Union Bank of Taiwan

Financial Statements for the
Years Ended December 31, 2013 and 2012 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Bank of Taiwan as of December 31, 2013, December 31, 2012 and January 1, 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

March 19, 2014

<u>Notice to Readers</u>

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

UNION BANK OF TAIWAN

BALANCE SHEETS
(In Thousands of New Taiwan Dollar)

ASSETS	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 7,693,960	2	$ 9,570,257	2	$ 8,390,592	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	70,874,052	16	75,378,914	18	101,781,769	25
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	9,863,257	2	8,094,894	2	8,167,543	2
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	20,230,519	5	21,764,953	5	251,626	-
RECEIVABLES, NET (Notes 4, 5, 10, 12 and 40)	13,742,618	3	14,248,095	3	15,103,685	4
CURRENT TAX ASSETS (Notes 4 and 38)	160,660	-	100,493	-	145,259	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 11, 12 and 40)	230,142,592	53	201,833,438	49	190,679,993	48
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 13 and 40)	8,500,192	2	10,237,156	3	7,516,896	2
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 5 and 14)	428,017	-	811,872	-	1,313,015	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 15)	2,567,706	1	2,543,168	1	2,465,381	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 16 and 41)	57,830,216	13	49,485,900	12	47,876,004	12
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	7,630,976	2	7,713,002	2	7,956,701	2
INTANGIBLE ASSETS (Note 4)						
Goodwill (Notes 5 and 18)	1,985,307	-	1,985,307	1	2,119,709	1
Computer software	59,559	-	97,431	-	138,523	-
Total intangible assets	2,044,866	-	2,082,738	1	2,258,232	1
DEFERRED TAX ASSETS (Notes 4, 5 and 38)	2,826,055	1	3,305,217	1	3,630,011	1
OTHER ASSETS, NET (Notes 4, 19, 40 and 42)	1,925,098	-	2,154,775	1	2,185,306	-
TOTAL	$ 436,460,784	100	$ 409,324,872	100	$ 399,722,013	100
LIABILITIES AND EQUITY						
LIABILITIES						
Due to the Central Bank and other banks (Note 20)	$ 4,924,611	1	$ 5,115,437	1	$ 7,007,256	2
Financial liabilities at fair value through profit or loss (Notes 4 and 8)	16,006	-	27,417	-	33,852	-
Securities sold under agreements to repurchase (Notes 4 and 21)	24,582,657	5	28,289,349	7	34,522,173	9
Accounts payable (Note 22)	4,168,148	1	6,581,310	2	5,975,888	1
Current tax liabilities (Notes 4 and 38)	-	-	-	-	116,164	-
Deposits (Notes 23 and 40)	365,120,161	84	337,399,136	83	322,756,910	81
Bank debentures (Note 24)	7,400,000	2	5,200,000	1	4,890,000	1
Other financial liabilities (Note 25)	201,858	-	306,392	-	242,930	-
Provisions (Notes 12 and 26)	752,628	-	795,785	-	648,992	-
Deferred tax liabilities (Notes 4, 5 and 38)	556,558	-	334,380	-	365,583	-
Other liabilities (Notes 28, 40 and 42)	314,825	-	270,295	-	249,979	-
Total liabilities	408,037,452	93	384,319,501	94	376,809,727	94
EQUITY						
Capital stock						
Common stock	22,165,251	5	20,060,202	5	16,459,908	4
Preferred stock	-	-	204,194	-	3,025,088	1
Total capital stock	22,165,251	5	20,264,396	5	19,484,996	5
Capital surplus	34,288	-	32,413	-	32,413	-
Retained earnings						
Legal reserve	1,685,037	1	900,963	-	352,978	-
Special reserve	914,439	-	608,209	-	874,473	-
Unappropriated earnings	2,792,439	1	3,064,835	1	2,334,599	1
Total retained earnings	5,391,915	2	4,574,007	1	3,562,050	1
Other equity	831,878	-	134,555	-	(167,173)	-
Total equity	28,423,332	7	25,005,371	6	22,912,286	6
TOTAL	$ 436,460,784	100	$ 409,324,872	100	$ 399,722,013	100

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

UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31				Percentage Increase (Decrease)
	2013		2012		
	Amount	%	Amount	%	%
NET INTEREST (Notes 4, 30 and 40)					
Interest revenues	$ 9,271,343	109	$ 9,117,046	122	2
Interest expenses	3,350,022	39	3,382,254	45	(1)
Net interest	5,921,321	70	5,734,792	77	3
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 4, 31 and 40)	1,664,374	20	1,387,977	18	20
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 32)	678,127	8	523,656	7	29
Realized loss from available-for-sale financial assets (Notes 4 and 33)	(86,181)	(1)	(87,540)	(1)	(2)
Investment loss recognized under the equity method (Note 4)	197,750	2	150,947	2	31
Foreign exchange loss (Note 4)	(208,378)	(3)	(267,240)	(4)	(22)
Reversal of asset impairments (Notes 4, 18 and 34)	120,187	1	(174,402)	(2)	169
Gain on disposal of collaterals assumed, net	10,353	-	28,849	-	(64)
Securities brokerage fee revenues, net (Note 40)	54,181	1	54,530	1	(1)
Gain on unquoted equity investments, net (Note 16)	49,025	1	51,204	1	(4)
Property loss, net	2,255	-	(19,139)	-	112
Other noninterest net gains	76,142	1	57,921	1	31
Total net revenues other than interest	2,557,835	30	1,706,763	23	50
TOTAL NET REVENUES	8,479,156	100	7,441,555	100	14
PROVISIONS (Notes 4 and 12)					
Reversal of allowance for doubtful accounts	(95,890)	(1)	(647,490)	(9)	(85)
OPERATING EXPENSES					
Personnel expenses (Notes 4 and 35)	2,621,626	31	2,427,394	33	8
Depreciation and amortization (Notes 4 and 36)	208,651	3	259,551	3	(20)
Others (Notes 37 and 40)	2,405,987	28	2,351,676	32	2
Total operating expenses	5,236,264	62	5,038,621	68	4

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31				Percentage Increase (Decrease)
	2013		2012		
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	$ 3,338,782	39	$ 3,050,424	41	9
INCOME TAX EXPENSE (Notes 4, 5 and 38)	470,891	5	415,706	6	13
CONSOLIDATED NET INCOME	2,867,891	34	2,634,718	35	9
OTHER COMPREHENSIVE INCOME					
Exchange differences on translating foreign operations	251,127	3	(362,188)	(5)	169
Unrealized gain on available-for-sale financial assets	692,783	8	567,745	8	22
Share of other comprehensive income of subsidiaries, associates and joint ventures	13,801	-	34,855	-	(60)
Actuarial loss arising on defined benefit plans	(12,504)	-	(86,166)	(1)	(85)
Income tax on the components of other comprehensive income (expense) (Note 38)	(258,580)	(3)	61,572	1	(520)
Other comprehensive income for the year, net of income tax	686,627	8	215,818	3	218
TOTAL COMPREHENSIVE INCOME	$ 3,554,518	42	$ 2,850,536	38	25
EARNINGS PER SHARE (New Taiwan Dollars; Note 39)					
Basic	$ 1.30		$ 1.28		
Diluted	$ 1.29		$ 1.19		

The accompanying notes are an integral part of the financial statements. (Concluded)

UNION BANK OF TAIWAN

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Capital Stock (Note 29)				Retained Earnings (Notes 4 and 29)				Other Equity (Note 4)			
	Common Stock	Preferred Stock	Total	Share Capital (Note 30)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Total	Total Equity
BALANCE AT JANUARY 1, 2012	$ 16,459,908	$ 3,025,088	$ 19,484,996	$ 32,413	$ 352,978	$ 874,473	$ 2,334,599	$ 3,562,050	$ (167,173)	$ -	$ (167,173)	$ 22,912,286
Appropriation of the 2011 earnings												
Legal reserve	-	-	-	-	547,985	-	(547,985)	-	-	-	-	-
Cash dividends on preferred shares	-	-	-	-	-	-	(757,451)	(757,451)	-	-	-	(757,451)
Stock dividends on common shares	658,396	-	658,396	-	-	-	(658,396)	(658,396)	-	-	-	-
Stock dividends on preferred shares	121,004	-	121,004	-	-	-	(121,004)	(121,004)	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(266,264)	266,264	-	-	-	-	-
Net income for the year ended December 31, 2012	-	-	-	-	-	-	2,634,718	2,634,718	-	-	-	2,634,718
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	-	-	(85,910)	(85,910)	580,663	(278,935)	301,728	215,818
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	-	2,548,808	2,548,808	580,663	(278,935)	301,728	2,850,536
Conversion of preferred stock	2,820,894	(2,820,894)	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2012	20,060,202	204,194	20,264,396	32,413	900,963	608,209	3,064,835	4,574,007	413,490	(278,935)	134,555	25,005,371
Special reserve	-	-	-	-	-	507,984	(507,984)	-	-	-	-	-
Appropriation of the 2012 earnings												
Legal reserve	-	-	-	-	784,074	-	(784,074)	-	-	-	-	-
Cash dividends on preferred shares	-	-	-	-	-	-	(181,042)	(181,042)	-	-	-	(181,042)
Stock dividends on common shares	1,839,520	-	1,839,520	-	-	-	(1,839,520)	(1,839,520)	-	-	-	-
Stock dividends on preferred shares	18,725	-	18,725	-	-	-	(18,725)	(18,725)	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(201,754)	201,754	-	-	-	-	-
Net income for the for the year ended December 31, 2013	-	-	-	-	-	-	2,867,891	2,867,891	-	-	-	2,867,891
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	(10,696)	(10,696)	496,017	201,306	697,323	686,627
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	2,857,195	2,857,195	496,017	201,306	697,323	3,554,518
Conversion of preferred stock	204,194	(204,194)	-	-	-	-	-	-	-	-	-	-
Share-based payment	42,610	-	42,610	1,875	-	-	-	-	-	-	-	44,485
BALANCE AT DECEMBER 31, 2013	$ 22,165,251	$ -	$ 22,165,251	$ 34,288	$ 1,685,037	$ 914,439	$ 2,792,439	$ 5,391,915	$ 909,507	$ (77,629)	$ 831,878	$ 28,423,332

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

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,338,782	$ 3,050,424
Adjustments for:		
Depreciation expenses	168,384	192,156
Amortization expenses	40,267	67,395
Gain on reversal of allowance for doubtful accounts	(95,890)	(647,490)
Net gain on disposal of financial assets designated as at fair value through profit or loss	(678,127)	(523,656)
Interest expenses	3,350,022	3,382,254
Interest revenues	(9,271,343)	(9,117,046)
Dividend income	(77,149)	(87,397)
Changes in other provisions, net	-	(2,668)
Unrealized gain on the transactions with associates and joint ventures	(197,750)	(150,947)
Loss (gain) on disposal of properties	(2,255)	19,140
Loss on disposal of investments	114,305	123,733
Reversal of impairment losses on nonfinancial asset	(51,593)	-
Impairment losses on nonfinancial assets	-	174,402
Reversal of impairment loss recognized on financial assets	(68,594)	-
Gain on disposal of collaterals	(10,353)	(28,849)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans banks	(3,495,138)	2,502,855
Decrease (increase) in financial assets at fair value through profit or loss	(2,433,626)	613,448
Decrease in accounts payable	512,562	1,210,008
Increase in discounts and loans	(28,373,615)	(10,982,052)
Decrease (increase) in available-for-sale financial assets	2,315,443	(2,276,357)
Increase in other financial assets	(3,695,447)	(2,463,115)
Decrease in due to the Central Bank and other banks	(190,826)	(1,891,819)
Increase in financial liabilities at fair value through profit or loss	298,333	14,188
Decrease in securities sold under repurchase agreements	(3,706,692)	(6,232,824)
Increase (decrease) in accounts payable	(2,247,667)	706,561
Increase in deposits	27,721,025	14,642,226
Increase (decrease) in provisions	(104,534)	63,462
Decrease in provisions for employee benefits	(26,661)	(25,704)
Cash generated from operations	(16,868,137)	(7,667,672)
Interest received	9,330,915	9,149,080
Dividend received	267,481	170,665
Interest paid	(3,471,032)	(3,483,393)
Income tax paid	(88,298)	(131,941)
Net cash used in operating activities	(10,829,071)	(1,963,261)

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in purchase of financial assets designated as at fair value through profit or loss	$ -	$ (38,671)
Decrease in the proceeds on sale of financial assets designated as at fair value through profit or loss	1,033,116	-
Acquisition of debt instruments with no active market	(29,391,008)	(30,668,329)
Return of capital on debt instruments with no active market	24,850,343	31,712,618
Purchase of held-to-maturity financial assets	(205,667)	(50,166)
Return of capital on held-to-maturity financial assets	614,805	544,917
Proceeds of the sale of financial assets carried at cost	-	183
Return of capital on financial assets carried at cost	34,663	1,999
Payments for properties	(107,920)	(59,758)
Proceeds of the disposal of properties	17,628	89,455
Decrease in settlement fund	1,228	14,022
Increase in refundable deposits	-	(164,762)
Decrease in refundable deposits	163,314	-
Payments for intangible assets	(2,395)	(26,303)
Proceeds of the disposal of collaterals	162,554	186,192
Increase in other assets	(29,284)	(13,366)
Net cash generated from (used in) investing activities	(2,858,623)	1,528,031
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of the issue bank debentures	3,000,000	1,500,000
Repayments of bank debentures	(800,000)	(1,190,000)
Decrease in guarantee deposits received	(1,092)	(2,349)
Increase in other liabilities	10,760	14,559
Cash dividends paid	(181,042)	(757,451)
Net cash generated from (used in) financing activities	2,028,626	(435,241)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	248,337	(336,537)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,410,731)	(1,207,008)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	93,435,210	94,642,218
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 82,024,479	$ 93,435,210

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2013 and 2012:

	December 31	
	2013	**2012**
Cash and cash equivalents in balance sheets	$ 7,693,960	$ 9,570,257
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7"Cash Flow Statements"	54,100,000	62,100,000
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	20,230,519	21,764,953
Cash and cash equivalents in statements of cash flows	$ 82,024,479	$ 93,435,210

The accompanying notes are an integral part of the financial statements. (Concluded)

1. GENERAL INFORMATION

The Union Bank of Taiwan (the "Bank") obtained approval from the Ministry of Finance (MOF) to be established on August 1, 1991 and was incorporated on December 31, 1991. It started operations on January 21, 1992.

The Bank engages in activities allowed under the Banking Law, which cover deposits, loans, discounts, remittances, acceptances, issuance of guarantees and letters of credit, short-term bills transactions, investments, foreign exchange transactions, savings, trust, etc.

On the Bank's merger with Chung Shing Bank on March 19, 2005, the Bank took over all of the assets, liabilities and operating units of Chung Shing Bank.

The Bank merged with the Union Bills Finance Corporation (UBF) on August 16, 2010, with the Bank as the survivor entity.

As of December 31, 2012, the Bank's operating units included Banking, Trust, Wealth Management, Security Finance, Bills Finance, International Banking Department of the Head Office, an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 89 domestic branches.

The operations of the Bank's Trust Department are (1) trust business planning, managing and operating; and (2) custody of nondiscretionary trust funds in domestic and overseas securities and mutual funds. These foregoing operations are regulated under the Banking Law and Trust Law.

The Bank's shares are traded on the Taiwan Stock Exchange.

As of December 31, 2013 and 2012, the Bank had 3,249 and 3,207 employees, respectively.

The Bank's financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 19, 2014.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. New, amended and revised standards and interpretations (the "New IFRSs") in issue but not yet effective

The Bank has not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Note 3
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Note 3
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; and the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: IASB tentatively decided that an entity should apply IFRS 9 to annual periods beginning on or after January 1, 2018.

b. Significant impending changes in accounting policy resulted from New IFRSs in issue but not yet effective

Except for the following, the future initial application of the above New IFRSs is not expected to have any material impact on the Bank's accounting policies:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

All recognized financial assets that were within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the accounting period. All other financial assets are measured at their fair values at the end of the reporting period. However, the Bank may make an irrevocable election on the initial recognition of an equity investment that is not held for trading, to measure it at fair value through other comprehensive income, with only dividend income subsequently recognized in profit or loss.

Recognition and measurement of financial liabilities

For financial liabilities, the main changes in the classification and measurement relate to the measurement of gains or losses on financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Amounts presented in other comprehensive income are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Bank presents all gains or losses on that liability in profit or loss.

2) New and revised standards on consolidation, joint arrangements, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities." The Bank considers whether it has control over other entities for consolidation. The Bank has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard that applies to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

c) Revision to IAS 28 "Investments in Associates and Joint Ventures"

Revised IAS 28 states that when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under the current IAS 28, when a portion of an investment in an associate meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and the equity method ceases to be applied.

3) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

5) Revision to IAS 19 "Employee Benefits"

The revised IAS 19 changes the definition of short-term employee benefits. The revised definition is "employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service". Thus, the Bank employee's unused annual leave that may be carried forward within a certain period after the end of the annual period in which the employee renders service and which is currently classified under short-term employee benefits; will be classified as other long-term employee benefits under the revised IAS 19. The defined benefit obligation of this other long-term benefit is calculated using the projected unit credit method. However, this change does not affect unused annual leave to be presented as a current liability in the consolidated balance sheet.

6) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit only when an impairment loss has been recognized or reversed during the period. Furthermore, the Bank should disclose the discount rates used in the current and previous measurements of the recoverable amount if this amount is based on fair value less disposal cost calculated using a present value technique.

7) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-Based Payment," IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions of "performance condition" and "service condition." The amendment clarifies that a performance target can be based on the operations (i.e., a non-market condition) of the Bank or another entity in the same group or the market price of the equity instruments of the Bank or another entity in the same group (i.e., a market condition); that a performance target can relate either to the performance of the Bank as a whole or to some part of it (e.g., a division); and that the period for achieving a performance condition must not go beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Bank, but also of other entities outside the Bank.

IFRS 3 was amended to clarify that a contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 " Financial Instruments" or IAS 39 "Financial Instruments: Recognition and Measurement." Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 "Operating Segments" requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics." The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the information on segments' assets is regularly provided to the chief operating decision-maker.

IFRS 13 "Fair Value Measurement" was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 “Related Party Disclosures” was amended to clarify that a management entity providing key management personnel services to the Bank is a related party of the Bank. Thus, the Bank is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of this compensation is not required.

8) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property,” were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and the application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

c. The impact of the application of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”) in issue but not yet effective on the Bank’s financial statements is as follows:

As of the date the financial statements were authorized for issue, the Bank was continuing to assess the possible impact that the application of the above New IFRSs will have on the Bank’s financial position and operating results and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the Financial Supervisory Commission (FSC) announced the “Framework for the Adoption of IFRSs by the Companies in the ROC.” In this framework, starting 2013, the Bank should prepare its consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IFRS, IAS, IFRIC, and SIC (“IFRSs”) endorsed by the FSC.

The Bank’s consolidated financial statements for the year ended December 31, 2013 is its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 51 for the impact of IFRSs conversion on the consolidated financial statements.

Significant accounting policies are summarized as follows:

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

When preparing its financial statements, the Bank used the equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Bank in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for using equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the financial statements.

Foreign Currencies

In preparing the financial statements of each group entity, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of nonmonetary items are included in profit or loss for the period. If a gain or loss on a nonmonetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Bank's foreign operations (including those of the subsidiaries, associates and joint ventures operations in other countries or currencies used that are different from that of the Bank) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Bank and noncontrolling interests as appropriate).

Investments Accounted for Using the Equity Method

a. Investments in subsidiaries

   Subsidiaries are the entities controlled by the Bank.

   Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. The Bank also recognizes its share of the change in other equity of the subsidiary.

   Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

   When the Bank's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Bank's net investment in the subsidiary), the Bank continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When the Bank ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Bank accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Bank directly disposed of the related assets or liabilities.

Profits and losses from upstream transactions with a subsidiary and sidestream transactions between subsidiaries are recognized in the Bank's financial statements only to the extent of interests in the subsidiary that are not related to the Bank.

b. Investment in Associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the operating and financial policy decision of an entity; it is not control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the associate's profit or loss and other comprehensive income of the associate. The Bank also recognizes its share of changes in the equity interests in an associate.

When the Bank subscribes for additional new shares of the associate at a percentage different from its current ownership percentage, the resulting carrying amount of the investment differs from the amount of the Bank's proportionate interest in the associate. The Bank records this difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the Bank's ownership interest is reduced due to the additional subscription for the new shares of an associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee directly disposes of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Bank's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Bank's net investment in the associate), the Bank discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Bank has incurred legal or constructive obligations, or made payments, on behalf of that associate.

Any acquisition cost in excess of the Bank's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the acquisition date is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized. Any Bank's share of the net fair value of the identifiable assets and liabilities in excess of the acquisition cost is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Bank discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between (a) the sum of the proceeds received and any retained interest and (b) the carrying amount of the investment in the associate at the date significant influence is lost is recognized in profit or loss. The Bank accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Bank transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Bank' financial statements only to the extent of the interests in the associate that are not related to the Bank.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

a) It has been acquired principally for the purpose of selling it in the near term; or

b) On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or

c) It is a derivative that is not designated and effective as a hedging instrument.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency; or

b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis to key management; or

c) The contract contains one or more embedded derivatives so that, the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.
Fair value is determined in the manner described in Note 44.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and that have fair value that cannot be reliably measured and derivatives that are linked to and must be settled by the delivery of these unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

2) Held-to-maturity investments

Held-to-maturity investments are nonderivative financial assets with fixed or determinable payments and fixed maturity dates on which the Bank has the positive intent and ability to hold to maturity. In addition, they are not designated as at fair value through profit or loss, are not classified as available for sale, and do not meet the definition of loans and receivables. Foreign corporate bonds and debenture bonds that are above certain credit ratings and on which the Bank has a positive intent and ability to hold to maturity are classified as held-to-maturity investments.

After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3) Available-for-sale financial assets

Available-for-sale financial assets are nonderivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

The Bank holds government bonds, corporate bonds, listed stocks, mutual funds, negotiable certificates of deposit and commercial paper in an active market that are classified as trading and available-for-sale financial assets and are stated at fair value at each balance sheet date. Fair value is determined in the manner described in Note 44.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive the dividends is established.

Available-for-sale equity investments with no quoted prices in an active market and with fair values that cannot be reliably measured and derivatives that are linked to and must be settled by the delivery of these unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets and recognized in profit or loss if impairment loss is identified.

4) Loans and receivables

Loans and receivables (including trade loans, receivables, cash and cash equivalent, debt investments with no active market, and nonperforming loans) are subsequently measured at amortized cost using the effective interest method less any impairment, except when short-term receivables have immaterial effect of discounting.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been affected.

Certain categories of financial assets, such as loans, receivables, nonperforming loans and debt investments with no active market, are assessed for impairment collectively even if they are assessed as not impaired individually. Objective evidence of impairment of a portfolio of discounts and loans, receivables and nonperforming loans could include the significant financial difficulty of the debtor, economic or legal reasons relating to the debtor's financial difficulties, a counterparty's compromise on or breach of a contract, and an asset becoming more than three months overdue.

For financial assets measured at amortized cost, if an impairment loss decreases and the decrease can be related objectively to an event occurring after the recognition of the impairment, the recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of impairment reversal does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered an objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

When an available-for-sale financial (AFS) asset is considered impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. For AFS equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. For AFS debt securities, the impairment loss is reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss will not be reversed in subsequent periods.

For financial assets, impairment losses result in the reduction of carrying amounts and are recognized in profit and loss. But for impaired loans and receivables, their carrying amounts are reduced through the use of an allowance account. When loans and receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

c. Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On the full derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by the Bank entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except in the following situations, all financial liabilities are measured at amortized cost using the effective interest method, less any impairment (see "Held-to-maturity investments" above for the description of the effective interest method):

1) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

a) Its initial recognition is for the purpose of repurchasing it in the near term; or

b) On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

c) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency; or

b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis to key management personnel; or

c) A contract contains one or more embedded derivatives such that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. Fair value is determined in the manner described in Note 44.

2) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at fair value and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the following and in compliance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans:

a) The amount of the obligation under the contract, as determined in accordance with FSC-recognized IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

b) The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the FSC-recognized IAS 18 "Revenue."

b. Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Nonperforming Loans

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the authorities, loans and other credits (including the accrued interests) that remain unpaid on their maturity are transferred immediately to nonperforming loans if the transfer is approved by the board of directors.

Nonperforming loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Allowance for Doubtful Accounts and Reserve for Losses on Guarantees

In determining the allowance for credit losses and the reserve for losses on guarantees, the Bank assesses the balances of discounts and loans, receivables, nonperforming loans, and other financial assets as well as guarantees and acceptances for their collectibility and their specific risks or general risks as of the balance sheet date.

Under the regulations issued by the Ministry of Finance (MOF), the Bank evaluates credit balances on the basis of their estimated collectibility.

The MOF regulations also require the grouping of loans into these five classes: Normal, special mention, substandard, with doubtful collectibility and uncollectible; the minimum allowances for doubtful accounts and for losses on guarantees for these loans should be 0%, 2%, 10%, 50% and 100%, respectively, of outstanding credits.

Later, the MOF issued a guideline stating that, within three years from January 1, 2011, the normal loans should have a minimum allowance of 0.5%, with the allowances for the four non-normal loans remaining the same. The Bank believes it can meet this new allowance requirement within three years from January 1, 2011. In addition, in accordance with Rule No. 10010006830 subsequently issued by the Financial Supervisory Commission, 0.5% should be added to all the loan coverage ratios.

Credits deemed uncollectible may be written off if the write-off is approved by the board of directors. Recoveries of amounts previously written off are credited to the allowance account.

Repurchase and Resell Transactions

Securities purchased under agreement to resell and securities sold under agreements to repurchase are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss. This cost should be recognized as an asset only if it is probable that future economic benefits associated with the property and equipment item will flow to the Bank and if the cost of the item can be measured reliably.

Freehold land is not depreciated.

Depreciation is recognized as a systematic allocation of the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for prospectively.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Goodwill

Goodwill (part of intangible assets) from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For impairment test purposes, goodwill is allocated to each cash-generating unit (CGU) that is expected to benefit from the synergy of a business combination.

In testing assets for impairment, the Bank compares the carrying amounts of CGUS with allocated goodwill with their recoverable amounts on a yearly basis (or when impairment indicators exist). Goodwill arising in a business combination should be tested for impairment during the year in which goodwill is acquired. When the recoverable amount of a CGU is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period, and subsequent reversal of impairment loss is not allowed.

On CGU disposal, the amount attributable to goodwill is included in the CGU carrying amount to determine the gain or loss on disposal.

Intangible Assets

Separate acquisition

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. At year-end, the Bank examines its estimates of the asset useful lives, residual values and amortization method with the effect of any changes in estimate accounted for on a prospective basis. Unless the Bank expects to dispose of an intangible asset before the end of its useful life, the residual value of an intangible asset with limited useful life is estimated to be zero.

Derecognition

Gains or losses recognized on derecognition of an intangible asset are the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period in which the asset is derecognized.

Foreclosed Collaterals

Collaterals assumed (included in other assets) are recorded at cost, which includes the assumed prices and any necessary repairs to make the collaterals saleable, and evaluated at the lower of cost or net realizable value as of the balance sheet date.

Impairment of Tangible and Intangible Assets (Excluded Goodwill)

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a CGU is identified as having a carrying amount that includes assets that can be allocated on a reasonable and consistent basis to the CGU, corporate assets are also allocated to this CGU; otherwise, a portion of the carrying amounts of the corporate assets is allocated to the smallest group of cash-generating units to which a reasonable and consistent allocation of carrying amounts of the corporate assets can be made.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. Bank as lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern of the lessee's benefit from the use of the leased asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

   Lease incentives offered in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis over the lease term.

b. Bank as lessee

   Lease payments under an operating lease are expensed on a straight-line basis over the lease period. Under operating lease, contingent rentals are recognized as expenses at current period.

   Lease incentives received under operating leases are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions of future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed annually. Interim period income tax expense is calculated by applying to an interim period's pretax income the tax rate that would be applicable to expected total annual earnings.

a. Current tax

Interim period income taxes are assessed annually. Interim period income tax expense is calculated by applying to an interim period's pretax income the tax rate that would be applicable to expected total annual earnings.

Income tax payable (or tax refund receivable) is calculated on the basis of the relevant tax laws applicable to a jurisdiction.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Bank can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and these differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the amounts expected to be paid to (recovered from) taxation authorities, using the rates or laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets should reflect the tax consequences of how the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

For transactions recognized in profit or loss, current and deferred taxes are also recognized in profit or loss; for transactions recognized outside profit or loss, i.e., in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Interest Revenue and Service Fees

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as nonperforming loans. The interest revenue on these loans/credits is recognized upon collection. Under a Ministry of Finance regulation, the interest revenue on credits covered by agreements that extend their repayment periods is recorded as deferred revenue and recognized as revenue upon collection

Revenue from brokerage is recognized when the earnings process has been completed.

Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. If loss is possible but cannot be reasonably estimated, the circumstances that might give rise to the loss should be disclosed in the notes to the financial statements.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Held-to-maturity financial assets

Management has reviewed the Bank's held-to-maturity financial assets in light of its capital maintenance and liquidity requirements and has confirmed the Bank's positive intention and ability to hold these assets to maturity.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (CGUs) to which goodwill has been allocated. The calculation of the value in use requires management to estimate a CGU's future cash flows and a suitable discount rate in order to calculate the CGU's net present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

c. Income tax

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amounts of deferred tax assets were $2,385,432 thousand, $2,822,272 thousand and $3,071,284 thousand, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, no deferred tax assets had been recognized on tax losses of $0 thousand, $45,131 thousand and $232,417 thousand, respectively, because of the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. If the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which the reversal takes place.

d. Estimated impairment of loans and receivables

When there is objective evidence of impairment loss, the Bank takes into consideration the estimation of future cash flows. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If the actual future cash flows are less than expected, a material impairment loss may arise.

e. Fair value of financial instruments

As described in Note 44, Bank management uses its judgment in selecting an appropriate valuation technique for financial instruments with no quoted market prices in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are based on quoted market rates adjusted for specific features of the instruments. Other financial instruments are valued using a discounted cash flow analysis, which includes assumptions based on quoted market prices or rates (if available). The measurement of the fair values of unlisted equity investments includes assumptions not based on observable market prices or rates. Note 44 provides information on the key assumptions used in the determination of the fair values of financial instruments. Bank management believes that the chosen valuation techniques and assumption used are appropriate to the determination of the fair value of financial instruments.

f. Employee benefits

For defined benefit retirement plans, the cost of providing benefits is determined using the project unit credit method, with actuarial valuations being carried out at the end of each reporting period. The use of estimations of the discount rate, staff turnover and long-term average rate of salary in actuarial valuations as well as changes in market and economic conditions may result in these estimations differing from the actual costs and amounts of obligations.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 5,078,569	$ 4,492,417	$ 3,730,621
Checks for clearing	1,661,151	4,028,087	3,635,427
Due from banks	954,240	1,049,753	1,024,544
	$ 7,693,960	$ 9,570,257	$ 8,390,592

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31, 2013	December 31, 2012	January 1, 2012
Deposit reserve - checking account	$ 7,083,159	$ 4,448,931	$ 7,343,378
Required deposit reserve	9,645,968	8,786,279	8,408,101
Deposit reserve - foreign-currency deposits	44,925	43,704	30,290
Deposit account in Central Bank	54,100,000	62,100,000	86,000,000
	$ 70,874,052	$ 75,378,914	$ 101,781,769

Under a directive issued by the Central Bank of the ROC, the Bank determines monthly the New Taiwan dollar (NTD)-denominated deposit reserves at prescribed rates based on the average balances of customers' NTD-denominated deposits, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at rates prescribed for balances of foreign-currency deposits. These reserves may be withdrawn anytime and are noninterest earning.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Commercial paper	$ 7,566,717	$ 5,138,492	$ 3,575,646
Government bonds	205,635	51,190	51,983
Quoted stocks	157,846	7,984	98,257
Corporate bonds	-	-	50,735
Negotiable certificates of deposit	-	-	1,512,400
	7,930,198	5,197,666	5,289,021
Derivative instrument			
Forward exchange contracts	58,969	67,305	110,757
Currency swap contracts	13,896	7,646	8,033
Option contracts	5,848	908	997
	78,713	75,859	119,787
	8,008,911	5,273,525	5,408,808
Financial assets designated as at fair value through profit or loss			
Corporate bonds	1,854,346	2,821,369	2,758,735
	$ 9,863,257	$ 8,094,894	$ 8,167,543
Financial liabilities held for trading			
Derivative instrument			
Forward exchange contracts	$ 9,113	$ 25,890	$ 32,292
Currency swap contracts	5,848	908	997
Option contracts	1,045	619	563
	$ 16,006	$ 27,417	$ 33,852

The Bank engaged in derivative transactions mainly to accommodate customers' needs and manage its exposure positions. The financial risk management objective of the Bank was to minimize risks due to changes in fair value or cash flows.

The contract amounts (notional amounts) of the derivative transactions for accommodating customers' needs and managing its exposure positions as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Currency swap contracts	$ 11,816,654	$ 17,637,175	$ 15,762,905
Forward exchange contracts	3,439,655	4,844,779	9,271,383
Option contracts			
Buy	1,789,879	560,277	503,266
Sell	1,789,879	560,277	503,266

As of December 31, 2013, December 31, 2012 and January 1, 2012, financial instruments at fair value through profit and loss in the amount of $6,206,915 thousand, $4,562,768 thousand and $3,677,469 thousand were under agreement to repurchase agreements.

9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper	$ 10,811,209	$ 7,946,309	$ -
Government bonds	3,200,000	7,475,600	251,626
Corporate bonds	6,219,310	6,343,044	-
	$ 20,230,519	$ 21,764,953	$ 251,626
Date of the resell agreement	2014.01-02	2013.01	2012.01
Amount of the resell	$ 20,239,311	$ 21,774,630	$ 251,713

The securities purchased under resell agreements amounting to $251,626 thousand as of January 1, 2012, had been sold under repurchase agreements.

10. RECEIVABLES, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Notes and accounts receivable	$ 12,129,194	$ 12,113,187	$ 13,480,088
Interest receivable	557,048	581,758	605,686
Asset-backed commercial paper	362,694	599,283	1,561,672
Interbank clearing fund receivable	300,707	500,700	300,685
Investment receivable	269,857	216,500	148,915
Acceptances receivable	122,805	142,674	106,760
Collections receivable	94,689	69,127	64,244
Settlement price	39,380	7,718	13,310

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Receivable on disposal of property and equipment	$ -	$ -	$ 138,783
Others	142,488	189,242	15,120
	14,018,862	14,420,189	16,435,263
Less: Allowance for doubtful accounts	276,244	172,094	1,331,578
	$ 13,742,618	$ 14,248,095	$ 15,103,685

(Concluded)

Please refer to Note 45 for the impairment loss analysis of receivables.

The Bank has accrued an allowance for doubtful accounts on receivables. Please refer to Note 12 for the movements of allowance for doubtful accounts.

11. DISCOUNTS AND LOANS, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Discounts and overdraft	$ 73,884	$ 73,213	$ 87,178
Accounts receivable - financing	89,460	58,594	99,528
Loans	30,851,252	16,717,632	15,163,198
Short-term - unsecured	41,860,116	38,572,309	35,873,027
- secured	10,682,146	11,337,976	8,511,019
Medium-term - unsecured	35,332,126	29,309,204	27,165,831
- secured	5,025,448	5,620,513	5,964,654
Long-term - unsecured	108,049,889	101,959,901	99,023,101
- secured	106,955	38,132	117,814
Import and export negotiations	595,752	371,879	601,434
Overdue loans	232,667,028	204,059,353	192,606,784
Less: Allowance for doubtful accounts	2,524,436	2,225,915	1,926,791
	$ 230,142,592	$ 201,833,438	$ 190,679,993

As of December 31, 2013, December 31, 2012 and January 1, 2012, the balances of nonaccrual loans were $595,752 thousand, $371,879 thousand and $601,434 thousand, respectively. The unrecognized interest revenues on nonperforming loans were $17,453 thousand in 2013 and $5,661 thousand in 2012.

In 2013 and 2012, the Bank wrote off certain credits after completing the required legal procedures.

Please refer to Note 45 for impairment loss analysis of discounts and loans. The Bank had set up an allowance for doubtful accounts on discounts and loans. Please refer to Note 12 for the movements in the allowance for doubtful accounts.

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The movements in the allowance for doubtful accounts and reserve for losses on guarantees liabilities for the years ended December 31, 2013 and 2012 are summarized as follows:

	Year Ended December 31, 2013			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2013	$ 172,094	$ 2,225,915	$ 114,000	$ 2,512,009
Allowance (reversal of allowance) for doubtful accounts	(130,351)	24,461	10,000	(95,890)
Write-offs	(196,152)	(313,480)	-	(509,632)
Recovery of written-off credits	431,653	546,951	-	978,604
Reclassification	(1,000)	40,000	(39,000)	-
Effects of exchange rate changes	-	589	-	589
Balance at December 31, 2013	$ 276,244	$ 2,524,436	$ 85,000	$ 2,885,680

	Year Ended December 31, 2012			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2012	$ 1,331,578	$ 1,926,791	$ 25,000	$ 3,283,369
Allowance (reversal of allowance) for doubtful accounts	(565,097)	(171,393)	89,000	(647,490)
Write-offs	(1,063,858)	(110,823)	-	(1,174,681)
Recovery of written-off credits	478,489	562,035	-	1,040,524
Reclassification	(9,018)	20,140	-	11,122
Effects of exchange rate changes	-	(835)	-	(835)
Balance at December 31, 2012	$ 172,094	$ 2,225,915	$ 114,000	$ 2,512,009

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Corporate bonds	$ 3,736,164	$ 4,331,243	$ 2,393,246
Government bonds	1,126,450	2,151,382	2,707,520
Overseas quoted stocks	1,572,591	1,032,966	742,383
Mutual funds	1,413,583	1,336,890	904,568
Domestic quoted stocks	435,306	587,176	769,179
Negotiable certificates of deposit	216,098	-	-
Commercial paper	-	797,499	-
	$ 8,500,192	$ 10,237,156	$ 7,516,896

The available-for-sale financial assets amounting to $2,824,240 thousand, $3,665,224 thousand and $4,254,626 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, had been sold under repurchase agreements.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Government bonds	$ 289,779	$ 556,316	$ 664,350
Negotiable certificates of deposit	98,682	-	-
Asset-based securities	39,556	55,576	248,794
Corporate bonds	-	199,980	399,871
	$ 428,017	$ 811,872	$ 1,313,015

The held-to-maturity investments amounting to $214,574 thousand as of January 1, 2012 had been sold under repurchase agreements.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in subsidiaries	$ 2,513,412	$ 2,488,678	$ 2,398,660
Investments in associates	54,294	54,490	66,721
	$ 2,567,706	$ 2,543,168	$ 2,465,381

a. Investments in subsidiaries

	December 31, 2013	December 31, 2012	January 1, 2012
Union Finance and Leasing International Corporation (UFLIC)	$ 2,255,382	$ 2,243,797	$ 2,165,802
Union Securities Investment Trust Corporation (USITC)	138,406	127,561	121,304
Union Finance International (H.K.) Limited	79,679	77,952	80,941
Union Insurance Broker Company (UIB)	27,037	33,583	24,548
Union Information Technology Corporation (UIT)	12,908	5,785	6,065
	$ 2,513,412	$ 2,488,678	$ 2,398,660

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Bank were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Union Finance and Leasing International Corporation (UFLIC)	100.00%	100.00%	100.00%
Union Securities Investment Trust Corporation (USITC)	35.00%	35.00%	35.00%
Union Finance International (H.K.) Limited	99.99%	99.99%	99.99%
Union Insurance Broker Company (UIB)	100.00%	100.00%	100.00%
Union Information Technology Corporation (UIT)	99.99%	99.99%	99.99%

The Bank's share of profit and other comprehensive income of subsidiaries for the years ended December 31, 2013 and 2012 was based on the subsidiaries' audited financial statements for the same reporting periods as those of the Bank.

b. Investment in as associate

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
Union Real-Estate Management Corporation	$ 54,294	40	$ 54,490	40	$ 66,721	40

The summarized financial information in respect of the Bank's associates was set out below:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 237,875	$ 246,619	$ 537,502
Total liabilities	$ 102,140	$ 110,394	$ 370,699

	Year Ended December 31	
	2013	2012
Revenue	$ -	$ 17,214
Profit (loss) for the year	$ (491)	$ (2,056)

The Bank's share of the associate's profit and other comprehensive income for 2013 and 2012 was based on the associate's audited financial statements for the same reporting periods as those of the Bank.

16. OTHER FINANCIAL ASSETS, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Debt instruments with no active markets, asset-based securities	$ 48,516,710	$ 43,871,572	$ 44,723,018
Pledged assets (Note 41)	8,769,791	5,109,689	2,632,874
Financial assets carried at cost, net	413,715	448,378	450,451
Prepayments for shares	130,000	-	-
Others	-	56,261	69,661
	$ 57,830,216	$ 49,485,900	$ 47,876,004

a. Debt instruments with no active markets

As of December 31, 2013, December 31, 2012 and January 1, 2012, debt instruments with no active markets and amounting to $24,189,473 thousand, $28,334,744 thousand and $37,547,378 thousand, respectively, were under repurchase agreements.

b. Financial assets carried at cost, net

	December 31, 2013	December 31, 2012	January 1, 2012
Unquoted stocks			
Financial Information Service Company	$ 118,782	$ 118,782	$ 118,782
Taiwan Asset Management Corporation	75,000	100,000	100,000
Taiwan Future Exchange Corporation	71,250	71,250	71,250
Taiwan Financial Asset Service Corporation	50,000	50,000	50,000
Other	98,683	108,346	110,419
	$ 413,715	$ 448,378	$ 450,451

Financial assets carried at cost were unlisted common stocks with no quoted market prices in an active market and with fair values that could not be reliably measured. Thus, these assets were measured at cost less accumulated impairment.

In 2012, the Bank disposed of certain financial assets measured at cost with carrying amounts of $75 thousand and recognized a disposal gain of $108 thousand.

17. PROPERTY AND EQUIPMENT, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Land	$ 3,421,707	$ 3,436,297	$ 3,530,860
Buildings	3,989,591	4,087,075	4,200,139
Machinery and computer equipment	110,327	101,280	120,856
Transportation equipment	27,324	28,681	33,317
Lease improvements	72,080	59,669	58,718
Prepayments for equipment	9,947	-	12,811
	$ 7,630,976	$ 7,713,002	$ 7,956,701

	For the Year Ended December 31, 2013						
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2013	$ 3,436,297	$ 5,041,069	$ 1,337,753	$ 264,359	$ 371,165	$ -	$ 10,450,643
Additions	-	11,332	38,835	5,676	35,941	16,136	107,920
Disposals	(14,590)	-	(46,134)	(6,945)	-	-	(67,669)
Reclassification	-	-	-	-	-	(6,189)	(6,189)
Balance at December 31, 2013	3,421,707	5,052,401	1,330,454	263,090	407,106	9,947	10,484,705
Accumulated depreciation							
Balance at January 1, 2013	-	953,995	1,236,472	235,678	311,496	-	2,737,641
Depreciation	-	108,815	29,060	6,979	23,530	-	168,384
Disposals	-	-	(45,405)	(6,891)	-	-	(52,296)
Balance at December 31, 2013	-	1,062,810	1,220,127	235,766	335,026	-	2,853,729
Balance at December 31, 2012, net	$ 3,421,707	$ 3,989,591	$ 110,327	$ 27,324	$ 72,080	$ 9,947	$ 7,630,976

	For the Year Ended December 31, 2012						
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2012	$ 3,530,860	$ 5,048,139	$ 1,368,260	$ 262,815	$ 346,487	$ 12,811	$ 10,569,372
Additions	237	8,030	17,979	8,834	24,678	-	59,758
Disposals	(94,800)	(15,100)	(58,592)	(7,290)	-	-	(175,782)
Reclassification	-	-	10,106	-	-	(12,811)	(2,705)
Balance at December 31, 2012	3,436,297	5,041,069	1,337,753	264,359	371,165	-	10,450,643
Accumulated depreciation							
Balance at January 1, 2012	-	848,000	1,247,404	229,498	287,769	-	2,612,671
Depreciation	-	108,184	46,850	13,395	23,727	-	192,156
Disposals	-	(2,190)	(57,781)	(7,215)	-	-	(67,186)
Balance at December 31, 2012	-	953,994	1,236,473	235,678	311,496	-	2,737,641
Balance at January 1, 2012, net	$ 3,530,860	$ 4,200,139	$ 120,856	$ 33,317	$ 58,718	$ 12,811	$ 7,956,701
Balance at December 31, 2012, net	$ 3,436,297	$ 4,087,075	$ 101,280	$ 28,681	$ 59,669	$ -	$ 7,713,002

The above items of property and equipment were depreciated on a straight-line basis over the useful lives of the assets, estimated as follows:

Buildings	
Main buildings	50-55 years
Equipment installed in buildings	5 years
Machinery and computer equipment	3-5 years
Transportation equipment	3-5 years
Lease improvements	5 years

18. GOODWILL

The Bank acquired Chung Shing Bank ("Chung Shing") on March 19, 2005 and recognized goodwill amounting to $3,309,000 thousand. The goodwill amortization period was five years, and the amortization expense in 2005 was $551,500 thousand. However, the amortization of goodwill became no longer required from January 1, 2006.

The Bank merged with Union Bills Finance Corporation on August 16, 2010, with the Bank as the survivor entity, and recognized goodwill amounting to $130,498 thousand.

For the impairment test on Chung Shing, the Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast for the next five years based on the going-concern assumption. Future cash flows were estimated on the basis of Chung Shing's present operations and will be adjusted depending on the business outlook and economic trends.

As a result of the impairment test, the Bank recognized a goodwill impairment loss of $134,402 thousand in 2012. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balances of accumulated impairment were $902,691 thousand, $902,691 thousand and $768,289 thousand, respectively.

19. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Refundable deposits	$ 1,741,409	$ 1,905,951	$ 1,755,211
Prepaid expenses	152,047	147,789	132,119
Foreclosed collaterals, net	-	100,608	297,951
Others	31,642	427	25
	$ 1,925,098	$ 2,154,775	$ 2,185,306

20. CALL LOANS AND DUE TO OTHER BANKS

	December 31, 2013	December 31, 2012	January 1, 2012
Due to Chunghwa Post Co., Ltd.	$ 4,817,779	$ 4,817,779	$ 6,972,990
Call loans from banks	-	262,224	-
Overdraft	46,828	11,162	23,492
Due to the Central Bank and other banks	60,004	24,272	10,774
	$ 4,924,611	$ 5,115,437	$ 7,007,256

21. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31, 2013	December 31, 2012	January 1, 2012
Asset-based securities	$ 15,274,500	$ 19,780,255	$ 26,015,899
Commercial paper	6,006,325	4,514,569	3,576,764
Government bonds	1,456,239	2,072,653	2,921,910
Corporate bonds	18,845,593	1,921,872	2,007,600
	$ 24,582,657	$ 28,289,349	$ 34,522,173
Date of repurchase agreement	2014.01-2014.06	2013.01-2013.04	2012.01-2012.05
Amount of repurchase agreement	$ 24,604,370	$ 28,314,499	$ 34,556,759

22. PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Notes and checks in clearing	$ 1,661,151	$ 4,028,087	$ 3,635,427
Accrued expenses	668,552	488,161	560,277
Interest payable	591,654	712,664	813,803
Investments payable	247,231	167,547	120,574
Collections payable	164,067	176,140	154,184
Bank acceptances payable	129,230	142,876	108,719

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Provision for payment to the Bank's check	$ 63,606	$ 100,685	$ 67,929
Settlement price	61,192	56,017	40,674
Accounts payable on wire transfers received	53,448	117,878	67,440
Tax taxable	47,734	43,726	47,180
Dishonored accounts payable	43,852	43,770	44,578
Accounts payable	21,557	49,941	-
Fund payable	17,660	942	8,584
Domestic fund payable	3,506	85,774	1,120
Others	393,708	367,102	305,399
	$ 4,168,148	$ 6,581,310	$ 5,975,888

(Concluded)

23. DEPOSITS AND REMITTANCES

	December 31, 2013	December 31, 2012	January 1, 2012
Checking deposits	$ 4,347,055	$ 4,591,171	$ 4,356,838
Demand deposits	52,487,844	46,814,381	43,028,473
Savings deposits	244,228,982	224,501,376	213,217,552
Time deposits	63,681,298	60,572,834	61,012,350
Negotiable certificates of deposit	314,300	787,900	1,033,900
Inward and outward remittances	60,682	131,474	107,797
	$ 365,120,161	$ 337,399,136	$ 322,756,910

24. BANK DEBENTURES

	December 31, 2013	December 31, 2012	January 1, 2012
First issue of subordinated bank debentures in 2006 - class A; fixed 2.6%; maturity: May 2012	$ -	$ -	$ 1,190,000
First issue of subordinated bank debentures in 2006 - class B; one year time savings deposit rate of Bank of Taiwan plus 0.3%; maturity: November 2013	-	800,000	800,000
First issue of subordinated bank debentures in 2009; fixed 2.95%; maturity: June 2016	900,000	900,000	900,000
First issue of subordinated bank debentures in 2011; fixed 2.78%; maturity: June 2018	2,000,000	2,000,000	2,000,000
First issue of subordinated bank debentures in 2012; fixed 2.32%; maturity: May 2019	1,500,000	1,500,000	-
First issue of subordinated bank debentures in 2013; fixed 2.10%; maturity: December 2020	3,000,000	-	-
	$ 7,400,000	$ 5,200,000	$ 4,890,000

25. OTHER FINANCIAL LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Principals of structured products	$ 166,839	$ 242,436	$ 151,244
Funds obtained from the government - intended for specific types of loans	35,019	63,956	91,686
	$ 201,858	$ 306,392	$ 242,930

26. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Provisions for employee benefits (Note 27)	$ 667,628	$ 681,785	$ 621,324
Reserve for losses on guarantees	85,000	114,000	25,000
Unexpected losses	-	-	2,668
	$ 752,628	$ 795,785	$ 648,992

27. RETIREMENT BENEFITS PLANS

a. Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under LPA, the Bank makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized in profit or loss for 2013 and 2012 of $93,482 thousand and $92,489 thousand, respectively, were contributions payable to these plans by the Bank at rates specified in the pension plan rules.

b. Defined benefit plans

The Bank adopted the defined benefit plan under the Labor Standards Law, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement.

The Bank contributes amounts equal to a certain percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan or in the Bank's Taipei branch in the committee's name.

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is under discretionary management by the Bureau of Labor Funds under the Ministry of Labor. In addition, based on the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the return generated by the employees' pension contributions should not be below the interest rate for a two-year time deposit with local banks.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on December 31, 2013 by actuaries. For 2013 and 2012, the Bank recognized employee benefit expenses of $27,373 thousand and $28,020 thousand, respectively, calculated using the actuarially determined pension cost rate as of December 31, 2013 and 2012, respectively.

The principal assumptions used in the purposes of the actuarial valuations were as follows:

	Valuation at		
	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	1.75%	1.50%	1.75%
Expected rate return on plan assets	1.50%	1.75%	2.00%
Future salary increase rate	3.00%	3.00%	3.00%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, taking into consideration how the plan assets are invested and the impact of the related minimum return.

Amounts recognized in profit or loss on respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2013	2012
Current service cost	$ 19,744	$ 19,654
Interest cost	19,418	20,625
Expected return on plan assets	(11,278)	(11,748)
Past service cost	(511)	(511)
	$ 27,373	$ 28,020

Actuarial gains and losses recognized in other comprehensive income were $12,504 thousand for 2013 and $85,859 thousand for 2012. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 were $98,363 thousand and $85,859 thousand, respectively.

The balance sheets included the following amounts of the Bank's obligations on its defined benefit plans:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of the funded defined benefit obligation	$ 1,325,371	$ 1,300,424	$ 1,182,994
Fair value of plan assets	(662,494)	(623,900)	(567,150)
Deficit	662,877	676,524	615,844
Past service cost not yet recognized	3,322	3,833	4,344
Net liability on the defined benefit obligation (Included in provisions for employee benefits)	$ 666,199	$ 680,357	$ 620,188

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 1,300,424	$ 1,182,994
Current service cost	19,744	19,654
Interest cost	19,418	20,625
Actuarial losses	9,968	83,065
Benefits paid	(24,183)	(5,914)
Closing defined benefit obligation	$ 1,325,371	$ 1,300,424

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 623,900	$ 567,150
Expected return on plan assets	11,278	11,748
Actuarial gains	(2,536)	(2,794)
Contributions from the employer	54,035	53,710
Benefits paid	(24,183)	(5,914)
Closing fair value of plan assets	$ 662,494	$ 623,900

The major categories of plan assets at the end of the reporting period for each category were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents	81.50%	79.61%	77.71%
Equity instruments	13.15%	11.44%	11.68%
Debt instruments	5.22%	8.77%	10.58%
Others	0.13%	0.18%	0.03%
	100.00%	100.00%	100.00%

The Bank chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 1,325,371	$ 1,300,424	$ 1,182,994
Fair value of plan assets	$ 662,494	$ 623,900	$ 567,150
Deficit	$ 662,877	$ 676,524	$ 615,844
Experience adjustments on plan liabilities	$ (9,968)	$ (83,065)	$ -
Experience adjustments on plan assets	$ (2,536)	$ (2,794)	$ -

The Bank expects to make a contribution of $31,079 thousand to the defined benefit plan during the annual period beginning after December 31, 2013.

28. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Advance receipts	$ 185,498	$ 171,760	$ 149,095
Guarantee deposits received	91,481	92,573	94,922
Others	37,846	5,962	5,962
	$ 314,825	$ 270,295	$ 249,979

29. EQUITY

a. Capital stock

Common stock

	December 31, 2013	December 31, 2012	January 1, 2012
Number of shares authorized (in thousands)	3,000,000	3,000,000	3,000,000
Amount of shares authorized	$ 30,000,000	$ 30,000,000	$ 30,000,000
Number of shares issued and fully paid (in thousands)	2,216,525	2,006,020	1,645,991
Amount of shares issued	$ 22,165,251	$ 20,060,202	$ 16,459,908

Fully paid common shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

Preferred shares

In their meeting on June 15, 2007, the stockholders resolved to raise publicly or privately the Bank's cash capital by $8,000,000 thousand through a one-time or a serial share issuance depending on the market situation. On September 26, 2007, the Bank privately issued 400,000 thousand preferred shares at NT$10.00 par value and 6% dividend rate.

Under the Bank's Articles of Incorporation, after the Bank appropriates the legal and special reserves from its net income (less any deficit), the Bank should use part of the remainder as dividends to the preferred stockholders. In their meeting on June 13, 2008, the Bank's stockholders passed a resolution to amend the Articles of Incorporation. Based on this amendment, the issuance of preferred dividends will no longer be whenever the Bank makes profits and instead will be made only under common stockholders' resolutions approving this issuance. The preferred stockholders can participate in the distribution of the remaining earnings at the ratio of one preferred share for one common share after earnings distribution to the common stockholders but cannot participate in the distribution of capital surplus transferred to common stock. A preferred share can be converted into one common share a year after the issuance date. The Bank, upon getting approval from the Banking Bureau, can call back some or all the outstanding preferred shares after six years from the issuance date at the price of the issuance amount plus unpaid accumulated dividends.

On December 19, 2012 and August 23, 2013, the board of directors of the Bank approved the conversion of 282,089 thousand shares and 20,419 thousand shares, respectively, of preferred private-placement shares into private-placement common stock. The conversion amounts were $2,820,894 thousand and $204,194 thousand, with the record dates for conversion on December 31, 2012 and September 25, 2013, respectively. After the conversion, there was no longer preferred stock, and the amount of common shares increased by $3,025,088 thousand.

b. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Arising from issuance of common shares	$ 1,875	$ -	$ -
Treasury stock transactions	32,413	32,413	32,413
	$ 34,288	$ 32,413	$ 32,413

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, this capital surplus may be distributed in cash or mar be capitalized within a certain percentage of the Bank's paid-in capital once a year.

The capital surplus from long-term investments, employee stock options and conversion options may not be used for any purpose.

c. Legal reserve

Legal reserve should be appropriated until it equals the Bank's paid-in-capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of its paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, based on the Banking Act, if the legal reserve is less than the Bank's paid-in capital, the amount that may be distributed in cash should not exceed 15% of the Bank's paid-in-capital.

d. Special reserve

Under Rule No. 100116 and Rule No. 0950000507 issued by the Financial Supervisory Commission (FSC), an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative translation adjustments) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," on the first-time adoption of IFRSs, a company should appropriate as special reserve an amount that is the same as the sum of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Bank's use of exemptions under IFRS 1 "First-time Adoption of International Financial Reporting Standards." However, at the date of transition to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. This special reserve may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings should be made until any shortage of this special reserve is appropriated in subsequent years if the Bank has earnings and the original need to appropriate a special reserve is not eliminated. (Item (f) below has information on the special reserve appropriated following the first-time adoption of IFRSs.)

Under the FSC's Letter No. 09900738571 released in January 2011, securities firms are required to transfer their accumulated reserve for default losses and reserve for securities trading losses up to December 31, 2010 to special reserves.

In 2010, the Bank transferred its reserve for default losses of $48,589 thousand, reserve for securities trading losses of $10,528 thousand, and deferred income tax assets amounting to $8,260 thousand, which totaled $50,857 thousand in 2010, to special reserve.

The above special reserve may be used to offset a deficit; if the reserve has reached at least 50% of the paid-in capital, half of this special reserve may be capitalized.

e. Retained earnings and dividend policy

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, this capital surplus may be distributed in cash or capitalized within a certain percentage of the Bank's paid-in capital.

The capital surplus from long-term investments, employee stock options and conversion options may not be used for any purpose.

The Bank's Articles of Incorporation provide that annual net income less any prior years' deficit should be appropriated in the following order:

1) 30% as legal reserve;

2) Special reserve, as deemed proper;

3) Together with prior year's unappropriated earnings: Dividends;

4) The remainder:

   a) Retained earnings, as deemed proper;

   b) Employees' bonus of at least 10% (excluding prior year's unappropriated earnings);

   c) The remainder: 0.5% as remuneration to directors and supervisors (excluding prior year's unappropriated earnings) and bonus to stockholders as approved by the stockholders.

These appropriations should be resolved by the stockholders in, and given effect to in the financial statements of, the year following the year of earnings generation.

The board of directors decides the appropriation and distribution of cash and stock dividends, taking into account the Bank's overall financial and economic condition, future profitability and capital expenditure requirements. In principle, when the Bank of International Settlement ratio is lower than the ratio approved by the authorities plus 1%, primarily stock dividends will be declared. If the legal reserve has not reached the Bank's paid-in capital, cash dividends are limited to 15% of the Bank's paid-in capital. The plan on employees' bonus and remuneration to directors and supervisors is proposed by the board of directors.

For 2013 and 2012, the estimates of the bonus to employees were $66,865 thousand and $44,485 thousand, respectively, and the remunerations to directors and supervisors were $3,343 thousand and $2,224 thousand, respectively. The bonus to employees and remuneration to directors and supervisors were 10% and 0.5%, respectively, of net income (net of the bonus and remuneration) minus legal reserve, special reserve, and dividends. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted in the year of the board's proposal. If the actual amounts subsequently approved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

The appropriations from the earnings of 2012 and 2011 were approved in stockholders' meetings on June 14, 2013 and June 22, 2012, respectively. The appropriations and dividends per share were as follows:

	2012		2011	
	Appropriation of Earnings	**Dividend Per Share (NT$)**	**Appropriation of Earnings**	**Dividend Per Share (NT$)**
Legal reserve	$ 784,074		$ 547,985	
Special reserve	(201,754)		(266,264)	
Stock dividends on common shares	1,839,520	$0.917	658,396	$0.400
Cash dividends on preferred shares	181,042	0.600	757,451	0.600
Stock dividends on preferred shares	18,725	0.917	121,004	0.400

The bonus to employees and remuneration to directors and supervisors that were approved in the stockholders' meeting on June 14, 2013 were as follows:

	2012	
	Cash Dividends	**Stock Dividends**
Bonus to employees	$ -	$ 44,485
Bonus to directors and supervisors	2,224	-

The stock bonus to employees was $4,261 thousand, determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting in 2013.

The appropriations of earnings, bonus to employees and remuneration of directors and supervisors for 2012 were proposed in accordance with the Bank's financial statements for the year ended December 31, 2012, which were prepared in accordance with the unamended Criteria Governing the Preparation of Financial Reports by Public Bank, Regulations Governing the Preparation of Financial Reports by Securities Firms and GAAP, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the IFRSs.

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the stockholders' meetings in 2013 and the amounts recognized in the financial statements for the year ended December 31, 2012.

The bonus to employees and remuneration to directors and supervisors for 2011 was decided not to dispense in the stockholders' meetings on June 22, 2012.

The appropriations from the 2013 earnings were proposed by the board of directors on March 19, 2014. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 837,732	
Special reserve	(355,598)	
Stock dividends on common shares	2,283,021	$1.03
Cash dividends on preferred shares	8,962	0.44

On March 19, 2014, the board of directors approved a proposal to appropriate from the 2013 earnings a bonus to employees of $59,752 thousand and remuneration to directors and supervisors of $2,988 thousand. There was no difference between these proposed amounts and the amounts recognized in the financial statements for the year ended December 31, 2013.

The proposed appropriations from the 2013 earnings, including the bonus to employees and remuneration to directors and supervisors, will be presented to the stockholders in their meeting on June 6, 2014.

The information on the proposed and resolved earnings appropriation is available on the Market Observation Post System web site of the Taiwan Stock Exchange.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank.

f. Special reserve appropriated following first-time adoption of IFRSs

Under Rule No. 1010012865 issued by the FSC, the Bank's the special reserve appropriated following the first-time adoption of IFRSs was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Special reserve	$ 507,984	$ -	$ -

As of the IFRS transition date, the special reserve that should consist of an amount the same as the sum of the unrealized revaluation increment and cumulative translation gains transferred to retained earnings as a result of the Bank's use of exemptions under IFRS 1 was greater than $507,984 thousand, the increase in retained earnings that resulted from all IFRSs adjustments, making this increase insufficient for special reserve appropriation; thus, as allowed under the above FSC rule, the Bank appropriated $507,984 thousand as special reserve.

If the special reserve appropriated on the first-time adoption of IFRSs relates to investment property other than land, the special reserve may be reversed continually over the period of property use. The special reserve for land may be reversed on disposal or reclassification.

g. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ (278,935)	$ -
Exchange differences arising on translating the foreign operations	251,127	(362,188)
Income tax on related from translating the net assets of foreign operations	(49,821)	61,572
Share of exchange difference of subsidiaries accounted for using the equity method	-	21,681
Balance at December 31	$ (77,629)	$ (278,935)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2013	2012
Balance, beginning of the year	$ 413,490	$ (167,173)
Unrealized gain from the revaluation of available-for-sale financial assets	578,479	466,440
Income tax on unrealized gain from the revaluation of available-for-sale financial assets	(210,886)	-
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	114,304	101,305
Share of exchange difference of subsidiaries accounted for using the equity method	14,120	12,918
Balance, end of the year	$ 909,507	$ 413,490

30. NET INTEREST

	For the Year Ended December 31	
	2013	2012
Interest revenue		
Discounts and loans	$ 5,593,583	$ 5,158,049
Debt instruments with no active market	1,786,560	1,924,932
Credit card	930,156	995,035
Due from the Central Bank and call loans to other banks	622,371	768,833
Available-for-sale financial assets	135,317	90,076
Securities purchased under resell agreements	96,244	51,770
Financial assets at fair value through profit or loss	79,197	95,026
Held-to-maturity financial assets	15,112	21,209
Others	12,803	12,116
	9,271,343	9,117,046

(Continued)

	For the Year Ended December 31	
	2013	2012
Interest expense		
Deposits	$ 2,983,668	$ 2,925,021
Securities sold under repurchase agreements	155,594	238,277
Bank debentures	130,406	135,219
Due to Chunghwa Post Co., Ltd.	66,817	79,857
Others	13,537	3,880
	3,350,022	3,382,254
	$ 5,921,321	$ 5,734,792

(Concluded)

31. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2013	2012
Commission and fee revenues		
Insurance commission	$ 873,171	$ 754,702
Credit cards and cash cards	277,182	206,933
Trust business	285,871	299,871
Loan business	154,683	131,311
Interbank service fee	110,200	94,510
Guarantee business	77,777	69,329
Underwriting business	70,144	23,767
Remittances	35,437	33,851
Custody	31,244	27,430
Postage/cable charge	19,322	18,581
Agency	12,178	13,781
Import and export business	8,406	8,667
Others	119,985	94,150
	2,075,600	1,776,883
Commission and fee expense		
Credit card	292,857	279,707
Verification of credit	23,588	20,330
Interbank service fee	16,611	17,546
Acquiring liquidation deal	11,751	10,045
Agency fee	9,789	9,025
Others	56,630	52,253
	411,226	388,906
	$ 1,664,374	$ 1,387,977

32. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2013	2012
Realized gain or loss on financial assets at fair value through profit or loss		
Forward exchange contracts	$ 376,521	$ 259,417
Currency swap contracts	196,721	185,997
Convertible corporate bonds	33,014	87,000
Commercial paper	16,996	(406)
Option contracts	3,635	2,862
Beneficial securities and stocks	11,202	(32,897)
Government bonds	(4,549)	95
Corporate bonds	-	60
Dividend revenue	530	905
	634,070	503,033
Unrealized gain or loss on financial assets at fair value through profit or loss		
Derivative financial assets and liabilities	14,076	(194,060)
Government bonds and corporate bonds	28,708	181,570
Beneficial securities and stocks	3,027	33,245
Commercial paper	(1,754)	(132)
	44,057	20,623
	$ 678,127	$ 523,656

33. REALIZED INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31	
	2013	2012
Net loss on disposal - stocks	$ (130,210)	$ (85,149)
Dividend revenue	28,123	36,302
Net income (loss) on disposal - beneficial securities	12,344	(39,275)
Net income on disposal - corporate bonds	3,086	-
Net income on disposal - government bonds	426	846
Net income (loss) on disposal - commercial paper	50	(264)
	$ (86,181)	$ (87,540)

34. REVERSAL OF IMPAIRMENT INCOME (LOSS) ON ASSETS

	For the Year Ended December 31	
	2013	2012
Other financial assets	$ 68,594	$ -
Foreclosed collaterals	51,593	(40,000)
Goodwill	-	(134,402)
	$ 120,187	$ (174,402)

35. EMPLOYEE BENEFIT EXPENSES

	For the Year Ended December 31	
	2013	2012
Salaries and wages	$ 1,738,990	$ 1,662,929
Bonus	522,095	414,765
Pension (Note 27)	120,855	120,509
Labor insurance and national health insurance	197,668	185,477
Others	42,018	43,714
	$ 2,621,626	$ 2,427,394

36. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2013	2012
Property and equipment	$ 168,384	$ 192,156
Intangible assets	40,267	67,395
	$ 208,651	$ 259,551

37. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2013	2012
Rental	$ 586,807	$ 573,359
Outsourcing service	267,036	236,318
Taxation and government fee	243,917	228,534
Advertisement	284,132	285,106
Postage/cable charge	215,614	215,269
Computer operating	155,868	158,180
Deposit insurance	107,944	110,760
Maintenance charge	110,782	104,084
Marketing	56,826	59,277
Donation	26,328	24,890
Printing and binding	39,385	40,275
Others	311,348	315,624
	$ 2,405,987	$ 2,351,676

38. INCOME TAX

a. Income tax recognized in profit or loss

The main components of income tax expense were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
Current year	$ 28,131	$ 58,822
Prior year's adjustments	-	1,721
	28,131	60,543
Deferred tax		
Current year	442,760	355,163
Income tax expense recognized in profit or loss	$ 470,891	$ 415,706

A reconciliation of accounting profit and current income tax expenses for the years ended December 31, 2013 and 2012 is as follows:

	For the Year Ended December 31	
	2013	2012
Income before tax	$ 3,338,782	$ 3,050,424
Income tax expense at the 17% statutory rate	$ 567,593	$ 518,572
Nondeductible expenses in determining taxable income	(45,776)	(33,988)
Additional income tax under the Alternative Minimum Tax Act	28,131	58,822
Unrecognized deductible temporary differences	(36,715)	(40,296)
Tax-exempt income	(42,342)	(89,125)
Adjustments for prior year's tax	-	1,721
Income tax expense recognized in profit or loss	$ 470,891	$ 415,706

The applicable tax rate used by the Bank was 17%.

As the manner of the 2014 appropriation of the 2013 earnings is uncertain, the income tax consequences on the 2013 unappropriated earnings cannot be reliably determined.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2013	2012
Deferred tax		
Recognized in other comprehensive income:		
Unrealized gains on available-for-sale financial assets	$ 210,886	$ -
Exchange differences on the translation of financial statements of foreign operations	49,821	(61,572)
Actuarial gains and losses on defined benefit plans	(2,127)	-
Total income tax expenses (benefits) recognized in other comprehensive income	$ 258,580	$ (61,572)

c. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets			
Tax refund receivable	$ 160,660	$ 100,493	$ 145,259
Current tax liabilities			
Income tax payable	$ -	$ -	$ 116,164

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Impairment loss of financial instruments	$ 165,843	$ 358	$ -	$ 166,201
Exchange difference on translation of foreign operations	115,546	-	(49,821)	65,725
Employee benefit plan	114,776	(5,087)	2,127	111,816
Payable for annual leave	14,783	4,337	-	19,120
Allowance for possible losses	37,811	22,682	-	60,493
Others	34,186	(16,918)	-	17,268
	482,945	5,372	(47,694)	440,623
Loss carryforwards	2,822,272	(436,840)	-	2,385,432
	$ 3,305,217	$ (431,468)	$ (47,694)	$ 2,826,055
Deferred tax liabilities				
Temporary differences				
Available-for-sale financial assets	$ -	$ -	$ (210,886)	$ (210,886)
Amortization of goodwill impairment loss	(325,855)	(4,437)	-	(330,292)
Others	(8,525)	(6,855)	-	(15,380)
	$ (334,380)	$ (11,292)	$ (210,886)	$ (556,558)

For the year ended December 31, 2012

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Impairment loss of financial instruments	$ 164,834	$ 1,009	$ -	$ 165,843
Exchange difference on foreign operations	53,974	-	61,572	115,546

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Employee benefit plan	$ 104,547	$ 10,229	$ -	$ 114,776
Payable for annual leave	14,153	630	-	14,783
Allowance for possible losses	201,575	(163,764)	-	37,811
Others	16,562	17,624	-	34,186
	555,645	(134,272)	61,572	482,945
Loss carryforwards	3,071,284	(249,012)	-	2,822,272
Investment credits	3,082	(3,082)	-	-
	$ 3,630,011	$ (386,366)	$ 61,572	$ 3,305,217
Deferred tax liabilities				
Temporary differences				
Amortization of goodwill impairment loss	$ (344,266)	$ 18,411	$ -	$ (325,855)
Others	(21,317)	12,792	-	(8,525)
	$ (365,583)	$ 31,203	$ -	$ (334,380)

(Concluded)

e. Information about loss carryforwards

The Bank's loss carryforwards as of December 31, 2013 were as followed:

Unused Amount	Expiry Year
$ 6,580,482	2017
3,598,322	2018
3,654,973	2019
198,175	2020
$ 14,031,952	

f. Loss carryforwards for which no deferred tax assets have been recognized:

	December 31, 2013	December 31, 2012	January 1, 2012
Unused loss carryforwards	$ -	$ 45,131	$ 232,417

g. Information on the Bank's integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	$ 2,792,439	$ 3,064,835	$ 2,334,599
Imputation credits accounts	$ 2,553	$ 300,853	$ 386,199

The creditable ratios for the distribution of the earnings of 2013 and 2012 were 0.09% (expected ratio) and 17.07%, respectively.

Under the Income Tax Law, for the distribution of earnings generated from January 1, 1998, the imputation credits allocable to ROC resident stockholders of the Bank are calculated on the basis of the creditable ratio as of the date of dividend distribution. The actual imputation credits allocable to stockholders of the Bank are based on the balance of the imputation credit accounts as of the date of dividend distribution. Thus, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

Based on Legal Interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, in the calculation of the imputation credits in the year of the first-time adoption of IFRSs, the cumulative retained earnings should include the net increase or net decrease in retained earnings arising from the first-time adoption of IFRSs.

h. The Bank's income tax returns through 2008 and 2011 have been examined and cleared by the tax authorities. The Bank disagreed with the tax authorities' assessment of the Bank's 2011 tax return and had applied for a reexamination of this return and an administrative appeal.

39. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) are summarized as follows:

	Numerator (Amounts)		Denominator (Shares in Thousands)	Earnings Per Share (NT$)	
	Pretax	After Tax		Pretax	After Tax
2013					
Basic EPS	$ 3,338,782	$ 2,867,891			
Less: Preferred dividends	(8,962)	(8,962)			
Basic EPS					
Income for the year attributable to common stockholders	3,329,820	2,858,929	2,199,674	$ 1.51	$ 1.30
Effect of potential dilutive convertible preferred stock	8,962	8,962	14,937		
Bonus to employees	-	-	8,021		
Diluted EPS	$ 3,338,782	$ 2,867,891	2,222,632	$ 1.50	$ 1.29
2012					
Basic EPS	$ 3,050,424	$ 2,634,718			
Less: Preferred dividends	(181,043)	(181,043)			
Basic EPS					
Income for the year attributable to common stockholders	2,869,381	2,453,675	1,910,527	$ 1.50	$ 1.28
Effect of potential dilutive convertible preferred stock	181,043	181,043	301,738		
Diluted EPS	$ 3,050,424	$ 2,634,718	2,212,265	$ 1.38	$ 1.19

If the Bank decides to settle the bonus to employees by cash or shares, the Bank should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding to be used in calculating the diluted EPS. This dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The Bank's record dates for the distribution of stock dividends appropriated from the 2013 and 2012 earnings were August 12, 2013 and September 15, 2012, respectively.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses and stock dividends. This adjustment caused the basic and diluted EPS after income tax for 2012 to decrease from NT$1.41 to NT$1.28 and from NT$1.29 to NT$1.19, respectively.

40. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other footnotes, significant transactions between the Bank and related parties are summarized as follows:

a. Related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Union Finance and Leasing International Corporation (UFLIC)	Subsidiary
Union Information Technology Corporation (UIT)	Subsidiary
Union Insurance Broker Company (UIB)	Subsidiary
Union Finance International (H.K.) Limited	Subsidiary
Union Securities Investment Trust Corporation (USITC)	Subsidiary
Union Capital (Cayman) Corp.	Subsidiary of UFLIC
New Asian Ventures Ltd.	Subsidiary of UFLIC
Union Real-Estate Management Corporation	Equity-method investee of the Bank
Hung-Kou Construction Inc., Ltd. ("Hung-Kou")	Its chairman is a second-degree relative of the Bank's director/general manager
Union Ran Zheng Co., Ltd. (URZ)	Its chairman is a second-degree relative of the Bank's director/general manager
The Liberty Times Co., Ltd. ("Liberty Times")	The Bank's director/general manager and the chairman of the board of directors are the director and supervisor, respectively, of Liberty Times
Long Shan Lin Corporation	Its chairman is a second-degree relative of the Bank's director/general manager
Yong-Xuan Co., Ltd. ("Yong-Xuan")	Its chairman is a second-degree relative of the Bank's director/general manager
Liu Jin Fu	Director of the Bank
Union Enterprise Construction Co., Ltd. (UECC)	Director of the Bank
Zhong Li Venture Corporation	Director of the Bank
Jiang Jhen Syong	Director of the Bank
Lin Ci Yong	Supervisor of the Bank
Bao Xing Investment Corporation	Supervisor of the Bank
Yu-Pang Co., Ltd. ("Yu-Pang")	Director of the Bank

(Continued)

Related Party	Relationship with the Bank
Li Tsai Jhao Mei	Wife of the Bank's director
Morgan Stanley Union Bank Assets Management Corporation (MSUB)	Related party in substance
Liang Ji Investment Corporation	Related party in substance
Union Recreation Enterprise Corporation	Related party in substance
Others	Directors, supervisors, managers, and their relatives and affiliates

(Concluded)

b. Significant transactions with related parties:

1) Loans

December 31, 2013

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2013	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	5	$ 3,785	$ 3,707	$ 3,707	$ -	-	None
Self-used housing mortgage loans	18	92,964	86,935	86,935	-	Real estate	None
Others	UFLIC	2,239,549	2,167,788	2,167,788	-	Land, plant, buildings and foreign time deposits	None
Others	3	567,665	567,643	567,643	-	Land, plant, buildings and time deposits	None

December 31, 2012

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2012	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	1	$ 450	$ 450	$ 450	$ -	-	None
Self-used housing mortgage loans	11	63,607	62,315	62,315	-	Real estate	None
Others	UFLIC	2,062,486	2,044,926	2,044,926	-	Land, buildings and foreign time deposits	None

January 1, 2012

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2011	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	3	$ 1,150	$ 1,010	$ 1,010	$ -	-	None
Self-used housing mortgage loans	16	61,489	50,894	50,894	-	Real estate	None
Others	UFLIC	1,634,634	1,568,880	1,568,880	-	Land, buildings and foreign time deposits	None

	December 31		Interest Revenue		
	Amount	%	Rate	Amount	%
2013	$ 2,826,073	1.23	1.34%-3.185%	$ 46,548	0.50
2012	2,107,691	1.04	1.2%-3.23%	40,455	0.44

2) Deposits

	December 31		Interest Expense		
	Amount	%	Rate	Amount	%
2013	$ 3,301,340	0.90	0%-4.21%	$ 14,153	0.42
2012	2,422,662	0.72	0%-4.85%	12,411	0.36

3) Guarantees and letters of credit

December 31, 2013

Name	Highest Balance in the Year Ended December 31, 2013	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 54,899	$ 39,874	$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd.	17,390	13,665	-	0.05%	Land and buildings
Long Shan Lin Corporation	71,040	71,040	-	0.3%	Time deposits

December 31, 2012

Name	Highest Balance in the Year Ended December 31, 2012	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 122,199	$ 54,899	$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd.	18,723	10,923	-	0.05%	Land and buildings
Long Shan Lin Corporation	71,040	71,040	-	0.3%	Time deposits

January 1, 2012

Name	Highest Balance in the Year Ended December 31, 2011	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 82,232	$ 79,749	$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd.	62,178	4,942	-	0.05%	Land and buildings
Long Shan Lin Corporation	71,040	71,040	-	0.3%	Time deposits

Note: Reserve for guarantee loss is provided on the basis of the estimated unrecoverable amount.

4) Securities brokerage fees

	For the Year Ended December 31	
	Amount	%
2013	$ 2,892	5.34
2012	4,013	7.36

5) Leases

a) The Bank as lessee

Under operating lease agreements with terms of one year to five years, the Bank rents from related parties office spaces for use by the Head Office, Trust, International Banking Dept., Wealth Management, Consumer Banking Dept., Security Finance Dept., Credit Card Dept., the Northern Collateral Appraisal Center, and five branches. Rentals are payable quarterly, with some contracts allowing placement with the lessors of lease deposits in lieu of rental payments. Rental expenses and lease deposits were as follows:

	Lease Deposit (Part of Other Financial Assets)		Rental Expense (Part of Other Operating Expense)	
	Amount	%	Amount	%
2013				
Yu-Pang	$ 454,290	26.09%	$ 14,821	2.53%
Hung-Kuo	218,760	12.56%	100,675	17.16%
Yong-Xuan	13,649	0.78%	57,514	9.80%
UECC	4,384	0.25%	9,266	1.58%
UFLIC	-	-	3,447	0.59%
2012				
Yu-Pang	454,290	23.84%	14,821	2.58%
Hung-Kuo	218,760	11.48%	100,675	17.56%
Yong-Xuan	13,649	0.72%	57,514	10.03%
UECC	4,384	0.23%	9,266	1.62%
UFLIC	-	-	3,447	0.60%

The Bank rented cars for business use from UFLIC; the rental expenses were $9,615 thousand in 2013 and $9,094 thousand in 2011. Rentals payable as of December 31, 2013, December 31, 2012 and January 1, 2012 were $85 thousand, $107 thousand and $64 thousand, respectively.

b) The Bank as lessor

The Bank's South Taoyuan Branch, Kaohsiung Branch, Minchuan Branch, Chiayi Branch and Fucheng Branch leased part of their office premises to UFLIC under operating lease agreements starting from May 2011 to April 2016, from June 2011 to December 2015, from April 2011 to September 2017, from July 2009 to July 2014, and from April 2011 to February 2014, respectively. The leasing revenues received were $910 thousand each in 2013 and 2012. The lease deposits received (included in other liabilities) were $235 thousand each in 2013 and 2012.

6) The disposal of nonperforming loans and assuming of related collaterals

On June 27, 2006 and September 20, 2006, the Bank sold to Morgan Stanley Union Bank some of its nonperforming loans and related collateral property for $995,000 thousand and $615,025 thousand, respectively. As of December 31, 2012, the total proceeds of the sale had been received.

7) Available-for-sale financial assets

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Bank had purchased 59,386 thousand units, $97,878 thousand units and $48,344 thousand units, respectively, of beneficial certificates issued by USITC, which amounted to $757,198 thousand, $1,213,996 thousand and $554,130 thousand, respectively.

8) UIT sold computers and related materials and software and provided network services to the Bank. The purchase and service fees were $90,667 thousand in 2013 and $82,682 thousand in 2012.

9) The Bank provided insurance consulting service and sales assistance to UIB. The commission and fee revenues were $173,769 thousand in 2013 and $161,213 thousand in 2012. The commission revenues on insurance premium (included in commissions and fee revenue) were $285,977 thousand in 2013 and $310,225 thousand in 2012.

10) For credit card promotion, the Bank bought from Union Finance and Leasing International Corporation (UFLIC) classic commemorative watches and backpacks with authorized Ferrari logos for $25,767 thousand (included in other operating expenses) in 2013.

11) The Bank has made an agreement in July 2013 with USITC to have in the Bank's custody the bonds issued by Lehman Brother Treasury Co. after the liquidation of asset-backed commercial paper of Taishin International Bank Co., Ltd. issued by the Land Bank of Taiwan. The aggregate face value is about USD $4,451 thousand.

Under the Banking Law, except for consumer and government loans, credits extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

For transactions between the Bank and related parties, the terms are similar to those transacted with third parties, except for the preferential interest rates offered to Bank employees for savings and loans within prescribed amounts.

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31	
	2012	**2011**
Short-term employment benefits		
Salaries	$ 27,390	$ 27,142
Transportation expenses	1,502	1,626
	28,892	28,768
Post-employment benefits	3,384	3,160
	$ 32,276	$ 31,928

Compensation of directors and management personnel is determined by the remuneration committee on the basis of individual performance and market trends.

41. PLEDGED ASSETS

As of December 31, 2013, December 31, 2012 and January 1, 2012, government bonds and bank debentures, which amounted to $119,500 thousand, $158,200 thousand and $179,800 thousand (all amounts included in other financial assets), respectively, had been provided to the courts and the Bank of Taiwan as guarantee deposits on provisional seizures against the debtors' properties, as reserve for credit card receivables, as guarantee deposits on bills finance operations, and as trust reserve. In addition, as of December 31, 2013, December 31, 2012 and January 1, 2012, negotiable certificates of deposit, which amounted to $8,700,000 thousand, $5,000,000 thousand and $2,500,000 thousand, respectively (all amounts included in other financial assets), had been provided to the Central Bank as collateral for day-term overdraft.

42. CONTINGENCIES AND COMMITMENTS

a. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Bank's commitments consisted of the following:

	December 31, 2013	December 31, 2012	January 1, 2012
Irrevocable standby loan commitment	$ 76,818,305	$ 80,707,797	$ 56,477,623
Unused credit card commitment	183,598,978	164,444,216	162,269,984
Unused letters of credit	724,584	770,554	659,539
Other guarantees	10,679,535	9,660,110	9,564,282
Collections for customers	25,007,132	21,965,090	19,890,854
Travelers' checks consigned-in	146,347	169,335	196,253
Guarantee notes payable	4,350,700	5,187,400	2,709,000
Trust assets	59,050,568	57,129,343	51,228,724
Marketable securities under custody	407,669	427,849	617,939

b. The Bank as lessee

The Bank rents several office premises for its branches under operating leases with terms ranging between 2 and 20 years. All operating lease contracts over 5 years contain clauses for market rental reviews for every five years. The Bank does not have a bargain purchase option to acquire the leased premises at the expiration of the lease period.

As of December 31, 2013, December 31, 2012 and January 1, 2012, refundable deposits paid under operating leases were $797,429 thousand, $800,564 thousand and $797,205 thousand, respectively (included in other assets - refundable deposits).

The Bank's future minimum lease payments for noncancellable operating lease commitments were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Within 1 year	$ 440,696	$ 408,437	$ 388,782
Over 1 year up to 5 years	582,874	784,072	903,155
Over 5 years	331,668	356,122	272,632
	$ 1,355,238	$ 1,548,631	$ 1,564,569

c. The Bank as lessor

The Bank rents out properties under operating leases with the terms ranging between 3 and 20 years. All operating lease contracts contain market review clauses so that the lessee has an option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiration of the lease period.

As of December 31, 2013, December 31, 2012 and January 1, 2012, refundable deposits paid under operating leases were $3,618 thousand, $3,618 thousand and $3,548 thousand, respectively (included in other liabilities - guarantee deposits received).

The Bank's future minimum lease payments for noncancellable operating lease commitments were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Within 1 year	$ 9,190	$ 9,679	$ 9,433
Over 1 year up to 5 years	11,293	15,275	22,909
Over 5 years	-	-	78
	$ 20,483	$ 24,954	$ 32,420

d. Computer equipment purchase contracts

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Bank had contracts to buy computer equipment and software for $20,921 thousand, $45,676 thousand and $42,902 thousand, respectively, of which $10,738 thousand, $29,217 thousand and $19,662 thousand had been paid as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

43. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts
December 31, 2013

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 4,341,603	Income tax payable	$ 104
Investments		Marketable securities payable	9,672,156
Mutual funds	35,670,405	Trust capital	49,423,727
Common stock	153,251	Reserve and deficit	(45,419)
Short-term bills and securities purchased under resell agreements	80,235		
Accounts receivable	2,127		
Stock in custody	9,672,156		
Real estate - land and building	9,130,791		
Total	$ 59,050,568	Total	$ 59,050,568

Balance Sheet of Trust Accounts
December 31, 2012

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 4,051,339	Income tax payable	$ 86
Investments		Marketable securities payable	7,955,499
Mutual funds	35,157,618	Trust capital	49,256,059
Common stock	147,580	Reserve and deficit	(82,301)
Short-term bills and securities purchased under resell agreements	91,839		
Accounts receivable	2,645		
Stock in custody	7,955,499		
Real estate - land and building	9,722,823		
Total	$ 57,129,343	Total	$ 57,129,343

Balance Sheet of Trust Accounts
January 1, 2012

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 3,015,199	Income tax payable	$ 52
Investments		Marketable securities payable	7,330,424
Mutual funds	33,146,210	Trust capital	44,037,252
Common stock	172,174	Reserve and deficit	(139,004)
Short-term bills and securities purchased under resell agreements	73,565		
Accounts receivable	1,612		
Stock in custody	7,330,424		
Real estate - land and building	7,489,540		
Total	$ 51,228,724	Total	$ 51,228,724

Income Statement of Trust Accounts
Year Ended December 31, 2013

	Amount
Trust income	
Interest revenue - demand accounts	$ 2,348
Interest revenue - time deposits	7,077
Interest revenue - short-term bills and securities purchased under resell agreements	368
Cash dividends	8,391
Income from beneficial certificates	420
Realized capital gain - fund	1,469
Unrealized capital gain - GTSM stock	40,823
Unrealized capital gain - fund	688
Total trust income	61,584

(Continued)

	Amount
Trust expense	
Management expense	$ 7,654
Taxation	58,396
Realized capital loss - fund	297
Unrealized capital loss - fund	641
Other	17,824
Total trust expense	84,812
Loss before tax	(23,228)
Income tax expense	(1,304)
Net loss	$ (24,532)

Note: The above trust income statements were not included in the Bank's income statements.

Income Statement of Trust Accounts
Year Ended December 31, 2012

	Amount
Trust income	
Interest revenue - demand accounts	$ 1,566
Interest revenue - time deposits	6,500
Interest revenue - short-term bills and securities purchased under resell agreements	368
Cash dividends	9,102
Income from beneficial certificates	371
Unrealized capital gain - GTSM stock	40,586
Unrealized capital gain - fund	1,107
Realized capital gain - fund	44
Total trust income	59,644
Trust expense	
Management expense	3,754
Custodian fee	8
Taxation	100,988
Unrealized capital loss - GTSM stock	867
Unrealized capital loss - fund	477
Realized capital loss - fund	278
Other	26,768
Total trust expense	133,140
Loss before tax	(73,496)
Income tax expense	(1,880)
Net loss	$ (75,376)

Note: The above trust income statements were not included in the Bank's income statements.

Trust Property and Equipment Accounts
December 31, 2013

Investment Portfolio	Amount
Bank deposits	$ 4,341,603
Investments	
Mutual funds	35,670,405
Common stock	153,251
Short-term bills and securities purchased under resell agreements	80,235
Accounts receivable	2,127
Stock in custody	9,672,156
Real estate - land and buildings	9,130,791
	$ 59,050,568

Trust Property and Equipment Accounts
December 31, 2012

Investment Portfolio	Amount
Bank deposits	$ 4,051,339
Investments	
Mutual funds	35,157,618
Common stock	147,580
Short-term bills and securities purchased under resell agreements	91,839
Accounts receivable	2,645
Stock in custody	7,955,499
Real estate - land and buildings	9,722,823
	$ 57,129,343

Trust Property and Equipment Accounts
January 1, 2012

Investment Portfolio	Amount
Bank deposits	$ 3,015,199
Investments	
Mutual funds	33,146,210
Common stock	172,174
Short-term bills and securities purchased under resell agreements	73,565
Accounts receivable	1,612
Stock in custody	7,330,424
Real estate - land and buildings	7,489,540
	$ 51,228,724

44. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

Except for the financial instruments shown in the following table, the management believes that the financial assets and financial liabilities recognized in the financial statements either have carrying amounts that approximate their fair values or have fair values that cannot be reasonably measured.

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets						
Held-to-maturity financial assets	$ 428,017	$ 436,693	$ 811,872	$ 822,838	$ 1,313,015	$ 1,328,865
Debt instruments with no active market	48,516,710	45,201,547	43,871,572	44,238,804	44,723,018	44,569,296
Financial liabilities						
Bank debentures	7,400,000	7,557,098	5,200,000	5,360,295	4,890,000	5,023,408

b. The financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants with full understanding of the sale or transfer transaction. The fair values of financial instruments at fair value, available-for-sale financial assets and hedging derivative financial instruments with quoted price in an active market are based on their market prices; financial instruments with no quoted prices in an active market are estimated by valuation methods.

1) Marking to market

This method should be used first to determine fair value. Following are the principles to follow in marking to market:

a) Ensure the consistency and integrity of market data.

b) The source of market data should be transparent and easy to access and can be referred to by independent resources.

c) Listed securities with tradable prices should be valued at closing prices.

d) Evaluating unlisted securities that lack tradable closing prices should use quoted prices from independent brokers.

2) Marking to model

The use of marking to model is suggested if marking to market is infeasible. This valuation methodology is based upon model inputs that are used to derive the value of the trading positions. The Bank uses the same estimations and assumptions as those used by market participants to determine the fair value.

The Bank uses the forward rates provided by Reuters to estimate the fair values of forward contracts, foreign exchange swap contracts, interest rate swap and cross-currency swap contacts and the discounted cash flow method to calculate the fair values of each contract. For foreign exchange option transactions, the Bank uses the option pricing models which are generally used by other market participants (e.g., the Black-Scholes model) to calculate the fair value of the contracts.

For debt instruments with no active market, the Bank estimates fair values based on prices quoted by counterparties and adjusted in accordance with the results of the evaluation of a debtor's credit.

c. Three-level fair value hierarchy

The definitions of each level of the fair value hierarchy are shown below:

1) Level 1

Level 1 financial instruments are traded in an active market in which there are quoted prices for identical assets and liabilities. An active market has the following characteristics:

a) All financial instruments in the market are homogeneous.

b) There are willing buyers and sellers in the market all the time.

c) The public can access the price information easily.

The products in this level, such as listed stocks and beneficial securities, usually have high liquidity or are traded in futures market or exchanges.

2) Level 2

The products in this level have fair values that can be inferred from either directly or indirectly observable inputs other than quoted prices in an active market. Examples of these inputs are:

a) Quoted prices from the similar products in an active market. This means the fair value can be derived from the current trading prices of similar products, and whether they are similar products should be judged on the characteristics and trading rules. The fair price valuation in this circumstance may be adjusted due to time differences, trading rule's differences, interested parties' prices, and the correlation of price between itself and the similar goods;

b) Quoted prices for identical or similar financial instruments in inactive markets;

c) For the marking-to-model method, the inputs to this model should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be obtained from the market and can reflect the expectation of market participants;

d) Inputs that are derived from observable market data through correlation or other means.

The fair values of products categorized in this level are usually calculated using a valuation model generally accepted by the market. Examples are forward contracts, cross-currency swap, simple interest bearing bonds, convertible bonds and commercial paper.

3) Level 3

The fair values of the products in this level are typically based on management assumptions or expectations other than the direct market data. For example, historical volatility used in valuing options is an unobservable input because it cannot represent the entire market participants' expectation on future volatility.

The products in this level are complex derivate financial instruments or products with prices that are provided by brokers. Examples are complex foreign exchange options.

d. The fair value hierarchies of the Bank's financial instruments as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

(In Thousands of New Taiwan Dollars)

	December 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	$ 157,846	$ 157,846	$ -	$ -
Debt instruments	205,635	-	205,635	-
Commercial paper	7,566,717	-	7,566,717	-
Financial assets designated as at FVTPL on initial recognition	1,854,346	-	1,854,346	-
Available-for-sale financial assets				
Stock	2,007,897	2,007,897	-	-
Debt instruments	4,862,614	-	4,862,614	-
Negotiable certificates of deposit	216,098	-	216,098	-
Beneficial certificates	1,413,583	1,413,583	-	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	78,713	-	72,865	5,848
Liabilities				
Financial liabilities at FVTPL	16,006	-	10,158	5,848

	December 31, 2012			
	Total	**Level 1**	**Level 2**	**Level 3**
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	$ 7,984	$ 7,984	$ -	$ -
Debt instruments	51,190	-	51,190	-
Commercial paper	5,138,492	-	5,138,492	-
Financial assets designated as at FVTPL on initial recognition	2,821,369	-	2,821,369	-
Available-for-sale financial assets				
Stock	1,620,142	1,620,142	-	-
Debt instruments	6,482,625	-	6,482,625	-
Beneficial certificates	1,336,890	1,336,890	-	-
Commercial paper	797,499	-	797,499	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	75,859	-	74,951	908
Liabilities				
Financial liabilities at FVTPL	27,417	-	26,509	908

	January 1, 2012			
	Total	Level 1	Level 2	Level 3
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	$ 98,257	$ 98,257	$ -	$ -
Debt instruments	102,718	-	102,718	-
Commercial paper	3,575,646	-	3,575,646	-
Negotiable certificates of deposit	1,512,400	-	1,512,400	-
Financial assets designated as at FVTPL on initial recognition	2,758,735	-	2,723,656	35,079
Available-for-sale financial assets				
Stock	1,511,562	1,511,562	-	-
Debt instruments	5,100,766	-	5,100,766	-
Beneficial certificates	904,568	904,568	-	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	119,787	-	118,790	997
Liabilities				
Financial liabilities at FVTPL	33,852	-	32,855	997

e. Reconciliation of Level 3 items of financial instruments

1) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2013

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) in Net Income or Stockholders' Equity	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial assets at fair value through profit or loss							
Derivative financial assets	$ 908	$ (1,418)	$ 23,268	$ -	$ (16,910)	$ -	$ 5,848

For the year ended December 31, 2012

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) in Net Income or Stockholders' Equity	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial assets at fair value through profit or loss							
Financial assets designated as at FVTPL on initial recognition	$ 35,079	$ (79)	$ -	$ -	$ (35,000)	$ -	$ -
Derivative financial assets	997	3,751	14,423	-	(18,263)	-	908

2) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2013

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) in Net Income or Stockholders' Equity	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss							
Derivative financial liabilities	$ 908	$ (2,469)	$ 25,948	$ -	$ (18,539)	$ -	$ 5,848

For the year ended December 31, 2012

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) in Net Income or Stockholders' Equity	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss							
Derivative financial liabilities	$ 997	$ 3,987	$ 16,790	$ -	$ (20,866)	$ -	$ 908

f. Transfer between Level 1 and Level 2

There was no material transfer between Level 1 and Level 2 for 2013 and 2012.

g. Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions used

The Bank's Level 3 financial instruments are foreign exchange options. When engaging in foreign exchange option transactions, the Bank makes a match for other banks and customers. Thus, the Bank does not hold positions, and its source of profit and loss is from receiving and paying premiums. The sensitivity analysis has no effect on profit and loss since the Bank does back-to-back transactions and the assets offset the liabilities.

45. FINANCIAL RISK MANAGEMENT

a. Overview

To deal with any expected or unexpected business risk, the Bank has established a comprehensive risk management system to allocate resources effectively and efficiently, strengthen business competitiveness, mitigate operational risk to a tolerable or acceptable level, and maintain the capital adequacy ratio to meet the minimum requirements of the authorities and the Basel Accord framework.

b. Risk management framework

The Board of Directors, which occupies the highest level in the Bank's risk management framework, reviews risk management policies, the overall risk management framework and organization structure for carrying out responsibilities and exercising accountability. The Asset/Liability Management Committee inspects management reports or information provided by business units and the Risk Management Division. The Risk Management Division is an independent unit that is in charge of reviewing the risk management system designed by business units and the compliance with risk management requirements; this division also submits risk management reports to the authorities and develops a series of risk management tools to assess the risks identified. Business units establish risk control procedures, manage and monitor the implementation of those controls in operation units. Operation units perform daily risk management work and internal controls to ensure the accuracy and completeness of the risk management information generated.

c. Credit risk

1) Credit risk definitions and sources

Credit risk refers to the risk of losses caused by borrowers, debtors, or counterparties' failure to fulfill their contractual obligations due to deteriorating financial position or other factors. It arises principally from transactions involving discounts, loans, credit cards, due from or call loans to banks, debt investments and derivatives etc., and also from off-balance sheet products such as guarantees, acceptance, letters of credit and commitments.

2) Strategy/objectives/policies and processes

a) Credit risk management strategy: The Bank has established "Credit Risk Management Standards of Union Bank of Taiwan" as the basis of planning, implementing, and managing credit risk management system.

b) Credit risk management objective: The objectives are to establish and implement an effective credit risk management mechanism to mitigate credit risk, archive operational and management goals, and balance business development and risk control.

c) Credit risk management policy: The policies are meant to ensure that credit risk falls within an acceptable range and that adequate capital is maintained to meet credit risk management objectives and create maximum risk-adjusted returns.

d) Credit risk management process: The Bank carries out credit risk identification, credit risk measurement, credit risk mitigation, credit risk monitoring and control and credit risk reporting process as part of its credit risk management mechanism.

3) Credit risk management framework

a) The Board of Directors: The Board of Directors, the top risk supervisor of the Bank, reviews risk management policies, operational risk limits and the design and change of credit risk management framework.

b) Asset/Liability Management Committee: This committee inspects management reports or information provided by business units and the Risk Management Division.

c) Risk Management Division: The Risk Management Division is an independent unit that is in charge of the work related to three pillars of Basel and reviews the risk management system designed by business units and the compliance with risk management requirements; the division also submits risk management reports to the authorities and develops risk management tools to assess the risk identified.

d) Business units: Business units are responsible for establishing risk management regulations and risk control procedures and managing and monitoring the implementation of those controls in operation units.

e) Operation units: Under the risk management regulations and procedures set by business units, operation units perform daily risk management work and internal controls and prepares reports on these tasks.

4) Credit risk measurement, control and reporting

a) The range of credit risk reporting:

i. Each business unit will regularly report the promotion of the business and the allocation of risk assets to the Assets/Liability Management Committee (ALMC).

ii. The Bank's risk management department regularly monitors the credit limit control situations and reports to the ALMC the credit concentration and the status of each business' achieving BIS (Bank for International Settlements) goals. The department also presents the volume of business NPL situation, credit concentration and the execution of credit risk control to the Board.

b) Measurement system:

The Bank's credit risk management adopts the use of the standardized approach to calculate capital charge and regularly submits related reports to the government. The risk management division and business units implement the Bank's management system and monitors the credit exposure of the business, industry, and countries as well as the concentration of credit and collateral to effectively measure and manage investment portfolio.

5) Mitigation of risks or hedging of credit risk

The Bank is exposed to loss on each credit risk faced by its business. Thus, depending on the nature of the business and the cost considerations, the Bank will take appropriate rmeasures to control risk. The Bank's information systems provide information that can be used in managing risk control procedures, and the risk management division reports to the board every six months the business risk management status.

6) Maximum exposure to credit risk

The maximum credit exposures of assets in the balance sheet are almost equivalent to their carrying values. These off-balance sheet maximum credit exposures (excluding collaterals and other credit enhancement instruments) are shown as follows:

Off-Balance Sheet Items	**The Maximum Credit Exposure**		
	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Irrevocable standby loan commitment	$ 407,811	$ 68,082	$ 900,303
Unused letters of credit	724,584	770,554	659,539
Other guarantees	10,679,535	9,660,110	9,564,282
Unused credit card commitments	183,598,978	164,444,216	162,269,984

7) Concentrations of credit risk exposure

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

There can be credit risk concentrations in a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. These exposures can cover credits, loans and deposits, call loans to banks, investments, receivables and derivatives. To minimize its credit risk, the Bank maintains a diversified portfolio; limits its exposure to any one geographic region, country or individual creditor; and closely monitors its exposures. The Bank's most significant concentrations of credit risk are summarized as follows:

a) By industry

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Private enterprises	$ 56,868,907	23.36	$ 56,430,448	26.38	$ 51,420,728	25.42
Public enterprises	4,038,000	1.66	2,390,000	1.12	-	-
Government organizations	19,000,000	7.8	6,600,000	3.09	8,083,000	4.00
Nonprofit organizations	1,054,984	0.43	980,633	0.46	721,270	0.35
Private organizations	160,782,463	66.04	145,497,961	68.03	140,863,698	69.64
Financial institutions	-	-	17,000	0.01	98	-
Foreign enterprises	1,725,014	0.71	1,946,095	0.91	1,189,032	0.59
Total	243,469,368	100.00	213,862,137	100.00	202,277,826	100.00

b) By geographical area

The Bank's operations are mainly in Taiwan.

c) By collaterals

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Unsecured	$ 41,390,240	17.00	$ 27,690,137	12.95	$ 23,428,694	11.58
Secured						
Financial instruments	6,721,311	2.76	5,622,986	2.63	5,763,770	2.85
Stocks	8,106,758	3.33	7,362,753	3.44	5,618,725	2.78
Properties	166,388,408	68.34	156,149,002	73.01	152,032,520	75.16
Movables	10,171,610	4.18	8,923,830	4.17	8,178,589	4.04
Guarantees	6,376,124	2.62	4,318,889	2.02	4,292,388	2.12
Others	4,314,917	1.77	3,794,540	1.78	2,963,140	1.47
Total	243,469,368	100.00	213,862,137	100.00	202,277,826	100.00

8) Credit quality and impairment assessment

Some financial assets - cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, repos and debt securities, refundable deposits, guaranty bonds and clearing and settlement fund - are regarded as having very low credit risk because of the good credit ratings of counterparties. Other financial assets not regarded as having low credit risk are summarized as follows:

a) Discounts, loans and receivables

December 31, 2013	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables											
Credit card business	$ 6,112,602	$ 3,894,359	$ 74,870	$ -	$ 10,081,831	$ 168,377	$ 1,945,801	$ 12,196,009	$ 89,021	$ 44,886	$ 12,062,102
Acceptances receivable	71,567	51,238	-	-	122,805	-	-	122,805	-	255	122,550
Others	1,201,786	77,280	25,653	3,194	1,307,913	2,090	390,045	1,700,048	118,839	23,243	1,557,966
Discounts and loans											
Consumer finance	78,856,081	28,371,536	19,515,676	1,915,312	128,658,605	309,645	81,889	129,050,139	45,771	1,350,220	127,654,148
Corporate banking	60,960,208	38,906,782	1,173,152	-	101,040,142	25,270	2,551,477	103,616,889	476,265	652,180	102,488,444

December 31, 2012	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables											
Credit card business	$ 5,264,015	$ 4,122,572	$ 80,992	$ -	$ 9,467,579	$ 144,532	$ 2,283,054	$ 11,895,165	$ 131,325	$ 24,215	$ 11,739,625
Acceptances receivable	142,674	-	-	-	142,674	-	-	142,674	-	312	142,362
Others	1,726,963	-	-	-	1,726,963	599,283	56,104	2,382,350	16,157	85	2,366,108
Bill purchased	2,452	-	-	-	2,452	-	-	2,452	-	-	2,452
Discounts and loans											
Consumer finance	67,742,182	27,492,774	21,451,938	1,802,423	118,489,317	332,280	120,888	118,942,485	65,347	1,227,931	117,649,207
Corporate banking	43,241,331	37,895,674	1,205,154	-	82,342,159	58,823	2,715,886	85,116,868	292,475	640,162	84,184,231

January 1, 2012	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables											
Credit card business	$ 6,040,114	$ 4,542,083	$ 90,632	$ -	$ 10,672,829	$ 133,193	$ 2,745,424	$ 13,551,446	$ 246,000	$ 52,653	$ 13,252,793
Acceptances receivable	106,760	-	-	-	106,760	-	-	106,760	-	539	106,221
Others	1,153,451	-	-	-	1,153,451	599,283	1,024,323	2,777,057	1,024,323	8,063	1,744,671
Bill purchased	473	-	-	-	473	-	-	473	-	-	473
Overdue receivables	-	-	-	-	-	-	10,140	10,140	-	-	10,140
Discounts and loans											
Consumer finance	61,628,800	25,919,881	23,326,595	1,749,695	112,624,971	319,053	189,435	113,133,459	112,765	1,042,303	111,978,391
Corporate banking	39,930,555	34,983,301	1,339,061	-	76,252,917	90,065	3,130,343	79,473,325	207,379	564,344	78,701,602

b) Credit quality analysis of securities

December 31, 2013	Neither Past Due Nor Impaired Amount (Note)				Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Investment Grade	Non-investment Grade	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With Objective Evidence of Impairment	
Available-for-sale financial assets										
Investments in bonds	$ 4,862,614	$ -	$ -	$ 4,862,614	$ -	$ -	$ 4,862,614	$ -	$ -	$ 4,862,614
Investments in stocks	1,950,638	57,259	-	2,007,897	-	-	2,007,897	-	-	2,007,897
Others	404,310	-	1,225,371	1,629,681	-	-	1,629,681	-	-	1,629,681
Held-to-maturity financial assets										
Investments in bonds	329,335	-	-	329,335	-	-	329,335	-	-	329,335
Others	98,682	-	-	98,682	-	-	98,682	-	-	98,682
Other financial assets										
Investments in bonds	48,516,710	-	-	48,516,710	-	-	48,516,710	-	-	48,516,710
Investments in stocks	-	-	413,715	413,715	-	-	413,715	-	-	413,715

December 31, 2012	Neither Past Due Nor Impaired Amount (Note)				Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Investment Grade	Non-investment Grade	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With Objective Evidence of Impairment	
Available-for-sale financial assets										
Investments in bonds	$ 6,482,625	$ -	$ -	$ 6,482,625	$ -	$ -	$ 6,482,625	$ -	$ -	$ 6,482,625
Investments in stocks	1,526,335	93,807	-	1,620,142	-	-	1,620,142	-	-	1,620,142
Others	1,309,589	-	824,800	2,134,389	-	-	2,134,389	-	-	2,134,389
Held-to-maturity financial assets										
Investments in bonds	811,872	-	-	811,872	-	-	811,872	-	-	811,872
Other financial assets										
Investments in bonds	43,871,572	-	53,808	43,925,380	-	66,552	43,991,932	66,552	-	43,925,380
Investments in stocks	-	-	448,378	448,378	-	-	448,378	-	-	448,378

January 1, 2012	Neither Past Due Nor Impaired Amount (Note)				Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Investment Grade	Non-investment Grade	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With Objective Evidence of Impairment	
Available-for-sale financial assets										
Investments in bonds	$ 5,100,766	$ -	$ -	$ 5,100,766	$ -	$ -	$ 5,100,766	$ -	$ -	$ 5,100,766
Investments in stocks	1,235,521	216,269	59,772	1,511,562	-	-	1,511,562	-	-	1,511,562
Others	4,006	-	900,562	904,568	-	-	904,568	-	-	904,568
Held-to-maturity financial assets										
Investments in bonds	1,313,015	-	-	1,313,015	-	-	1,313,015	-	-	1,313,015
Other financial assets										
Investments in bonds	44,723,018	-	69,188	44,792,206	-	69,188	44,861,394	69,188	-	44,792,206
Investments in stocks	-	-	450,451	450,451	-	-	450,451	-	-	450,451

Note: The definitions are as follows:

1. Investment Grade: Credit rating is BBB - or higher or 1-5 TCRI corporate rating of TEJ if it is a publicly traded company.
2. Non-investment Grade: Credit rating is BB + or higher or 6-9 TCRI corporate rating of TEJ if it is a publicly traded company.
3. No Ratings: No external ratings.

9) Aging analysis of overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets becoming overdue but unimpaired. Based on the Bank's internal risk management policies, financial assets that are 90 days overdue are not considered impaired unless evidences show otherwise.

The aging analysis of overdue but unimpaired financial assets was as follows:

	December 31, 2013			
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Total**
Accounts receivable				
Credit cards	$ 133,441	$ 34,936	$ -	$ 168,377
Discounts and loans				
Consumer finance	250,725	58,920	-	309,645
Corporate banking	15,933	9,337	-	25,270

	December 31, 2012			
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Total**
Accounts receivable				
Credit cards	$ 103,472	$ 41,060	$ -	$ 144,532
Discounts and loans				
Consumer finance	214,122	118,158	-	332,280
Corporate banking	10,588	48,235	-	58,823

	January 1, 2012			
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Total**
Accounts receivable				
Credit cards	$ 97,787	$ 35,406	$ -	$ 133,193
Discounts and loans				
Consumer finance	235,046	84,007	-	319,053
Corporate banking	56,156	33,909	-	90,065

10) Analysis of impairment for financial assets

The Bank's assessment of loans and receivables for impairment indicated no impairment loss on due from other banks, due from the Central Bank and call loans to other banks. The assessment of the other loans and receivables was as follows:

Discounts and loans

Type of Impairment Assessment		December 31, 2013		December 31, 2012		January 1, 2012	
		Discounts and Loans	**Allowance for Doubtful Accounts**	**Discounts and Loans**	**Allowance for Doubtful Accounts**	**Discounts and Loans**	**Allowance for Doubtful Accounts**
With objective evidence of impairment	Individually assessed for impairment	$ 2,485,682	$ 439,408	$ 2,634,534	$ 237,867	$ 3,030,153	$ 141,133
	Collectively assessed for impairment	384,979	82,628	493,839	119,955	639,371	179,011
With no objective evidence of impairment	Collectively assessed	230,200,571	2,002,400	201,396,518	1,868,093	185,273,888	1,606,647

Note 1: The loans are those originated by the Bank, and are not net of the allowance for doubtful accounts and adjustments for discount (premium).

Note 2: The above loans include accrued interest receivables on loans, acceptances, guarantee payment receivables and exchange bills negotiated.

Receivables

Type of Impairment Assessment		December 31, 2013		December 31, 2012		January 1, 2012	
		Receivables	Allowance for Doubtful Accounts	Receivables	Allowance for Doubtful Accounts	Receivables	Allowance for Doubtful Accounts
With objective evidence of impairment	Individually assessed for impairment	$ 1,177,944	$ 117,166	$ 1,563,932	$ 16,157	$ 2,132,606	$ 1,024,323
	Collectively assessed for impairment	1,945,801	89,021	2,283,054	131,325	2,745,424	246,000
With no objective evidence of impairment	Collectively assessed	10,246,666	70,057	9,611,146	24,612	10,805,448	61,255

Note 1: The receivables are those originated by the Bank, and are not net of the allowance for doubtful accounts and adjustments for discount (premium).

Note 2: The above receivables and allowances exclude accrued interest receivables on loans, acceptances, guarantee payments receivables, nondelivery receivables and option payments receivable, etc

11) Analysis of impairment for financial assets

On the basis of the result of a credit evaluation, the Bank may require collaterals before drawings are made on the credit facilities. For minimized credit risk, appropriate collaterals are required on the basis of the borrowers' financials and debt service capabilities. All guarantees and appraisal procedures follow the authorities' relevant regulations and the Bank's internal rules. The Bank's internal rules describe the acceptable types of collaterals, appraisal methods, appraisal process, and post-approval collateral management, which require the close monitoring of the value of collaterals to ensure repayment security. The main collateral types are summarized as follows:

a) Real estate
b) Other property
c) Securities/stock
d) Deposits/certificates of deposits
e) Credit guarantee fund or government guarantee

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity risk means banks cannot provide sufficient funding for asset size growth and for meeting obligations on matured liabilities or have to make late payments to counterparties or raise emergency funding to cover funding gaps.

2) Liquidity risk management strategy and principles

a) The Board of Directors, the top risk supervisor of the Bank, regularly reviews liquidity risk management policies. The Asset/Liability Management Committee, the top liquidity risk executive of the Bank, supervises the implementation of liquidity risk monitoring and control procedures and is responsible for taking any needed remedial measures.

b) In making internal transfer pricing, performance evaluation and new product development decisions, the operation units take liquidity cost and product effectiveness and risks into consideration and align their decisions with the Bank's overall liquidity risk management policies.

c) The fund procurement department implements funding strategies in accordance with the conservatism principle to diversify the funding sources and negotiate reasonable repayment periods to ensure continuing participation in the lending market, and maintains a close relationship with fund providers to strengthen financing channels and ensure the stability and reliability of fund sources.

d) To strengthen liquidity risk management, the Bank has regulations requiring the daily execution of risk management procedures and the monitoring of implementation to maintain sufficient liquidity.

e) The risk management units report the Bank's liquidity position to the Asset/Liability Management Committee monthly and report the Bank's liquidity risk management to the Board of Directors regularly.

3) The liquidity risk analysis of the cash inflow and outflow of assets and liabilities held for liquidity risk refers to the amounts of the obligations for the remaining maturity periods, i.e., from the reporting date to the contract maturity dates. The maturity analysis of financial assets and liabilities was as follows:

a) The maturity analysis of financial assets and liabilities

	December 31, 2013					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Assets						
Cash and cash equivalents	$ 7,190,960	$ 105,000	$ 192,000	$ 206,000	$ -	$ 7,693,960
Due from the Central Bank and other banks	61,998,949	969,979	1,144,980	2,438,450	4,321,694	70,874,052
Financial assets at fair value through profit or loss	7,985,111	1,458	320,998	298,856	1,256,834	9,863,257
Securities purchased under resell agreements	17,806,782	2,423,737	-	-	-	20,230,519
Receivables	5,540,820	1,982,917	2,128,634	3,387,032	979,459	14,018,862
Available-for-sale financial assets	50,039	-	219,282	726,956	7,503,915	8,500,192
Discounts and loans	14,243,314	11,881,784	29,415,816	42,537,260	134,588,854	232,667,028
Held-to-maturity investments	5,101	198,944	-	89,854	134,118	428,017
Debt instruments with no active market	-	133,356	402,136	2,394,048	45,587,170	48,516,710
	114,821,076	17,697,175	33,823,846	52,078,456	194,372,044	412,792,597
Liabilities						
Call loans and due to banks	106,832	-	2,000,000	2,817,779	-	4,924,611
Financial liabilities at fair value through profit or loss	5,902	3,105	2,828	4,171	-	16,006
Securities sold under repurchase agreements	17,504,555	7,078,102	-	-	-	24,582,657
Payables	2,653,349	859,693	525,690	110,613	18,803	4,168,148
Deposits and remittance	33,101,655	38,885,529	54,622,162	90,736,571	147,774,244	365,120,161
Bank debentures	-	-	-	-	7,400,000	7,400,000
	53,372,293	46,826,429	57,150,680	93,669,134	155,193,047	406,211,583
Net liquidity gap	$ 61,448,783	$ (29,129,254)	$ (23,326,834)	$ (41,590,678)	$ 39,178,997	$ 6,581,014

	December 31, 2012					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Assets						
Cash and cash equivalents	$ 9,067,257	$ 105,000	$ 192,000	$ 206,000	$ -	$ 9,570,257
Due from the Central Bank and other banks	67,432,762	990,351	1,062,282	2,310,065	3,583,454	75,378,914
Financial assets at fair value through profit or loss	5,239,486	15,745	674	1,995	2,836,994	8,094,894
Securities purchased under resell agreements	21,468,366	296,587	-	-	-	21,764,953
Receivables	5,644,479	2,342,462	2,118,221	3,473,428	841,599	14,420,189
Discounts and loans	9,034,493	19,028,321	17,617,586	32,479,304	125,899,649	204,059,353
Available-for-sale financial assets	199,999	1,224,295	383,261	899,621	7,529,980	10,237,156
Held-to-maturity investments	5,399	-	199,980	302,410	304,083	811,872
Debt instruments with no active market	-	-	-	-	43,871,572	43,871,572
	118,092,241	24,002,761	21,574,004	39,672,823	184,867,331	388,209,160

(Continued)

	December 31, 2012					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Liabilities						
Call loans and due to banks	$ 297,658	$ -	$ 2,000,000	$ 2,817,779	$ -	$ 5,115,437
Financial liabilities at fair value through profit or loss	22,952	1,492	1,066	1,907	-	27,417
Securities sold under repurchase agreements	16,221,773	12,057,475	10,101	-	-	28,289,349
Payables	5,167,625	878,223	397,704	117,207	20,551	6,581,310
Deposits and remittance	35,819,872	40,497,492	50,791,156	86,248,816	124,041,800	337,399,136
Bank debentures	-	-	-	-	5,200,000	5,200,000
	57,529,880	53,434,682	53,200,027	89,185,709	129,262,351	382,612,649
Net liquidity gap	$ 60,562,361	$ (29,431,921)	$ (31,626,023)	$ (49,512,886)	$ 55,604,980	$ 5,596,511

(Concluded)

	January 1, 2012					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Assets						
Cash and cash equivalents	$ 7,887,592	$ 135,000	$ 162,000	$ 206,000	$ -	$ 8,390,592
Due from the Central Bank and other banks	73,106,171	21,426,807	1,553,316	2,584,946	3,110,529	101,781,769
Financial assets at fair value through profit or loss	5,569,794	26,712	1,541	1,326	2,568,170	8,167,543
Securities purchased under resell agreements	251,626	-	-	-	-	251,626
Receivables	5,447,329	3,480,702	2,421,023	3,932,730	1,153,479	16,435,263
Discounts and loans	8,576,978	10,365,330	15,542,071	38,094,496	120,027,909	192,606,784
Available-for-sale financial assets	150,502	-	231,413	400,832	6,734,149	7,516,896
Held-to-maturity investments	393,765	-	-	234,171	685,079	1,313,015
Debt instruments with no active market	-	-	-	-	44,723,018	44,723,018
	101,383,757	35,434,551	19,911,364	45,454,501	179,002,333	381,186,506
Liabilities						
Call loans and due to banks	34,266	-	2,500,000	4,472,990	-	7,007,256
Financial liabilities at fair value through profit or loss	23,814	8,778	635	625	-	33,852
Securities sold under repurchase agreements	21,263,332	13,248,798	10,043	-	-	34,522,173
Payables	4,298,510	779,244	486,689	222,011	189,434	5,975,888
Deposits and remittance	28,260,490	39,075,349	51,066,384	95,219,848	109,134,839	322,756,910
Bank debentures	-	-	-	1,190,000	3,700,000	4,890,000
	53,880,412	53,112,169	54,063,751	101,105,474	113,024,273	375,186,079
Net liquidity gap	$ 47,503,345	$ (17,677,618)	$ (34,152,387)	$ (55,650,973)	$ 65,978,060	$ 6,000,427

b) The maturity analysis of derivatives financial liabilities - forward exchange contracts and currency swap contracts

	December 31, 2013					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	$ 5,303,323	$ 477,929	$ 414,710	$ 10,347	$ -	$ 6,206,309
Cash inflow	5,298,468	475,043	413,292	10,257	-	6,197,060
Subtotal	4,855	2,886	1,418	90	-	9,249
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	939	-	-	-	-	939
	$ 5,794	$ 2,886	$ 1,418	$ 90	$ -	$ 10,188

	December 31, 2012					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	$ 5,157,047	$ 1,524,445	$ 188,902	$ 1,845	$ -	$ 6,872,239
Cash inflow	5,132,345	1,523,794	188,113	1,782	-	6,846,034
	$ 24,702	$ 651	$ 789	$ 63	$ -	$ 26,205

	January 1, 2012					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	$ 6,321,346	$ 141,321	$ 36,379	$ 7,706	$ -	$ 6,506,752
Cash inflow	6,297,742	132,637	35,801	7,695	-	6,473,875
	$ 23,604	$ 8,684	$ 578	$ 11	$ -	$ 32,877

c) The maturity analysis of derivatives financial liabilities - option contracts

	December 31, 2013					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	$ -	$ -	$ -	$ -	$ -	$ -

	December 31, 2012					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	$ 119	$ 56	$ 51	$ 434	$ -	$ 660

	January 1, 2012					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	$ 59	$ 39	$ 255	$ 583	$ -	$ 936

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices), which may cause financial instruments classified in the trading book to give rise to a potential loss on or off the balance sheet.

2) Market risk management strategy and processes

The Bank implements the "Market Risk Management Standards of Union Bank of Taiwan," which had been approved by the Board of Directors, as the basis of market risk management.

The market risk management processes are risk identification, risk measurement, risk monitoring and control, risk reporting and risk mitigation.

a) Risk identification: For balance sheet and off-balance sheet items, the Bank identifies and assesses market risk factors of products and the investment business and subjects them to risk management, monitoring and control procedures.

b) Risk measurement: In principle, each investment or transaction has at least one risk measurement tool - such as sensitivity analysis, value at risk and stress testing, which can be applied to variables, such as fair market value and notional amounts, to quantify market risk.

c) Risk monitoring and control: Each operation unit observes the risk limit regulation stated in its operating manual and regularly monitors risk control. The department of risk management is responsible for summarizing and reporting the Bank's overall market risk monitoring.

d) Risk reporting: The risk management reports are classified as regular report, over-limit report and exception report. Regular reports are the management statements sent to the appropriate level in accordance with certain requirements. Over-limit reports are about situations in which risk limits are exceeded. Exception reports contain operation units' recommendations on how to meet temporary business needs.

e) Risk mitigation: An operation unit may take certain action to reduce risk, such as hedging, investment combination adjustment, position adjustment, setting a break-even point, halting new transactions, etc.

3) Market risk management framework

a) The Board of Directors: The Board of Directors, the Bank's top market risk supervisor, reviews risk management policies, operational risk limits and the design and change of the credit risk management framework.

b) Asset/Liability Management Committee: The Asset/Liability Management Committee inspects management reports or information provided by business units and the Risk Management Division.

c) Risk Management Division: The Risk Management Division is an independent unit in charge of the work related to three pillars of Basel and of the development of market risk management tools to assess and control the risk identified through setting risk limits.

d) Operation units: Operation units perform daily market risk management work and report the market risk of investment positions and related information to the authorities.

4) Market risk measurement, control and reporting

a) The market risk of the trading book financial instruments is measured in accordance with the fair market value or evaluation model and the profit and loss situation is evaluated regularly.

b) The business units and the risk management division prepares management reports periodically and report to the appropriate level.

c) The market risk management system combines the evaluation of the front and middle offices to generate information that will assist management in risk monitoring. Moreover, the system supports the capital accrual method being used by the Bank through generating internal and external reports for management's decision, making.

5) Market risk measurement of trading book

The Bank assesses the market risk exposure of the trading book in conformity with an assessment model using publicly quoted market prices or other measurement methods, including interest rate sensitivity analysis (DV01 value) and stress tests. The interest rate sensitivity analysis (DV01 value) refers to changes in market interest by 1 basis point (0.01%); the abnormal stress test system deals with market volatility and involves the regular estimation of possible losses (stress loss) and of the impact of stress test scenarios on major asset portfolios and the Bank's profit and loss.

6) Banking book market risk

a) Interest rate risk

The loans and deposits and other interest rate-related items in the Bank's balance sheet, including interest rate sensitive assets and interest rate sensitive liabilities, are measured from the viewpoint of earnings because there is a risk of decrease in earnings due to adverse changes in interest rates for loans and deposits.

The earnings viewpoint mainly emphasizes the impact of interest rates on earnings, especially short-term earnings. For 2013 and 2012, assuming all market risk indicators, except interest rates, remained constant, an interest rate increase or decrease by 100bps would result in an increase or decrease in profit before tax by $186,077 thousand and $154,874 thousand, respectively.

b) Exchange rate risk

The exchange rate risk of the banking book refers to the business operation of the International Banking Department of the Bank's Head Office and the operating funds in foreign currencies required by the ROC or local regulations; if there are adverse exchange rate changes, the income statement or cumulative translation adjustments in equity would be negatively affected.

The International Banking Department (IBD) of the Bank's Head Office is a going concern, and its operating funds are foreign currencies for business needs. However, the exchange rate risk on these funds is not significant because the percentage of the operating funds to the Bank's total assets is small, as shown by the immaterial ratio of the IBD's cumulative translation adjustment to the Banks' net worth.

7) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Each Foreign Currency (Thousands)/NT$ (Thousands)

	December 31, 2013		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 1,875,249	29.95	$ 56,163,708
JPY	4,374,934	0.2852	1,247,897
GBP	4,108	49.4984	203,339
AUD	88,478	26.7184	2,363,990
HKD	104,187	3.8626	402,435
CAD	10,579	28.13	297,587
CNY	289,469	4.9437	1,431,052
SGD	1,887	23.6871	44,698
ZAR	782,339	2.8624	2,239,398
CHF	383	33.6554	12,890
THB	106	0.913	97
NZD	25,806	24.5979	634,774
EUR	16,513	41.2831	681,708
Financial liabilities			
USD	1,517,860	29.95	45,459,907
JPY	4,552,288	0.2852	1,298,486
GBP	4,094	49.4984	202,646
AUD	88,386	26.7184	2,361,532
HKD	103,774	3.8626	400,840
CAD	10,596	28.13	298,065
CNY	287,840	4.6797	1,347,005
SGD	1,870	23.6871	44,295
ZAR	782,213	2.8624	2,239,038
CHF	350	33.6554	11,779
NZD	25,836	24.5979	635,512
EUR	15,435	41.2831	637,204

	December 31, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
USD	$ 1,961,256	29.136	$ 57,143,155
JPY	4,797,220	0.3375	1,619,062
GBP	4,685	46.9818	220,110
AUD	55,611	30.2664	1,683,145
HKD	121,956	3.7586	458,384
CAD	8,785	29.2971	257,375
CNY	19,557	4.6797	91,521
SGD	595	23.8292	14,178
ZAR	688,714	3.4289	2,361,531
CHF	638	31.9334	20,374
THB	149	0.9517	142
NZD	31,906	23.9323	763,584
EUR	15,093	38.6081	582,712
Financial liabilities			
USD	1,612,062	29.136	46,969,038
JPY	4,888,821	0.3375	1,649,977
GBP	4,672	46.9818	219,499
AUD	55,511	30.2664	1,680,118
HKD	121,668	3.7586	457,303
CAD	8,774	29.2971	257,053
CNY	17,473	4.6797	81,768
SGD	565	23.8292	13,463
ZAR	689,108	3.4289	2,362,882
CHF	614	31.9334	19,607
NZD	31,968	23.9323	765,068
EUR	18,129	38.6081	699,926

	January 1, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
USD	$ 1,940,326	30.29	$ 58,772,475
JPY	5,363,695	0.3903	2,093,450
GBP	5,857	46.7678	273,919
AUD	40,754	30.7746	1,254,188
HKD	96,228	3.8983	375,126
CAD	7,916	29.6815	234,959
CNY	-	-	-
SGD	1,122	23.3179	26,163
ZAR	398,710	3.7211	1,483,640
CHF	805	32.2063	25,926
THB	41	0.9595	39
NZD	40,887	23.4142	957,336
EUR	19,690	39.2104	772,053
Financial liabilities			
USD	1,604,490	30.29	48,600,002
JPY	5,910,282	0.3903	2,306,783
GBP	5,846	46.7678	273,405
AUD	40,802	30.7746	1,255,665
HKD	96,229	3.8983	375,130
CAD	8,113	29.6815	240,806
CNY	-	-	-
SGD	1,077	23.3179	25,113
ZAR	398,817	3.7211	1,484,038
CHF	780	32.2063	25,121
NZD	40,892	23.4142	957,453
EUR	19,646	39.2104	770,328

46. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

Under the regulations set by the authorities, the Bank complies with the requirements set each year for the minimum consolidated capital adequacy ratios, including the common equity Tier I capital ratio; the Bank's leverage ratio is also in accordance with the requirements of the relevant authorities. These ratios are applied in accordance with the regulations announced by the authorities.

b. Capital assessment program

The capital ratios and leverage ratios are applied, analyzed, monitored and reported regularly, and are assigned to each business unit as the target capital adequacy ratios. The business units' compliance with the ratio requirements is tracked regularly, and remedial action is taken if the capital and leverage ratio requirements are not met.

(Unit: In Thousands of New Taiwan Dollars, %)

Items (Note 2) / Year			December 31, 2013	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common Equity Tier 1 Ratio		$ 23,562,741	$ 23,436,734
	Other Tier 1 capital		-	-
	Tier 2 capital		6,624,701	9,229,142
	Eligible capital		30,187,442	32,665,876
Risk-weighted assets	Credit risk	Standard	190,948,228	199,611,322
		Internal rating-based approach	-	-
		Asset securitization	1,219,545	1,252,907
	Operational risk	Basic indicator approach	15,405,625	17,706,850
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	9,234,588	10,280,113
		Internal model approach	-	-
	Total risk-weighted assets		216,807,986	228,851,192
Capital adequacy rate (Note 1)			13.92	14.27
Ratio of common stockholders' equity to total assets			5.08	5.04
Ratio of Tier 1 capital to risk-weighted assets			10.87	10.24
Leverage ratio			4.47	4.38

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

1) Eligible capital = Common equity Tier 1 capital + Other Tier 1 capital + Tier 2 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of Common equity Tier 1 capital to risk-weighted assets = Common equity Tier 1 capital ÷ Risk-weighted assets.

5) Ratio of Other Tier 1 capital to risk-weighted assets = Other Tier 1 capital ÷ Risk-weighted assets.

6) Leverage ratio = Common equity Tier 1 capital ÷ Exposure Measurement

The Banking Law and related regulations require that the Bank maintain its unconsolidated and consolidated CARs at a minimum of 8%, the Tier 1 Capital Ratio at a minimum of 4.5% and the Common Equity Tier 1 Ratio at a minimum of 3.5%. In addition, if the Bank's CAR falls below the minimum requirement, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

Items (Note 2)		Year	December 31, 2012 Own Capital Adequacy Ratio	December 31, 2012 Consolidated Capital Adequacy Ratio
Eligible capital	Common Equity Tier 1 Ratio		$ 20,240,171	$ 20,997,528
	Other Tier 1 capital		-	-
	Tier 2 capital		4,391,214	4,915,689
	Eligible capital		24,631,385	25,913,217
Risk-weighted assets	Credit risk	Standard	172,264,571	179,355,940
		Internal rating-based approach	-	-
		Asset securitization	2,173,343	2,210,034
	Operational risk	Basic indicator approach	15,472,421	17,483,582
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	6,945,775	7,249,375
		Internal model approach	-	-
	Total risk-weighted assets		196,856,110	206,298,931
Capital adequacy rate (Note 1)			12.51	12.56
Ratio of Tier 1 capital to risk-weighted assets			10.28	10.18
Ratio of Tier 2 capital to risk-weighted assets			2.23	2.38
Ratio of Tier 3 capital to risk-weighted assets			-	-
Ratio of common stockholders' equity to total assets			4.93	4.88
Leverage ratio			5.06	5.20

Items		Year	January 1, 2012 Own Capital Adequacy Ratio	January 1, 2012 Consolidated Capital Adequacy Ratio
Eligible capital	Common Equity Tier 1 Ratio		$ 15,534,886	$ 16,252,529
	Other Tier 1 capital		-	-
	Tier 2 capital		5,245,841	5,757,287
	Eligible capital		20,780,727	22,009,816
Risk-weighted assets	Credit risk	Standard	157,020,298	164,071,544
		Internal rating based approach	-	-
		Asset securitization	-	37,186
	Operational risk	Basic indicator approach	15,633,843	17,361,014
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	5,666,525	5,790,138
		Internal model approach	-	-
	Total risk-weighted assets		178,320,666	187,259,882
Capital adequacy rate (Note 1)			11.65	11.75
Ratio of Tier 1 capital to risk-weighted assets			8.71	8.68
Ratio of Tier 2 capital to risk-weighted assets			2.94	3.07
Ratio of Tier 3 capital to risk-weighted assets			-	-
Ratio of common stockholders' equity to total assets			4.14	4.10
Leverage ratio			4.12	4.26

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets.

5) Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets.

6) Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets.

7) Ratio of common stock to total assets = Common stock ÷ Total assets.

8) Leverage ratio = Tier 1 capital ÷ Adjusted average assets (average assets minus goodwill, unamortized loss from the sale of nonperforming loans, and items to be subtracted from Tier 1 capital which are covered by the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

47. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Union Bank of Taiwan

a. Credit risk

1) Asset quality

See Table 3.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2013			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Company B - other financial intermediation	$ 2,167,788	7.63
2	Company O - financial intermediation	1,658,000	5.83
3	Company K - real estate development	1,455,000	5.12
4	Group F - manufacture of chemical material	1,453,022	5.11
5	Group U - real estate development	1,133,140	3.99
6	Company Z - real estate development	820,000	2.88
7	Company D - real estate development	707,330	2.49
8	Company H - retail sale of other food and beverages	600,800	2.11
9	Company L - telephone and cellular phone manufacturing	599,000	2.11
10	Company G - renting and leasing of other transport equipment	588,750	2.07

(In Thousands of New Taiwan Dollars, %)

December 31, 2012			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group U - real estate development	$ 2,408,700	9.63
2	Group A - real estate development	2,306,916	9.23
3	Company N - real estate development	2,119,000	8.47
4	Company B - other financial intermediation	2,044,926	8.18
5	Group F - manufacture of chemical material	1,960,864	7.84
6	Group X - retail sale of other food and beverages	1,501,908	6.01
7	Company D - real estate development	1,181,000	4.72
8	Company E - real estate development	1,152,420	4.61
9	Company Z - real estate development	820,000	3.28
10	Company O - financial intermediation	688,000	2.75

(In Thousands of New Taiwan Dollars, %)

January 1, 2012			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group A - real estate development	$ 2,602,304	11.36
2	Company D - real estate development	2,411,150	10.52
3	Group U - real estate development	2,397,075	10.46
4	Company N - real estate development	2,072,000	9.04
5	Group C - real estate development	1,724,612	7.53
6	Group X - retail sale of other food and beverages	1,638,163	7.15
7	Company T - real estate development	924,800	4.04
8	Company Z - real estate development	820,000	3.58
9	Company K - real estate development	579,736	2.53
10	Company H - retail sale of other food and beverages	553,800	2.42

b. Market risk

Interest Rate Sensitivity (Note 1)
December 31, 2013

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets (Note 2)	$ 310,119,147	$ 4,874,228	$ 9,110,013	$ 19,943,749	$ 344,047,137
Interest rate-sensitive liabilities (Note 2)	159,009,333	122,146,689	52,011,556	16,946,983	350,114,561
Interest rate-sensitive gap (Note 3)	151,109,814	(117,272,461)	(42,901,543)	2,996,766	(6,067,424)
Net worth					19,305,784
Ratio of interest rate-sensitive assets to liabilities (Note 4)					98.27%
Ratio of interest rate sensitivity gap to net worth					(31.43%)

December 31, 2012

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets (Note 2)	$ 285,236,204	$ 4,234,624	$ 11,034,045	$ 21,536,626	$ 322,050,499
Interest rate-sensitive liabilities (Note 2)	168,682,395	104,566,385	45,123,288	9,436,810	327,808,878
Interest rate-sensitive gap (Note 3)	116,553,809	(100,322,761)	(34,089,243)	12,099,816	(5,758,379)
Net worth					15,289,353
Ratio of interest rate-sensitive assets to liabilities (Note 4)					98.24%
Ratio of interest rate sensitivity gap to net worth					(37.66%)

January 1, 2012

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets (Note 2)	$ 275,141,613	$ 6,125,053	$ 10,107,582	$ 20,086,084	$ 311,460,332
Interest rate-sensitive liabilities (Note 2)	248,327,221	11,622,163	33,659,561	17,370,392	310,979,337
Interest rate-sensitive gap (Note 3)	26,814,392	(5,497,110)	(23,551,979)	2,715,692	480,995
Net worth					13,450,135
Ratio of interest rate-sensitive assets to liabilities (Note 4)					100.15%
Ratio of interest rate sensitivity gap to net worth					3.58%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank's head office and branches (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity (Note 1)
December 31, 2013

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets (Note 2)	$ 203,657	$ 54,156	$ 81,256	$ 1,648,049	$ 1,987,118
Interest rate-sensitive liabilities (Note 2)	1,029,522	413,099	245,649	-	1,688,270
Interest rate-sensitive gap (Note 3)	(825,865)	(358,943)	(164,393)	1,648,049	298,848
Net worth					344,770
Ratio of interest rate-sensitive assets to liabilities (Note 4)					117.70%
Ratio of interest rate sensitivity gap to net worth					86.68%

December 31, 2012

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets (Note 2)	$ 600,787	$ 225,589	$ 702,778	$ 571,266	$ 2,100,420
Interest rate-sensitive liabilities (Note 2)	1,225,443	384,610	215,731	-	1,825,784
Interest rate-sensitive gap (Note 3)	(624,656)	(159,021)	487,047	571,266	274,636
Net worth					339,675
Ratio of interest rate-sensitive assets to liabilities (Note 4)					115.04%
Ratio of interest rate sensitivity gap to net worth					80.85%

January 1, 2012

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets (Note 2)	$ 103,477	$ 22,434	$ 1,377	$ 1,568,448	$ 1,695,736
Interest rate-sensitive liabilities (Note 2)	1,272,769	350,168	149,773	446	1,773,156
Interest rate-sensitive gap (Note 3)	(1,169,292)	(327,734)	(148,396)	1,568,002	(77,420)
Net worth					318,843
Ratio of interest rate-sensitive assets to liabilities (Note 4)					95.63%
Ratio of interest rate sensitivity gap to net worth					(24.28%)

Note 1: The above amounts included only U.S. dollar amounts held by the Bank's head office, domestic branches, OBU and overseas branches and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

c. Liquidity risk

1) Profitability

(%)

Items		Year Ended December 31, 2013	Year Ended December 31, 2012
Return on total assets	Before income tax	0.79	0.75
	After income tax	0.68	0.65
Return on equity	Before income tax	12.50	12.73
	After income tax	10.74	11.00
Net income ratio		33.82	35.41

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

Note 4: Income before (after) income tax represents income for the years ended December 31, 2013 and 2012.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (Note)
December 31, 2013

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 376,406,219	$ 121,158,363	$ 17,247,970	$ 32,611,679	$ 52,610,070	$ 152,778,137
Main capital outflow on maturity	433,976,847	42,714,593	37,825,509	45,500,635	93,957,585	213,978,525
Gap	(57,570,628)	78,443,770	(20,577,539)	(12,888,956)	(41,347,515)	(61,200,388)

December 31, 2012

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 351,438,091	$ 121,287,411	$ 15,978,962	$ 21,982,257	$ 48,479,282	$ 143,710,179
Main capital outflow on maturity	418,077,679	52,926,430	37,072,989	41,111,671	87,531,111	199,435,478
Gap	(66,639,588)	68,360,981	(21,094,027)	(19,129,414)	(39,051,829)	(55,725,299)

January 1, 2012

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 344,234,261	$ 101,950,941	$ 35,083,536	$ 19,263,322	$ 47,643,645	$ 140,292,817
Main capital outflow on maturity	390,799,219	45,524,553	36,244,152	44,824,337	99,245,067	164,961,110
Gap	(46,564,958)	56,426,388	(1,160,616)	(25,561,015)	(51,601,422)	(24,668,293)

Note: The above amounts are book value held by the onshore branches and offshore banking unit of the Bank in U.S. dollars, without off-balance sheet amounts (for example, the issuance of negotiable certificate of deposits, bonds or stocks).

Maturity Analysis of Assets and Liabilities (Note)
December 31, 2013

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 2,509,198	$ 638,507	$ 29,290	$ 55,522	$ 91,098	$ 1,694,781
Main capital outflow on maturity	2,509,115	983,840	405,951	527,642	246,912	344,770
Gap	83	(345,333)	(376,661)	(472,120)	(155,814)	1,350,011

December 31, 2012

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 2,685,330	$ 888,349	$ 165,742	$ 227,493	$ 719,749	$ 683,997
Main capital outflow on maturity	2,685,243	979,123	261,768	487,250	617,426	339,676
Gap	87	(90,774)	(96,026)	(259,757)	(102,323)	344,321

January 1, 2012

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,750,579	$ 112,250	$ 16,357	$ 22,487	$ 1,379	$ 1,598,106
Main capital outflow on maturity	2,115,683	876,640	418,874	350,533	150,,346	319,290
Gap	(365,104)	(764,390)	(402,517)	(328,046)	(148,967)	1,278,816

Note: The above amounts are book value of the assets and liabilities held by the onshore branches and offshore banking unit of the Bank in U.S. dollars, without off-balance amounts (for example, the issuance of negotiable certificate of deposits, bonds or stocks).

48. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and its investees:

a. Related information of significant transactions and investees and (b) proportionate share in investees:

1) Financing provided: The Bank - not applicable; investee - none

2) Endorsement/guarantee provided: The Bank - not applicable; investee - Table 1 (attached)

3) Marketable securities held: The Bank - not applicable; investee - Table 2 (attached)

4) Marketable securities acquired and disposed of at costs or prices of at least $300 million or 10% of the paid-in capital (the Bank disclosed its investments accumulated or disposed of): None

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least $5 million: None

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: None

9) Sale of nonperforming loans: None

10) Asset securitization under the "Regulations for Financial Asset Securitization": None

11) Other significant transactions which may affect the decisions of users of financial reports: Table 3 (attached)

12) Names, locations and other information of investees on which the Bank exercises significant influence: Table 4 (attached)

13) Derivative transactions: Note 8

b. Investment in Mainland China: None

49. INFORMATION SEGMENTS

The Bank has disclosed the segment information in the consolidated financial statements. Thus, no segment information is presented herein.

50. FIRST-TIME ADOPTION OF IFRSs

a. Effects of transition to IFRSs

The Bank's financial statements for the year ended January 1, 2012 were the first IFRS financial statements. The effect of the transition to IFRSs on the Bank's balance sheets and statements of comprehensive income is stated as follows:

1) Reconciliation of the balance sheet as of January 1, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Account	Amount	Recognition and Measurement Difference	Presentation Difference	Account	Amount	Note
Cash and cash equivalents	$ 8,390,592	$ -	$ -	$ 8,390,592	Cash and cash equivalents	
Due from the Central Bank and call loans to other banks	101,781,769	-	-	101,781,769	Due from the Central Bank and call loans to other banks	
Financial assets at fair value through profit or loss	8,167,543	-	-	8,167,543	Financial assets at fair value through profit or loss	
Securities purchased under resell agreements	251,626	-	-	251,626	Securities purchased under resell agreements	
Receivables, net	15,086,661	17,024	-	15,103,685	Receivables, net	5) h)
		145,259	-	145,259	Current tax assets	
Discounts and loans, net	190,679,993	-	-	190,679,993	Discounts and loans, net	
Available-for-sale financial assets, net	7,516,896	-	-	7,516,896	Available-for-sale financial assets	
Held-to-maturity financial assets	1,313,015	-	-	1,313,015	Held-to-maturity financial assets	
Equity investments - equity method	1,114,794	-	1,350,587	2,465,381	Equity investments - equity method	
Other financial assets	47,876,004	-	-	47,876,004	Other financial assets	5) a)
Property and equipment, net	7,956,701	-	-	7,956,701	Property and equipment, net	
Intangible assets	2,119,709	138,523	-	2,258,232	Intangible assets	5) g)
		3,511,118	118,893	3,630,011	Deferred income tax assets	5) b), 5) c), 5) d), 5) f), 5) i)
Other assets	5,470,149	(3,284,843)	-	2,185,306	Other assets	5) c), 5) f), 5) g), 5) h), 5) i)
Total	$ 397,725,452	$ 527,081	$ 1,469,480	$ 399,722,013	Total	
Due to the Central Bank and other banks	$ 7,007,256	$ -	$ -	$ 7,007,256	Due to the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	33,852	-	-	33,852	Financial liabilities at fair value through profit or loss	
Securities sold under repurchase agreements	34,522,173	-	-	34,522,173	Securities sold under repurchase agreements	
Accounts payable	5,847,302	45,334	83,252	5,975,888	Accounts payable	5) b), 5) h)
		116,164	-	116,164	Current tax liabilities	
Deposits	322,756,910	-	-	322,756,910	Deposits	
Bank debentures	4,890,000	-	-	4,890,000	Bank debentures	
Other financial liabilities	242,930	-	-	242,930	Other financial liabilities	
-		210,387	438,605	648,992	Provision	5) c), 5) d)
		365,583	-	365,583		5) i)
Other liabilities	460,366	(210,387)	-	249,979	Other liabilities	
Total liabilities	375,760,789	527,081	521,857	376,809,727	Total liabilities	
Capital stock	19,484,996	-	-	19,484,996	Capital stock	
Capital surplus	33,811	-	(1,398)	32,413	Capital surplus	5) e)

(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Account	Amount	Recognition and Measurement Difference	Presentation Difference	Account	Amount	Note
Retained earnings					Retained earnings	
Legal reserve	$ 352,978	$ -	$ -	$ 352,978	Legal reserve	
Special reserve	874,473	-	-	874,473	Special reserve	
Unappropriated earnings	1,826,615	-	507,984	2,334,599	Unappropriated earnings	5) j)
Unrealized gain or loss on financial instruments	(167,173)	-	-	(167,173)	Unrealized losses on available-for-sale financial assets	
Cumulative translation adjustments	(263,522)	-	263,522	-	Exchange differences in translation of financial statements of foreign operations	5) j)
Net loss not recognized as pension cost	(177,515)	-	177,515	-	Net loss not recognized as pension cost	5) c)
Total stockholders' equity	21,964,663	-	947,623	22,912,286	Total equity	
Total	$ 397,725,452	$ 527,081	$ 1,469,480	$ 399,722,013	Total	

(Concluded)

2) Reconciliation of the statement of financial position as of December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Account	Amount	Recognition and Measurement Difference	Presentation Difference	Account	Amount	Note
Cash and cash equivalents	$ 9,570,257	$ -	$ -	$ 9,570,257	Cash and cash equivalents	
Due from the Central Bank and call loans to other banks	75,378,914	-	-	75,378,914	Due from the Central Bank and call loans to other banks	
Financial assets at fair value through profit or loss	8,094,894	-	-	8,094,894	Financial assets at fair value through profit or loss	
Securities purchased under resell agreements	21,764,953	-		21,764,953	Securities purchased under resell agreements	
Receivables, net	14,124,123	123,972		14,248,095	Receivables, net	5) h)
		100,493		100,493	Current tax assets	
Discounts and loans, net	201,833,438	-	-	201,833,438	Discounts and loans, net	
Available-for-sale financial assets, net	10,237,156	-	-	10,237,156	Available-for-sale financial assets	
Held-to-maturity financial assets	811,872	-	-	811,872	Held-to-maturity financial assets	
Equity investments - equity method	1,182,415	-	1,360,753	2,543,168	Equity investments - equity method	
Others financial assets	49,485,900	-	-	49,485,900	Others financial assets	5) a)
Property and equipment, net	7,713,002	-	-	7,713,002	Property and equipment, net	
Intangible assets	1,985,307	97,431	-	2,082,738	Intangible assets	5) g)
		3,175,415	129,802	3,305,217	Deferred income tax assets	5) c), 5) f), 5) h), 5) i)
Other assets	5,094,057	(2,939,282)	-	2,154,775	Other assets	5) b), 5) c), 5) d), 5) f), 5) h), 5) i)
Total	$ 407,276,288	$ 558,029	$ 1,490,555	$ 409,324,872	Total	
Due to the Central Bank and other banks	$ 5,115,437	$ -	$ -	$ 5,115,437	Due to the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	27,417	-	-	27,417	Financial liabilities at fair value through profit or loss	
Securities sold under repurchase agreements	28,289,349	-	-	28,289,349	Securities sold under repurchase agreement	
Accounts payable	6,270,703	223,649	86,958	6,581,310	Accounts payable	5) b), 5) h)
Deposits	337,399,136	-	-	337,399,136	Deposits	
Bank debentures	5,200,000	-	-	5,2000,00	Bank debentures	
Other financial liabilities	306,392	-	-	306,392	Other financial liabilities	
-	-	324,154	471,631	795,785	Provision	5) c), 5) d)
		334,380	-	334,380		5) i)
Other liabilities	594,449	(324,154)	-	270,295	Other liabilities	
Total liabilities	383,202,883	558,029	558,589	384,319,501	Total liabilities	
Capital stock	20,264,396	-	-	20,264,396	Capital stock	
Capital surplus	33,811	-	(1,398)	32,413	Capital surplus	5) e)
Retained earnings					Retained earnings	
Legal reserve	900,963	-	-	900,963	Legal reserve	
Special reserve	608,209	-	-	608,209	Special reserve	
Unappropriated earnings	2,621,624	-	443,211	3,064,835	Unappropriated earnings	5) a), 5) b), 5) c), 5) d), 5) f), 5) j)
Other equity					Other equity	
Unrealized gain or loss on financial instruments	413,490	-	-	413,490	Unrealized losses on available-for-sale financial assets	
Cumulative translation adjustments	(564,137)	-	285,202	(278,935)	Exchange differences in translation of financial statements of foreign operations	5) a), 5) j)
Net loss not recognized as pension cost	(204,951)	-	204,951	-	Net loss not recognized as pension cost	5) c)
Total stockholders' equity	24,073,405	-	931,966	25,005,371	Total equity	
Total	$ 407,276,288	$ 558,029	$ 1,490,555	$ 409,324,872	Total	

3) Reconciliation of the statement of comprehensive income for the year ended December 31, 2012

ROC GAAP Account	ROC GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Account	Note
Net interest	$ 5,711,080	$ 23,712	$ -	$ 5,734,792	Net interest	5) d)
Service fee income, net	1,387,977	-	-	1,387,977	Service fee income, net	
Gains on financial assets and liabilities at fair value through profit or loss	523,656	-	-	523,656	Gains on financial assets and liabilities at fair value through profit or loss	
Realized loss on available-for -sale financial assets and liabilities	(87,540)	-	-	(87,540)	Realized loss on available-for-sale financial assets and liabilities	
Investment income (loss) recognized under equity method	162,717	-	(11,770)	150,947	Share of the profit or loss of associates and joint ventures accounted for using the equity method	
Foreign exchange gain (loss), net	(267,240)	-	-	(267,240)	Foreign exchange gain (loss), net	5) a)
Loss from asset impairment, net	(174,402)	-	-	(174,402)	Loss from asset impairment	
Realized income from financial assets carried at cost	51,204	-	-	51,204	Realized income from financial assets carried at cost	
Gain on disposal of collaterals assumed, net	28,849	-	-	28,849	Gain on disposal of collaterals assumed, net	
Securities brokerage fee revenues, net	54,530	-	-	54,530	Securities brokerage fee revenue, net	
Other noninterest net gains	38,782	-	-	38,782	Other noninterest net gains	
Total net revenues	7,429,613	23,712	(11,770)	7,441,555	Total net revenues	
Allowance for doubtful accounts	(647,490)	-	-	(647,490)	Allowance for doubtful accounts	
Operating expense					Operating expense	
Personnel expenses	2,425,680	23,712	(21,998)	2,427,394	Personnel expenses	5) b), 5) c), 5) d)
Depreciation and amortization	259,551	-	-	259,551	Depreciation and amortization	5) f)
Others	2,351,676	-	-	2,351,676	Others	
Total operating expenses	5,036,907	23,712	(21,998)	5,038,621	Total operating expenses	
Income before income tax	3,040,196	-	10,228	3,050,424	Income before income tax	
Income tax expense	426,615	-	(10,909)	415,706	Income tax expense	5) b), 5) c), 5) d), 5) f)
Net income	$ 2,613,581	$ -	21,137	2,634,718	Consolidated net income	
					Other comprehensive income	
				(362,188)	Exchange differences in translation of financial statements of foreign operations	
				567,745	Unrealized gains on available-for-sale financial assets	
				34,855	Share of other comprehensive income of subsidiaries, associates and joint ventures	
				(86,166)	Actuarial gains and losses on defined benefit plans	5) c), 5) d)
				61,572	Income tax relating to the components of other comprehensive income	
				$ 2,850,536	Total comprehensive income for the period	

4) Exemptions

Except for optional exemptions and mandatory exceptions to retrospective application provided under the IFRSs, the Bank retrospectively applied the Regulations to prepare its opening balance sheet at the date of transition, January 1, 2012. The major optional exemptions the Bank elected to use are summarized as follows:

Investments in subsidiaries and associates

On adopting the IFRSs, the Bank elected to measure the investments in subsidiaries and associates acquired before the IFRS transition date at the same carrying amounts recognized in the financial statements as of and for the year December 31, 2011, which were prepared using ROC GAAP.

Deemed cost

On January 1, 2012, the date of transition to IFRSs, the subsidiary of the Bank (Union Finance and Leasing International Corporation) elected to use the fair value of investment properties as their deemed costs. The fair value was arrived at on the basis of a valuation carried out on the IFRS transition date by a professional appraiser, a certified ROC real estate appraiser who met the required conditions for making the appraisal and who was independent, i.e., not a related party of the Bank. The valuation was arrived at on the basis of market prices for similar properties and by using the income approach and sales comparison approach under the discounted cash flow model as required by the “Regulations on Real Estate Appraisal.” For the discounted cash flow method, the cap was $3,160,225 thousand, and the Bank’s weighted average cost of capital of 0.96% was the discount rate.

The impact of electing the fair value of investment properties as their deemed cost on January 1, 2012 is shown as follows:

Carrying amount (in accordance with ROC GAAP)	$ 1,596,950
Fair value (deemed cost under IFRSs)	2,806,616
Amounts adjusted for investment properties	$ 1,209,666
With adjustments to:	
Deferred tax liabilities	$ 4,198
Deferred tax assets	(129,824)
Retained earnings	1,335,292
	$ 1,209,666

Employee benefits

On the IFRS transition date, the Bank recognized in retained earnings all unrecognized cumulative actuarial gain and loss related to employee benefit plans. In addition, the Bank elected to apply the exemption disclosure requirement provided by IFRS 1, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

Cumulative translation differences

The Bank elected to reset the cumulative translation differences to zero at the date of transition to IFRSs and adjusted retained earnings accordingly. Gains or losses on the subsequent disposal of any foreign operations will exclude the translation differences that arose before the date of transition to IFRSs.

The impact of this exemption is described in the following item “5. Reconciliations on transition to IFRSs”.

5) Significant reconciliations on the conversion to IFRSs

The Bank identified significant differences between the accounting policy under ROC GAAP and IFRS, which are summarized as follows:

a) Functional currency

Under ROC GAAP, many factors are simultaneously considered to determine functional currency. Under IAS 21 “The Effects of Changes in Foreign Exchange Rates,” the factors for determining functional currency are classified into primary and secondary on the basis of management’s weighing of the relative importance of these factors.

As of January 1, 2012 and December 31, 2012, the subsidiaries of the Bank (Union Capital (Cayman) Corp. and New Asian Ventures Ltd.) adjusted a nonmonetary items bacause of the change of the functional currency; thus, financial assets carried at cost increased by $3,740 thousand and $6,048 thousand, respectively. In addition, in 2012, cumulative translation adjustments increased by $21,680 thousand and foreign exchange loss increased by $19,372 thousand.

b) Employee benefits - short-term compensated absences

Under ROC GAAP, there is no specific accounting policy on short-term compensated absences. The short-term compensated absences are usually recognized as the vacation leaves are actually taken by the employees. On conversion to IFRSs, an entity should recognize the expected cost of short-term employee benefits as employees render services that increase their entitlement to these compensated absences.

To comply with IFRSs, the Bank adjusted the accounts as of December 31, 2012 and January 1, 2012 as follows: Accrued expenses increased by $83,252 thousand and $86,958 thousand, respectively; and deferred income tax assets increased by $14,153 thousand and $14,783 thousand, respectively. In addition, for the year ended December 31, 2012, salary expenses increased by $3,706 thousand and income tax expenses decreased by $630 thousand.

The subsidiaries of the Bank also adjusted the foregoing accounts as of December 31, 2012 and January 1, 2012, and investments accounted for by the equity method decreased by $1,653 thousand and $1,630 thousand, respectively. In addition, for the year ended December 31, 2012, investment income recognized under the equity method increased by $23 thousand.

c) Employee benefits - actuarial gains and losses under the defined benefit plan

Under ROC GAAP, the unrecognized transitional net obligations that resulted from the first-time adoption of SFAS No. 18 - “Accounting for Pensions” are amortized on a straight-line basis over the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits. The amortization should be included in the net pension cost of the current year. However, the transition policies of IAS 19 “Employee Benefits” are not applicable. Thus, the effects of the unrecognized transitional net obligations should be recognized under the retained earnings immediately.

Under ROC GAAP, actuarial gains and losses are recognized by the corridor approach and amortized over the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits. On conversion to IFRSs, IAS 19 requires the actuarial gains and losses under the defined benefit plan to be immediately recognized under other comprehensive income. Actuarial gains and losses recognized under other comprehensive income should be presented under retained earnings in the equity statement, and they should not be reclassified to profit or loss in the subsequent period.

The Bank had revaluated their defined benefit plans in accordance with IAS 19. The Bank also adjusted the accounts as of December 31, 2012 and January 1, 2012 in accordance with IFRS 1, as follows: Provisions - accrued pension costs increased by $437,468 thousand and $470,203 thousand, respectively; net losses not recognized as pension cost decreased by $177,515 thousand and $204,951 thousand, respectively; and deferred income tax assets increased by $104,547 thousand and $114,776 thousand, respectively. In addition, for the year ended December 31, 2012, pension cost was decreased by $25,689 thousand, actuary loss on the defined benefit plan increased by $85,859 thousand, and income tax expense decreased by $10,229 thousand.

The subsidiaries of the Bank also adjusted the foregoing accounts as of January 1, 2012 and December 31, 2012, and investments accounted for by the equity method increased by $13,208 thousand and $13,044 thousand, respectively. In addition, for 2012, the Bank’s share of the other comprehensive income of associates and joint ventures decreased by $420 thousand and the actuarial loss on the defined benefit plan decreased by $256 thousand.

d) Employment benefit - preferential interest on employees' deposits

Under IAS 19 "Employee Benefits," the preferential rates for employees' deposits in excess of market rate should be treated as employee benefit.

Under IFRSs, if the preferential deposit interest rate that the Bank has offered to retired employees as stated in the employment contract exceeds the market interest rate, the excess will be regarded as retired employee benefits and thus should be included in the actuarial report. However, based on the amended Regulations Governing the Preparation of Financial Reports by Public Banks (the "Regulations"), the recognition of the excess preferential interests before retirement may be deferred to the time when employees confirm their retirement. The excess interests before retirement may be applied to the current accounting policy, which is to recognize relevant expenses under the accrual basis.

As of January 1, 2012 and December 31, 2012, the Bank applied actuarial valuation to preferential interest on retired employees' deposits in conformity with IAS 19 and the Regulations, and the employee benefit liabilities thus increased by $1,137 thousand and $1,428 thousand, respectively, and deferred income tax assets increased by $193 thousand and $243 thousand, respectively. For 2012, there were decreases in employment benefit expense by $15 thousand; in the actuarial loss on defined benefit plan by $307 thousand; and in the income tax expense by $50 thousand. In addition, an interest expense of $23,712 thousand for employees' deposits (including active and retired employees) was reclassified to employment benefit expense.

e) Capital surplus - long-term equity investments adjustment

Under "The FAQs of adopting IFRSs" issued by the Taiwan Stock Exchange, the capital surplus items to which IFRSs, the Bank Law and the Ministry of Economic Affairs's directives are not applicable should be adjusted on the date of transition. Thus, the Bank reclassified capital surplus - long-term equity investments to retained earnings.

The Bank decreased capital surplus - long-term equity investments as of January 1, 2012 and December 31, 2012 by $1,398 thousand each

f) Investment properties

As of January 1, 2012 and December 31, 2012, a subsidiary of the Bank used fair value as deemed cost; thus, the investments accounted for by the equity method amounts by $1,335,292 thousand and $1,343,291 thousand. For 2012, the Bank's share of other comprehensive income of associates and joint ventures increased by $7,999 thousand.

g) Deferred expenses

Under ROC GAAP, the deferred expenses are included in other assets. Under IFRSs, deferred expenses are reclassified to property and equipment, intangible assets, prepaid expenses or long-term prepaid expenses depending on the nature of these expenses.

As of January 1, 2012 and December 31, 2012, the other assets reclassified to intangible assets had amounted to $138,523 thousand and $97,431 thousand.

h) Securities brokerage accounts

Under ROC GAAP, securities brokerage accounts are presented at net value and the remaining debit or credit balance is disclosed in the balance sheet. However, on transition to IFRSs, debit and credit balances of the securities brokerage account should be classified in accordance with their nature.

As of January 1, 2012 and December 31, 2012, the debit amounts of securities brokerage that were reclassified to net receivables were $810 thousand and $1,243 thousand, respectively, those reclassified to accounts receivable were $162,283 thousand and $224,465 thousand, respectively; those reclassified to accounts payable were $161,498 thousand and $223,649 thousand, respectively; and those reclassified to other assets were $25 thousand and $427 thousand, respectively.

i) Deferred income tax assets or liabilities

Under ROC GAAP, the deferred income tax assets and liabilities of the same taxable entity should be offset and shown in the financial statements at their net value. On conversion to IFRSs, an entity should offset deferred income tax assets and deferred income tax liabilities against each other in the balance sheet only if: a) the entity has a legally enforceable right to offset current income tax assets against current income tax liabilities; and b) the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current income tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously.

As of January 1, 2012, the Bank reclassified $3,145,535 thousand from other assets to deferred income tax assets amounting to $3,511,118 thousand and deferred income tax liabilities amounting to $365,583 thousand, respectively. As of December 31, 2012, the Bank reclassified $2,841,035 thousand from other assets to deferred income tax assets amounting to $3,175,415 thousand and deferred income tax liabilities amounting to $334,380 thousand, respectively.

j) Cumulative translation differences

The Bank elected to use the exemption that allowed the resetting of cumulative translation differences to zero at the date of transition to IFRSs, resulting in a decrease in unappropriated earnings by $263,522 thousand. As of December 31, 2012, the cumulative translation adjustments increased by $285,202 thousand because of this exemption.

k) Unappropriated earnings adjustment

	January 1, 2012
Unappropriated earnings (ROC GAAP)	$ 1,826,615
Adjustments of unappropriated earnings	
Employee benefits - short-term compensated absences	(70,753)
Employee benefits - actuarial losses under defined benefit plans	(491,996)
Employee benefits - unrecognized transitional net obligations	(5,232)
Employee benefits - provision of preferential interest on retired employees' deposits	(943)
Capital surplus - long-term equity investments	1,398
Investment properties with fair value as deemed cost	1,335,292
Retroactive adjustment of functional currency change	3,740
Cumulative translation adjustments	(263,522)
Unappropriated earnings adjustment	507,984
Unappropriated earnings (IFRSs)	$ 2,334,599

6) Significant adjustments in the statement of cash flows

Under ROC GAAP, interest paid/received and dividends received are normally accounted for under operating activities, while dividends paid, under financing activities. The statements of cash flows, which should be prepared by the indirect method, should present the amounts paid as interests. Under IAS 7 “Statement of Cash Flows,” interest and dividends paid/received should be disclosed separately and should be classified consistently under operating, investing or financing activities in each period. Therefore, for the year ended December 31, 2012, interest received of \$9,149,080 thousand, interest paid of \$3,483,393 thousand and dividends received of \$170,665 thousand were presented separately.

Except for the above mentioned, there is no significant difference between IFRS and ROC GAAP in the presentation of statements of cash flows.

UNION BANK OF TAIWAN

ENDORSEMENTS/GUARANTEES PROVIDED
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Year	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per the Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable
		Name	Nature of Relationship						
1	Union Capital (Cayman) Corp.	Union Finance and Leasing International Corporation	Subsidiary	$ 498,160	$ 400,000	$ 400,000	$ 400,000	1.41	$ 498,160

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars and Foreign Currency, Unless Stated Otherwise)

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2013				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Union Finance and Leasing International Corporation	Beneficial certificates							
	Union Advantage Global FI Portfolio Fund	-	Available-for-sale financial assets	8,979	$ 133,251	-	$ 133,251	Note 4
	Stock							
	Masterlink Securities Corporation.	-	Available-for-sale financial assets	872	9,020	0.06	9,020	Note 4
	China Chemical Corporation	-	Available-for-sale financial assets	356	8,358	0.11	8,358	Note 4
	Union Capital (Cayman) Corp.	Subsidiary	Equity investment - equity method	50	496,516	100.00	496,516	Note 1
	New Asian Ventures Ltd.	Subsidiary	Equity investment - equity method	-	74,614	100.00	74,614	Note 1
	ERA Communications Co., Ltd.	-	Unquoted equity instruments	425	1,415	0.33	7,009	Note 1
	Yung Li Securities Co., Ltd.	-	Unquoted equity instruments	1	166	0.99	114	Note 1
	Schmidt Technology Co., Ltd.	-	Unquoted equity instruments	63	-	0.29	589	Note 1
	Bond							
	Taiwan Life Insurance Co., Ltd.	-	Financial assets designated at fair value through profit or loss	500	73,133	-	73,133	-
Union Information Technology Corporation	Stock							
	I-Sunny Construction & Development Co., Ltd.	-	Available-for-sale financial assets	-	-	-	-	Note 4
	ELTA Technology Co., Ltd.	-	Unquoted equity instruments	2,382	23,240	15.88	33,234	Note 3
	eBizServe, Inc.	-	Unquoted equity instruments	236	654	0.58	439	Note 3
	Xiehe E-commerce Co., Ltd.	-	Unquoted equity instruments	169	-	7.99	-	Note 3
Union Finance International (HK) Limited	Bond							
	HBOS Capital Funding LP	-	Available-for-sale financial assets	905	US$ 889	-	US$ 889	-
	Penn West Energy	-	Available-for-sale financial assets	29	US$ 292	-	US$ 292	-
	Stock							
	ING Group N.V.	-	Available-for-sale financial assets	33	US$ 838	-	US$ 838	Note 4
	WMI Holdings	-	Available-for-sale financial assets	18	US$ 50	-	US$ 50	Note 4
	Apple Computer Inc.	-	Available-for-sale financial assets	3	US$ 1,635	-	US$ 1,635	Note 4
	Merck & Co., Inc.	-	Financial assets at fair value through profit or loss	12	US$ 586	-	US$ 586	Note 4
	EBAY Inc.	-	Financial assets at fair value through profit or loss	14	US$ 750	-	US$ 750	Note 4
	Penn West Energy	-	Financial assets at fair value through profit or loss	119	US$ 995	-	US$ 995	Note 4
New Asian Ventures Ltd.	Stock							
	Grace T.H.W. Holding Limited	-	Unquoted equity instruments	1,667	64,320	0.74	US$ 2,159	Note 2

(Continued)

The Bank's investees had investments in companies with shares having no quoted market prices. The net asset values of these companies were based on the following:

Note 1: Union Finance and Leasing International Corporation:

a. ERA Communications Co., Ltd., Yung Li Securities Co., Ltd. and Schmidt Technology Co., Ltd. - the audited statements of stockholders' equity as of December 31, 2013.

b. New Asian Ventures Ltd. and Union Capital (Cayman) Corp. - the audited statements of stockholders' equity as of December 31, 2013.

Note 2: New Asian Ventures Ltd.:

Grace T.H.W. Holding Limited - unaudited statements of stockholders' equity as of December 31, 2013.

Note 3: Union Information Technology Corporation - the basis of the calculation of the market values of its investments is shown as follows:

ELTA Technology Co., Ltd., eBizServe, Inc. and Xiehe E-commerce Co., Ltd. - unaudited statements of stockholders' equity as of December 31, 2013.

Note 4: The market values of the listed and OTC stocks included in financial assets at fair value through profit or loss and available-for-sale financial assets were based on the daily closing prices as of balance sheet date. The market values of beneficial certificates were based on net asset values as of the balance sheet date.

(Concluded)

TABLE 3

UNION BANK OF TAIWAN

ASSET QUALITY
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2013				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 558,269	$ 64,031,114	0.87%	$ 1,125,846	194.43%
	Unsecured		20,794	39,655,589	0.05%		
Consumer banking	Housing mortgage (Note 4)		49,239	110,096,437	0.04%	1,195,443	2,427.84%
	Cash card		4,863	163,041	2.98%	9,280	190.83%
	Small scale credit loans (Note 5)		19,482	6,996,991	0.28%	75,974	389.97%
	Other (Note 6)	Secured	21,204	9,170,904	0.23%	117,893	540.37%
		Unsecured	613	1,686,694	0.04%		
Deposits and remittances	Certificates of deposit		-	866,258	-	-	-
Loan			674,464	232,667,028	0.29%	2,524,436	374.29%
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			$ 40,506	$ 11,695,827	0.35%	$ 133,906	330.58%
Accounts receivable factored without recourse (Note 7)			-	-	-	-	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."
Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Not reported as nonperforming loans or nonperforming receivables

Items / Types	December 31, 2013	
	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 143,389	$ 608,707
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	67,241	992,419
Total	210,630	1,601,126

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

(Continued)

Period			December 31, 2012					January 1, 2012				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 323,397	$ 58,108,625	0.56%	$ 925,882	269.84%	$ 400,865	$ 55,975,921	0.72%	$ 772,445	176.69%
	Unsecured		19,728	27,054,953	0.07%			36,301	23,550,123	0.15%		
Consumer banking	Housing mortgage (Note 4)		81,984	103,226,414	0.08%	1,122,258	1,368.87%	171,979	99,904,119	0.17%	970,379	564.24%
	Cash card		10,207	231,347	4.41%	19,912	195.08%	29,672	352,450	8.42%	53,017	178.68%
	Small scale credit loans (Note 5)		27,511	5,273,628	0.52%	57,334	208.40%	41,041	3,136,699	1.31%	47,569	115.91%
	Other (Note 6)	Secured	13,461	8,062,332	0.17%	100,529	700.60%	9,894	7,333,885	0.13%	83,381	701.09%
		Unsecured	888	1,184,432	0.07%			1,999	1,250,498	0.16%		
Deposits and remittances	Certificates of deposit		-	917,622	-	-	-	-	1,103,089	-	-	-
Loan			477,176	204,059,353	0.23%	2,225,915	466.48%	691,751	192,606,784	0.36%	1,926,791	278.54%
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			$ 42,387	$ 11,716,689	0.36%	$ 155,540	366.95%	$ 36,116	$ 13,374,834	0.27%	$ 298,653	826.93%
Accounts receivable factored without recourse (Note 7)			-	-	-	-	-	-	-	-	-	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Not reported as nonperforming loans or nonperforming receivables

Items / Types	December 31, 2012		January 1, 2012	
	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 191,300	$ 810,621	$ 261,682	$ 1,103,340
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	74,289	1,037,923	62,089	1,085,042
Total	265,589	1,848,544	323,771	2,188,382

(Continued)

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

(Concluded)

UNION BANK OF TAIWAN

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEES
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Subsidiaries in Investees				Note
						Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
								Shares (Thousands)	Percentage of Ownership	
Financial-related										
Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00	$ 2,255,382	$ 167,319	70,000		70,000	100.00	Note 1
Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99	79,679	(2,103)	30,000		30,000	99.99	Note 1
Union Securities Investment Trust Corporation	Taipei	Securities investment trust	35.00	138,406	10,722	13,097		13,097	43.65	Note 1
Union Insurance Broker Company	Taipei	Personal insurance agency	100.00	27,037	14,014	500		500	100.00	Note 1
Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution services	99.99	12,908	7,994	1,000		1,000	99.99	Note 1
Taiwan Asset Management Corporation	Taipei	Purchase, sale and management of nonperforming loans from financial institutions	0.57	75,000	-	7,500		7,500	0.57	
Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	50,000	-	5,000		5,000	2.94	
Huan Hua Securities Finance Co.	Taipei	Securities finance	0.53	38,454	-	3,942		3,942	0.53	
Sunny Asset Management Co.	Taipei	Purchase, sell and manage nonperforming loans from financial institution	6.44	3,864	-	386		386	6.44	
Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	2,113	-	160		160	0.81	
Financial Information Service Co., Ltd.	Taipei	Information service	2.39	118,782	-	10,774		10,774	2.39	
Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.25	13,916	-	815		815	0.25	
Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04	71,250	-	5,790		5,790	2.04	
Nonfinancial-related										
Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00	54,294	(196)	2,000		2,000	40.00	Note 1
Fu Hua Venture Corporation	Taipei	Investments	5.00	16,452	-	1,650		1,650	5.00	
Jiao Da Venture Corporation	Taipei	Investment	5.00	637	-	134		134	5.00	
Li Yu Venture Corporation	Taipei	Investment	4.76	6,437	-	855		855	4.76	
Lian An Service Corporation	Taipei	Security service	5.00	1,501	-	125		125	5.00	
Taiwan Power Corporation	Taipei	Electricity-related business	0.0012	6,124	-	395		395	0.0012	
Global Communication Semiconductor, Inc.	U.S.A.	Semiconductor business	0.76	9,185	-	278		278	0.76	

Note 1: The investees' information shown above is based on audited financial reports as of December 31, 2013.

Note 2: Pro forma shares are considered if equity securities - convertible bonds, warrants, etc. - or derivative contracts such as stock options, are converted to shares.