as cross-selling marketing personnel. Remuneration apportionment and expenses allocation for cross-selling marketing personnel follow the "Cathay Financial Group Scope of Cross-selling Marketing and Rules for Reward".

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

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

	2014.9.30			2013.12.31		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	$8,569,883	30.4360	$260,832,959	$7,427,530	29.9500	$222,454,524
HKD	3,039,090	3.9205	11,914,752	2,937,369	3.8627	11,346,175
CNY	24,760,315	4.9382	122,271,388	12,209,077	4.9431	60,350,689
Financial liabilities						
Monetary Items						
USD	$7,197,115	30.4360	$219,051,392	7,367,326	29.9500	220,651,414
CNY	8,392,957	4.9382	41,446,100	6,031,058	4.9431	29,812,123
AUD	428,713	26.6056	11,406,167	421,709	26.7004	11,259,799

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2013.9.30			2013.1.1		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	$5,723,857	29.6700	$169,826,837	$6,041,510	29.1360	$176,025,435
HKD	3,058,024	3.8263	11,700,917	3,600,008	3.7586	13,530,990
CNY	1,008,389	4.8495	4,890,182	1,304,373	4.6794	6,103,683
Financial liabilities						
Monetary Items						
USD	7,134,919	29.6700	211,693,047	6,740,878	29.1360	196,402,221
CNY	3,928,026	4.8495	19,048,962	1,774,508	4.6794	8,303,633
AUD	366,378	27.6183	10,118,738	183,671	30.2650	5,558,803

XII. Accounting judgements

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

	2013.12.31	2013.9.30	2013.1.1
Effect on the consolidated balance sheets			
Increase in property and equipment, net	$247,506	$-	$-
Increase in assets held for sale, net	13,471	-	-
Increase in investment properties, net	1,762,924	1,812,833	1,714,078
Increase in deferred tax assets	10,286	7,679	17,453
Increase in tax liabilities	122,937	111,773	112,422
Increase in retained earnings	1,765,271	1,708,739	1,619,109
Increase in other equity	145,979	-	-

	2014.7.1-2014.9.30	2013.7.1-2013.9.30
Effects on the consolidated statements of comprehensive income		
Increase in non-interest income	$(60)	$-
Decrease in operating expenses	-	15,808
Decrease in income tax expenses	(1,377)	2,687
Increase in net income	1,317	13,121
Increase in other comprehensive income	-	-
Increase in earnings per share	-	-

	2014.1.1-2014.9.30	2013.1.1-2013.9.30
Effects on the consolidated statements of comprehensive income		
Increase in non-interest income	$7,551	$51,330
Decrease in operating expenses	-	47,426
Increase in income tax expenses	41,182	9,125
(Decrease) increase in net income	(33,631)	89,631
Increase in other comprehensive income	-	-
(Decrease) increase in earnings per share	(0.01)	0.01

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.

2014.7.1-2014.9.30	Corporate Banking Segment	Retail Banking Segment	Offshore Banking Segment	Other Segment	Consolidated
Net interest income (from external customer)	$1,562,336	$1,558,800	$2,117,323	$1,228,842	$6,467,301
Inter-segment revenues	$(1,062,120)	$2,808,808	$(341,002)	$(1,405,686)	$-
Segment net income	$63,001	$3,353,410	$1,650,861	$328,709	$5,395,981
Income tax expense					(791,880)
Net income after income taxes					$4,604,101

(Expressed in thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

2013.7.1-2013.9.30	Corporate Banking Segment	Retail Banking Segment	Offshore Banking Segment	Other Segment	Consolidated
Net interest income (from external customer)	$1,605,746	$1,058,006	$2,122,751	$738,807	$5,525,310
Inter-segment revenues	$(1,068,759)	$2,647,120	$(345,197)	$(1,233,164)	$-
Segment net income	$658,072	$2,741,678	$1,882,834	$(766,884)	$4,515,700
Income tax expense					(554,906)
Net income after income taxes					$3,960,794

2014.1.1-2014.9.30	Corporate Banking Segment	Retail Banking Segment	Offshore Banking Segment	Other Segment	Consolidated
Net interest income (from external customer)	$4,800,281	$4,268,349	$6,290,021	$3,686,993	$19,045,644
Inter-segment revenues	$(3,391,096)	$8,328,504	$(1,352,879)	$(3,584,529)	$-
Segment net income	$1,149,366	$9,290,739	$4,934,218	$2,252,159	$17,626,482
Income tax expense					(2,394,021)
Net income after income taxes					$15,232,461

2013.1.1-2013.9.30	Corporate Banking Segment	Retail Banking Segment	Offshore Banking Segment	Other Segment	Consolidated
Net interest income (from external customer)	$4,904,962	$3,220,633	$6,022,012	$2,152,602	$16,300,209
Inter-segment revenues	$(3,091,736)	$7,232,712	$(818,355)	$(3,322,621)	$-
Segment net income	$1,701,925	$8,056,875	$5,757,983	$(1,922,944)	$13,593,839
Income tax expense					(1,753,263)
Net income after income taxes					$11,840,576

Note:

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