The Shanghai Commercial & Savings Bank, Ltd.

Financial Statements for the Six Months Ended June 30, 2014 and 2013 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
The Shanghai Commercial & Savings Bank, Ltd.

We have audited the accompanying balance sheets of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank") as of June 30, 2014, December 31, 2013 and June 30, 2013, and the related statements of comprehensive income, changes in equity, and cash flows for the six months ended June 30, 2014 and 2013. These financial statements are the responsibility of the management of the Bank. 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 the Bank's 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 in the first paragraph present fairly, in all material respects, the financial position of the Bank as of June 30, 2014, December 31, 2013 and June 30, 2013 and the results of its operations and its cash flows for the six months ended June 30, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and Criteria Governing the Preparation of Financial Reports by Securities Firms.

August 23, 2014

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 reader's convenience, the 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 inconsistencies arise between the English version and the original Chinese version or if differences arise in the interpretation between the two versions, the Chinese version of the auditors' report and financial statements shall prevail.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2014		December 31, 2013		June 30, 2013	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (notes 6 and 32)	$ 22,738,595	3	$ 21,316,262	2	$ 12,750,815	2
Due from the central bank and call loans to banks (notes 7 and 32)	35,626,615	4	73,901,926	8	81,578,351	9
Financial assets at fair value through profit or loss (note 8)	30,916,099	3	31,347,045	3	33,147,758	4
Derivative financial assets for hedging (note 9)	65,865	-	104,418	-	140,528	-
Securities purchased under resell agreements (note 10)	3,800,406	1	1,588,177	-	986,987	-
Receivables, net (notes 11 and 32)	8,962,444	1	8,339,624	1	9,242,622	1
Discounts and loans, net (notes 12 and 32)	561,242,422	60	538,619,806	58	500,621,717	56
Available-for-sale financial assets, net (notes 13 and 33)	104,083,781	11	88,656,014	10	80,311,943	9
Held-to-maturity financial assets (notes 14 and 33)	107,048,794	11	107,047,110	12	112,241,032	13
Equity investments under the equity method (note 15)	49,716,739	5	49,284,880	5	46,483,940	5
Other financial assets, net (note 16)	219,976	-	209,855	-	205,678	-
Properties, net (note 17)	12,298,506	1	12,268,533	1	12,400,900	1
Deferred income tax assets	589,950	-	604,404	-	623,000	-
Other assets, net (note 18)	2,070,903	-	2,139,324	-	2,298,447	-
Total	$ 939,381,095	100	$ 935,427,378	100	$ 893,033,718	100
LIABILITIES AND EQUITY						
Due to the central bank and banks (notes 19 and 32)	$ 16,843,745	2	$ 14,169,695	1	$ 12,510,793	1
Borrowings from the central bank and banks	-	-	3,932,016	-	1,499,450	-
Financial liabilities at fair value through profit or loss (note 8)	359,592	-	1,292,169	-	1,836,332	-
Derivative financial liabilities for hedging (note 9)	8,048	-	24,429	-	40,362	-
Securities sold under repurchase agreements (note 20)	7,927,202	1	5,746,867	1	4,218,105	1
Payables (notes 21 and 32)	21,823,438	2	16,071,808	2	24,295,669	3
Current income tax liabilities	776,120	-	381,571	-	677,057	-
Deposits and remittances (notes 22 and 32)	737,667,625	78	746,538,689	80	709,442,226	79
Bank debentures (note 23)	39,765,907	4	33,104,321	3	33,140,260	4
Other financial liabilities (note 24)	6,392,553	1	6,680,824	1	4,492,584	1
Provisions (note 25)	619,677	-	617,184	-	598,708	-
Deferred income tax liabilities	7,082,935	1	6,979,740	1	6,860,204	1
Other liabilities (notes 26 and 32)	907,105	-	968,749	-	892,407	-
Total liabilities	840,173,947	89	836,508,062	89	800,504,157	90
Equity (note 28)						
Share capital						
Ordinary shares	37,157,916	4	37,157,916	4	37,157,916	4
Reserve for capitalization	928,948	-	-	-	-	-
	38,086,864	4	37,157,916	4	37,157,916	4
Capital surplus	4,625,336	-	4,625,336	1	4,624,995	1
Retained earnings						
Legal reserve	33,751,333	4	30,708,270	3	30,708,270	3
Special reserve	7,480,146	1	7,480,146	1	7,480,146	1
Unappropriated earnings	10,626,499	1	14,913,809	2	9,692,063	1
Total retained earnings	51,857,978	6	53,102,225	6	47,880,479	5
Other equity	4,720,114	1	4,116,983	-	2,949,315	-
Treasury stock	(83,144)	-	(83,144)	-	(83,144)	-
Total equity	99,207,148	11	98,919,316	11	92,529,561	10
Total	$ 939,381,095	100	$ 935,427,378	100	$ 893,033,718	100

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

	For the Six Months Ended June 30			
	2014		2013	
	Amount	%	Amount	%
Interest revenues	$ 8,475,624	91	$ 7,317,697	84
Interest expenses	3,362,446	36	2,858,775	33
Net interest (notes 29 and 32)	5,113,178	55	4,458,922	51
Net revenues other than interest				
Service fee incomes, net (notes 29 and 32)	1,368,946	15	1,261,224	14
Gains on financial assets and liabilities at fair value through profit or loss (note 29)	426,416	4	323,224	4
Realized gains on available-for-sale financial assets	150,603	2	179,418	2
Foreign exchange gains, net	67,046	1	270,288	3
Share of profit of subsidiaries, associates and joint ventures, net	2,182,736	23	1,970,434	23
Other net revenues (note 32)	50,488	-	230,353	3
Total net revenues other than interest	4,246,235	45	4,234,941	49
Net revenues	9,359,413	100	8,693,863	100
Bad debt expenses (note 12)	299,850	3	385,501	4
Operating expenses				
Personnel (notes 4, 29 and 32)	1,664,972	18	1,565,562	18
Depreciation and amortization (note 29)	261,067	3	229,902	3
Other general and administrative (note 32)	877,157	9	784,472	9
Total operating expenses	2,803,196	30	2,579,936	30
Profit before income tax	6,256,367	67	5,728,426	66
Income tax expense (notes 4 and 30)	(997,979)	(11)	(819,823)	(9)
Net income	5,258,388	56	4,908,603	57
Other comprehensive income				
Translation adjustments for foreign operations	83,699	1	1,452,243	17
Unrealized gain (loss) on available-for-sale financial assets	518,732	6	(455,401)	(5)
Cash flow hedge	16,381	-	16,177	-

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

	For the Six Months Ended June 30			
	2014		2013	
	Amount	%	Amount	%
Share of the other comprehensive income of associates and joint ventures	$ 50,392	1	$ (569,380)	(7)
Income tax relating to the components of other comprehensive income (notes 4 and 30)	(66,073)	(1)	(418,783)	(5)
Other comprehensive income for the period, net of income tax	603,131	7	24,856	-
Total comprehensive income for the period	$ 5,861,519	63	$ 4,933,459	57
Earnings per share (note 31)				
Basic	$ 1.38		$ 1.29	
Diluted	$ 1.38		$ 1.29	

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

				Retained Earnings (Note 28)			Other Equity				
	Share Capital (Note 28)	Reserve for Capitalization	Capital Surplus (Note 28)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Shares (Note 28)	Total Equity
Balance at January 1, 2013	$ 37,157,916	$ -	$ 4,618,140	$ 27,849,676	$ 6,223,287	$ 14,472,600	$ (1,423,907)	$ 4,404,904	$ (56,538)	$ (83,144)	$ 93,162,934
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	-	1,256,859	(1,256,859)	-	-	-	-	-
Appropriation of 2012 earnings											
Legal reserve	-	-	-	2,858,594	-	(2,858,594)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(5,573,687)	-	-	-	-	(5,573,687)
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	-	6,855	-	-	-	-	-	-	-	6,855
Net profit for the six months ended June 30, 2013	-	-	-	-	-	4,908,603	-	-	-	-	4,908,603
Other comprehensive income (loss) for the six months ended June 30, 2013, net of income tax	-	-	-	-	-	-	1,027,423	(1,018,744)	16,177	-	24,856
Total comprehensive income (loss) for the six months ended June 30, 2013	-	-	-	-	-	4,908,603	1,027,423	(1,018,744)	16,177	-	4,933,459
Balance at June 30, 2013	$ 37,157,916	$ -	$ 4,624,995	$ 30,708,270	$ 7,480,146	$ 9,692,063	$ (396,484)	$ 3,386,160	$ (40,361)	$ (83,144)	$ 92,529,561
Balance at January 1, 2014	$ 37,157,916	$ -	$ 4,625,336	$ 30,708,270	$ 7,480,146	$ 14,913,809	$ (409,408)	$ 4,550,820	$ (24,429)	$ (83,144)	$ 98,919,316
Appropriation of 2013 earnings											
Legal reserve	-	-	-	3,043,063	-	(3,043,063)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(5,573,687)	-	-	-	-	(5,573,687)
Share dividends	-	928,948	-	-	-	(928,948)	-	-	-	-	-
Net profit for the six months ended June 30, 2014	-	-	-	-	-	5,258,388	-	-	-	-	5,258,388
Other comprehensive income for the six months ended June 30, 2014, net of income tax	-	-	-	-	-	-	45,371	541,379	16,381	-	603,131
Total comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	5,258,388	45,371	541,379	16,381	-	5,861,519
Balance at June 30, 2014	$ 37,157,916	$ 928,948	$ 4,625,336	$ 33,751,333	$ 7,480,146	$ 10,626,499	$ (364,037)	$ 5,092,199	$ (8,048)	$ (83,144)	$ 99,207,148

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

	For the Six Months Ended June 30	
	2014	**2013**
Cash flows from operating activities		
Net profit before income tax	$ 6,256,367	$ 5,728,426
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation expenses	119,018	111,757
Amortization expenses	142,049	118,145
Bad debt expenses	299,850	385,501
Losses (gains) on financial assets and liabilities at fair value through profit or loss	54,967	(9,503)
Interest expenses	3,362,446	2,858,775
Dividend income	(56,546)	(19,343)
Interest revenues	(8,475,624)	(7,317,697)
Share of profit of associates and joint ventures	(2,182,736)	(1,970,434)
Losses (gains) on sale of properties and equipment, net	2,093	(94,271)
Other adjustments	401,147	134,096
Changes in operating assets and liabilities		
Decrease in due from the central bank and call loans to banks	4,487,262	2,179,019
Increase in financial assets at fair value through profit or loss	(586,059)	(4,807,000)
Increase in receivables	(247,941)	(181,897)
Increase in discounts and loans	(23,070,670)	(43,862,760)
Increase in available-for-sale financial assets	(14,472,534)	(8,139,722)
Decrease (increase) in held-to-maturity financial assets	(22)	3,573,377
Decrease (increase) in other financial assets	(10,121)	29,063
Increase (decrease) in due to the Central Bank and banks	2,674,050	(14,370,696)
Increase in financial liabilities at fair value through profit or loss	29,461	66,840
Increase (decrease) in securities sold under repurchase agreements	2,180,335	(4,264,402)
Increase (decrease) in payables	(46,495)	5,258,218
Increase (decrease) in deposits and remittances	(8,871,064)	41,379,706
Decrease in other financial liabilities	(288,271)	(512,020)
Increase in employee benefit provisions	2,552	3,427
Decrease in other liabilities	(26,852)	(42,425)
Cash used in operation	(38,323,338)	(23,765,820)
Interest received	7,456,656	6,520,140
Dividend received	2,041,652	1,889,512
Interest paid	(3,138,055)	(2,860,856)
Income tax paid	(597,061)	(813,674)
Net cash used in operating activities	(32,560,146)	(19,030,698)
Cash flows from investing activities		
Acquisition of equity investments under the equity method	(100,000)	-
Acquisition of properties	(152,082)	(1,439,751)
Proceeds from disposal of properties	1,019	140,269

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

	For the Six Months Ended June 30	
	2014	**2013**
Increase in refundable deposits	$ (27,494)	$ (180,591)
Decrease (increase) in other assets	(49,028)	256,621
Net cash used in investing activities	(327,585)	(1,223,452)
Cash flows from financing activities		
Decrease in borrowings from the Central Bank and banks	(3,932,016)	(4,308,550)
Issuance of bank debentures	6,700,000	-
Repayment of bank debentures	-	(2,000,000)
Increase in guarantee deposit received	-	133,580
Decrease in guarantee deposit received	(34,792)	-
Payment of cash dividend	-	(5,573,687)
Net cash generated from (used in) financing activities	2,733,192	(11,748,657)
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,052	23,736
Net decrease in cash and cash equivalents	(30,153,487)	(31,979,071)
Cash and cash equivalents at the beginning of the period	69,510,180	103,437,469
Cash and cash equivalents at the end of the period	$ 39,356,693	$ 71,458,398

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets at June 30, 2014 and 2013:

	2014	**2013**
Cash and cash equivalents in balance sheets	$ 22,738,595	$ 12,750,815
Due from the Central Bank and call loans to banks fall in with the definition of cash and cash equivalents under IFRS 7	12,817,692	57,720,596
Securities purchased under resell agreements fall in with the definition of cash and cash equivalents under IFRS 7	3,800,406	986,987
Cash and cash equivalents in statements of cash flows	$ 39,356,693	$ 71,458,398

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

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

The Bank was incorporated in the Republic of China ("ROC") and engaged in various commercial banking businesses under related laws and regulations. The Bank has a head office in Taipei, 68 domestic branches and two foreign branches, Hong Kong branch and Dong Nai (Vietnam) branch.

The operations of the Bank's Trust Department include services related to planning, managing and operating a trust business as allowed under the Banking Law and Trust Law.

The financial statements are presented in the Bank's functional currency, New Taiwan Dollars.

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on August 23, 2014.

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

a. The 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet effective

Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Banks should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
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

(Continued)

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
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
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

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

Except for the following, the initial application of the above 2013 IFRSs version has not had any material impact on the Bank’s accounting policies:

1) 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 required 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.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

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

The Bank will apply the above amendments in presenting the statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the actuarial gains (loss) arising from defined benefit plans) of associates accounted for using the equity method.

3) Revision to IAS 19 "Employee Benefits"

The interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Bank was continuingly to assess other possible impacts that the application of the 2013 IFRSs version will have on the Bank's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by FSC

The Bank has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	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"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendment to IFRS 11 " Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	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 with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

The initial application of the above New IFRSs has not had any material impact on the Bank's accounting policies, except for the following,:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Bank's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows：

(a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
(b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Bank may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For originated credit-impaired financial assets, the Bank takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement” on May 2011, 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. The amendment made on May 2013 clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Bank is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 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 segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 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 was amended to clarify that a management entity providing key management personnel services to the Bank is a related party of the Group. Consequently, 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 such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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.

Except for the above impact, as of the date the financial statements were authorized for issue, the Bank is continuingly assessing the possible impact that the application of other standards and interpretations will have on the Bank’s financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and related regulations. Disclosure information included in interim financial reports is less than disclosures required in a full set of annual reports.

Other Significant Accounting Policy

The same accounting policies of these financial statements have been followed as were applied in the preparation of the financial statements for the year ended December 31, 2013, except for those described below.

a. Financial instruments

Under guidelines issued by the Financial Supervisory Commission, the credit clients are categorized into five groups, normal, warning, possible, and difficult, and uncollectible based on the clients' financial conditions. Furthermore, after assessing the value of the collaterals, the Bank could assessed the possibilities of recovery.

Under the policy of the Bank, the minimum standard allowance for all accounts, and for accounts classified as normal (except the government's claims), warning, possible, difficult, and uncollectible is recognized at 1% (2013: 0.5%), 2%, 10%, 50%, and 100%, respectively. The uncollectible assets could be written off after the board of directors' approval.

b. Retirement benefit costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

c. Income taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of financial statements have been followed in these financial statements as were applied in the preparation of the financial statements for the year ended December 31, 2013.

6. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013	June 30, 2013
Cash on hand and working fund	$ 5,694,005	$ 5,429,686	$ 5,404,295
Notes and checks in clearing	882,036	1,085,547	3,243,839
Due from other banks - domestic	7,950,638	6,439,345	2,053,202
Due from other banks - foreign	8,211,916	8,361,684	2,049,479
	$ 22,738,595	$ 21,316,262	$ 12,750,815

Reconciliation of the amounts of cash and cash equivalents reported in the statements of cash flow and a balance sheet on December 31, 2013 was as below. As for reconciliation at June 30, 2014 and 2013, please refer to the statements of cash flows.

	December 31, 2013
Cash and cash equivalents in balance sheets	$ 21,316,262
Due from the Central Bank and call loans to banks fall in with the definition of cash and cash equivalents under IFRS 7	46,605,741
Securities purchased under resell agreements fall in with the definition of cash and cash equivalents under IFRS 7	1,588,177
Cash and cash equivalents in statements of cash flow	$ 69,510,180

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	June 30, 2014	December 31, 2013	June 30, 2013
Call loans to banks	$ 16,956,377	$ 47,092,527	$ 61,554,134
Deposit reserves - I	2,687,795	11,063,816	5,282,374
Deposit reserves - II	15,885,671	15,662,521	14,659,459
Deposit reserves - foreign	96,772	83,062	82,384
	$ 35,626,615	$ 73,901,926	$ 81,578,351

Deposit reserves are statutory reserves and determined monthly at prescribed rates based on average balances of customers' deposits. The entire balance of deposit reserve - II is subject to withdrawal restrictions while no restrictions are placed to other deposit reserves.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2014	December 31, 2013	June 30, 2013
Held-for-trading financial assets			
Commercial papers	$ 28,485,581	$ 25,283,493	$ 23,213,448
Treasury bonds	496,654	495,387	498,382
Forward contracts	158,752	253,209	145,540
Option contracts	148,720	1,013,430	1,667,188
Stocks	65,024	21,315	3,687
Currency swap contracts	56,761	28,793	113,726
Acceptances	28,010	72,455	-
Negotiable certificate of deposit	17,591	2,617,783	5,090,761
Interest rate swap contract	6,241	6,464	10,797
Corporate bonds	-	1,030	7,736
Government bonds	-	-	114,690
Others	19,215	7,883	13,372
	29,482,549	29,801,242	30,879,327

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Financial assets designated at fair value through profit or loss			
Structured corporate bonds contracts	$ 1,433,550	$ 1,545,803	$ 1,995,909
Structured bank debentures contracts	-	-	272,522
	1,433,550	1,545,803	2,268,431
	$ 30,916,099	$ 31,347,045	$ 33,147,758
Held-for-trading financial liabilities			
Option contracts	$ 149,881	$ 1,013,367	$ 1,510,377
Forward contracts	146,726	178,871	173,128
Currency swap contracts	27,704	58,992	106,507
Interest rate swap contracts	35,281	40,939	46,320
	$ 359,592	$ 1,292,169	$ 1,836,332

(Concluded)

The Bank engages in derivative transactions mainly to accommodate customers' needs and manage its exposure positions.

The financial assets and liabilities at FVTPL contract (nominal) amounts of derivative transactions as of June 30, 2014, December 31, 2013 and June 30, 2013 were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Option contracts	$ 43,262,841	$ 106,709,404	$ 143,159,475
Forward contracts	24,984,141	21,777,664	21,397,803
Currency swap contracts	22,763,273	27,219,048	30,966,746
Interest rate swap contracts	3,405,922	4,480,042	4,152,491
Fixed rate commercial papers	800,000	600,000	600,000
Credit default swap contracts	-	-	272,380

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2014	December 31, 2013	June 30, 2013
Derivative financial assets under hedge accounting			
Fair value hedges - interest rate swaps	$ 65,865	$ 104,418	$ 140,528
Derivative financial liabilities under hedge accounting			
Cash flow hedges - interest rate swaps	$ 8,048	$ 24,429	$ 40,362

a. Fair value hedges

Portion of bank debentures issued by the Bank, including second issue in 2007 and first issue in 2008, and the corporate bonds held by the Bank are exposed to the fair value risk due to fluctuations in interest rates. The Bank considered the significance of the exposure and entered into interest rate swap contracts to hedge such risk. The Bank assessed the effectiveness of hedges at the end of each month, and deemed the results were effective as the hedging instruments offset against the majority of fluctuations on fair values of hedged items.

The outstanding interest rate swaps of the Bank at the end of the reporting period were as follows:

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
June 30, 2014			
$ 4,000,000	2014/12/10-2015/06/10	0.8770%	2.5283%-3.0400%

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
December 31, 2013			
$ 4,000,000	2014/12/10-2015/06/10	0.8630%	2.5283%-3.0400%

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
June 30, 2013			
$ 4,000,000	2014/12/10-2015/06/10	0.8960%	2.5283%-3.0400%

Gains or losses on the hedging derivative financial instruments and on the hedged items as of the six months ended 2014 and 2013 were as follows:

	For the Six Months Ended June 30	
	2014	2013
Gains on the hedging instruments	$ 38,553	$ 49,086
Losses on the hedged items	$ 38,414	$(49,180)

b. Cash flow hedges

The Bank debentures first issued in 2007 were exposed to cash flow risk caused by the fluctuation of interest rates. The Bank considered the significance of the exposure and entered into interest rate swap contracts to hedge the cash flow risk. The Bank assessed the effectiveness of hedges at the end of each month, and deemed the result was effective as the effectiveness of hedging instrument offset against the majority of fluctuation on the cash flow of the hedged item was between 80% to 125%.

The outstanding interest rate swaps of the Bank at the end of the reporting period were as follows:

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
June 30, 2014			
$ 2,000,000	2014/09/29	2.5450%	0.8770%

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
December 31, 2013			
$ 2,000,000	2014/09/29	2.5450%	0.8680%

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
June 30, 2013			
$ 2,000,000	2014/09/29	2.5450%	0.8960%

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities purchase under resell agreements as of June 30, 2014, December 31, 2013 and June 30, 2013 were $3,800,406 thousand, $1,588,177 thousand and $986,987 thousand, respectively. The aforementioned securities will be bought back one after another before September 3, 2014, February 6, 2014 and July 18, 2013 at $3,802,912 thousand, $1,588,956 thousand and $987,302 thousand, respectively.

11. RECEIVABLES, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Acceptances	$ 2,937,976	$ 2,647,703	$ 2,896,913
Credit cards receivable	2,298,784	2,271,876	2,805,976
Accrued interest	1,970,759	1,562,808	1,378,926
Accounts receivable - factoring	1,629,665	1,301,819	1,464,217
Others	429,125	842,506	969,626
	9,266,309	8,626,712	9,515,658
Less allowance for credit losses	(303,865)	(287,088)	(273,036)
	$ 8,962,444	$ 8,339,624	$ 9,242,622

Allowance for account receivable and other financial assets are categorized and assessed by credit risk as below:

Item	June 30, 2014 Total	June 30, 2014 Allowances
With objective evidence of impairment		
Individually assessed	$ 187	$ 100
Collectively assessed	244,321	98,695
With no objective evidence of impairment		
Collectively assessed	6,571,022	208,411
Grand total	$ 6,815,530	$ 307,206

Item	December 31, 2013 Total	December 31, 2013 Allowances
With objective evidence of impairment		
Individually assessed	$ 459	$ 165
Collectively assessed	179,794	72,339
With no objective evidence of impairment		
Collectively assessed	5,793,407	219,102
Grand total	$ 5,973,660	$ 291,606

Item	June 30, 2013 Total	June 30, 2013 Allowances
With objective evidence of impairment		
Individually assessed	$ 218	$ 124
Collectively assessed	289,500	105,584
With no objective evidence of impairment		
Collectively assessed	6,645,638	171,805
Grand total	$ 6,935,356	$ 277,513

The changes in allowance for receivables and other financial assets are listed below:

	Six Months Ended June 30	
	2014	2013
Balance at January 1	$ 291,606	$ 262,620
Provisions	4,596	2,208
Write-offs	(17,296)	(19,632)
Recoveries	28,217	32,033
Effect of exchange rate changes	83	284
Balance at June 30	$ 307,206	$ 277,513

12. DISCOUNTS AND LOANS, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Loans	$ 550,325,803	$ 529,080,260	$ 493,457,304
Inward/outward documentary bills	17,590,577	15,230,599	11,807,588
Nonperforming loans	1,128,940	1,778,941	2,172,847
	569,045,320	546,089,800	507,437,739
Discount and premium adjustment	474,530	342,184	220,242
Allowance for credit losses	(8,277,428)	(7,812,178)	(7,036,264)
	$ 561,242,422	$ 538,619,806	$ 500,621,717

The Bank discontinues accruing interests when loans are deemed nonperforming. For the six months ended June 30, 2014 and 2013, the unrecognized interest revenues on the nonperforming loans amounted to $14,222 thousand and $16,243 thousand, respectively.

For the six months ended June 30, 2014 and 2013, the Bank only had written off certain credits after completing the required legal procedures.

Allowances for discounts and loans are categorized and assessed by credit risk as below:

Item	June 30, 2014	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 1,972,906	$ 817,132
Collectively assessed	8,673,774	5,269,293
With no objective evidence of impairment		
Collectively assessed	558,398,640	2,191,003
Grand total	$ 569,045,320	$ 8,277,428

Item	December 31, 2013	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 2,734,826	$ 845,055
Collectively assessed	10,917,278	5,055,380
With no objective evidence of impairment		
Collectively assessed	532,437,696	1,911,743
Grand total	$ 546,089,800	$ 7,812,178

Item	June 30, 2013	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 3,125,814	$ 758,050
Collectively assessed	12,616,868	4,439,646
With no objective evidence of impairment		
Collectively assessed	491,695,057	1,838,568
Grand total	$ 507,437,739	$ 7,036,264

The changes in allowance for discount and loans are summarized below:

	Six Months Ended June 30	
	2014	2013
Balance at January 1	$ 7,812,178	$ 7,796,108
Provisions	295,254	383,293
Write-offs	(155,658)	(1,257,139)
Recoveries	324,434	90,909
Effect of exchange rate changes	1,220	23,093
Balance at June 30	$ 8,277,428	$ 7,036,264

The details of bad debts expenses for the six months ended June 30, 2014 and 2013 are listed as below:

	Six Months Ended June 30	
	2014	2013
Provisions of loans and discounts	$ 295,254	$ 383,293
Provisions (Reversals) of receivables	4,596	2,208
	$ 299,850	$ 385,501

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Government bonds	$ 41,087,654	$ 28,664,887	$ 26,015,979
Corporate bonds	25,946,612	24,358,200	22,204,788
Bank debentures	22,670,079	22,313,274	20,178,032
Beneficiary certificates	8,114,810	7,052,858	6,213,008
Stocks	3,823,951	3,640,599	3,918,390
Negotiable certificate of deposit	1,624,988	1,683,836	1,262,043
Assets backed securities	815,687	942,360	519,703
	$ 104,083,781	$ 88,656,014	$ 80,311,943

Part of par-value of abovementioned available-for-sale financial assets sold under repurchase agreements as of June 30, 2014, December 31, 2013 and June 30, 2013 were $7,918,620 thousand, $5,739,464 thousand and $4,212,600 thousand.

Part of abovementioned assets backed securities were invested in Structured Investment Vehicles (SIV). The Bank had recognized impairment losses in prior years which were partially realized due to the liquidation and disposal of SIV. As of June 30, 2014, the unrealized accumulated impairment losses related to its SIV investments were $89,547 thousand.

About the pledged assets, please see Note 33.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2014	December 31, 2013	June 30, 2013
Negotiable certificate of deposit	$ 106,500,000	$ 106,200,000	$ 107,400,000
Corporate bonds	294,975	591,629	598,336
Government bonds	253,819	255,481	257,078
Treasury bonds	-	-	3,985,618
	$ 107,048,794	$ 107,047,110	$ 112,241,032

About the pledged assets, please see Note 33.

15. EQUITY INVESTMENTS UNDER THE EQUITY METHOD

Equity Method	June 30, 2014 Carrying Value	June 30, 2014 % of Ownership	December 31, 2013 Carrying Value	December 31, 2013 % of Ownership	June 30, 2013 Carrying Value	June 30, 2013 % of Ownership
Investment in subsidiaries						
Domestic investments						
SCSB Asset Management Ltd.	$ 1,188,413	100.00	$ 1,095,555	100.00	$ 1,091,371	100.00
China Travel Service (Taiwan)	198,779	99.99	188,639	99.99	180,478	99.99
SCSB Life Insurance Agency	176,993	100.00	182,661	100.00	147,734	100.00
SCSB Property Insurance Agency	95,972	100.00	94,093	100.00	92,647	100.00
SCSB Marketing Ltd.	10,080	100.00	9,764	100.00	9,365	100.00
	1,670,237		1,570,712		1,521,595	
Foreign investments						
Shancom Reconstruction Inc.	47,539,054	100.00	47,216,138	100.00	44,466,863	100.00
Wresqueue Limitada	288,685	100.00	285,448	100.00	285,847	100.00
Paofoong Insurance Company Ltd.	218,763	40.00	212,582	40.00	209,635	40.00
	48,046,502		47,714,168		44,962,345	
	49,716,739		49,284,880		46,483,940	
Associates						
Kuo Hai Real Estate Management	-	34.69	-	34.69	-	34.69
Grand total	$ 49,716,739		$ 49,284,880		$ 46,483,940	

The Bank increased its investment in SCSB Assets Management Ltd. in an amount of $100,000 thousand in March 2014. SCSB Assets Management Ltd. then invested $1,947 thousand US dollar to SCSB Leasing (China) Co., Ltd. which had been approved by the Financial Supervisory Commission in March 2014.

The Bank invested in Paofoong Insurance Company (Hong Kong) Ltd. by holding 40% shares directly and 60% indirectly by Shancom Reconstruction Inc. Therefore Paofoong Insurance Company (Hong Kong) Ltd. was recorded as a subsidiary.

Calculation of the carrying amounts of equity-method foreign investments was based on the investees' audited financial statements, on which other auditors had expressed unqualified opinions in their reports. The financial statements used were as follows: Shancom Reconstruction and Wresqueue Limitada - audited financial statements for the same period as that of the audited financial statements of the Bank; Paofoong Insurance - unaudited financial statements for the six month period ended June 30, 2014 and 2013. Calculation of the carrying amounts of equity-method domestic investments was based on unaudited financial statements of China Travel Services (Taiwan), SCSB Assets Management, SCSB Life Insurance Agency, SCSB Property Insurance Agency, and SCSB Marketing. The Bank decreased the carrying amount of Kuo Hai to zero and recognized losses on this investment because of the investee's continuing operating losses over the years. The Bank deemed the impact on its financial statements is immaterial, if the investees' financial statements have been audited.

16. OTHER FINANCIAL ASSETS, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Non-active market debt instruments	$ 200,000	$ 200,000	$ 200,000
Bills purchased, net	20,976	10,855	6,678
Nonperforming credit card receivables	2,341	3,518	3,477
	223,317	214,373	210,155
Allowance for nonperforming credit card receivables	(3,341)	(4,518)	(4,477)
	$ 219,976	$ 209,855	$ 205,678

The balance of credit cards receivable which was reported as nonperforming were $2,341 thousand, $3,518 thousand and $3,477 thousand as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively. The unrecognized interest revenues on the receivable amounted to $31 thousand and $42 thousand for the six months ended June 30, 2014 and 2013.

17. PROPERTIES, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Land	$ 9,309,190	$ 9,225,296	$ 9,269,392
Building and improvement	2,511,322	2,547,166	2,632,136
Office equipment	307,930	328,051	344,463
Transportation equipment	18,163	13,106	14,301
Miscellaneous equipment	151,901	154,914	140,608
	$ 12,298,506	$ 12,268,533	$ 12,400,900

	Six Months Ended June 30, 2014					
Item	Balance at January 1, 2014	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at June 30, 2014
Cost						
Land	$ 9,225,296	$ 83,894	$ -	$ -	$ -	$ 9,309,190
Building and improvement	4,211,956	14,933	-	-	-	4,226,889
Office equipment	1,210,261	32,435	(10,762)	-	43	1,231,977
Transportation equipment	60,392	7,520	(3,396)	-	-	64,516
Miscellaneous equipment	490,204	13,300	(10,482)	-	16	493,038
	15,198,109	$ 152,082	($ 24,640)	$ -	$ 59	15,325,610
Accumulated depreciation						
Building and improvement	1,664,790	$ 50,777	$ -	$ -	$ -	1,715,567
Office equipment	882,210	50,775	(8,964)	-	26	924,047
Transportation equipment	47,286	2,266	(3,199)	-	-	46,353
Miscellaneous equipment	335,290	15,200	(9,365)	-	12	341,137
	2,929,576	$ 119,018	($ 21,528)	$ -	$ 38	3,027,104
Net amount	$ 12,268,533					$ 12,298,506

Item	Six Months Ended June 30, 2013 Balance at Jan 1, 2013	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at June 30, 2013
Cost						
Land	$ 7,231,276	$ 1,233,131	($ 23,292)	$ 828,277	$ -	$ 9,269,392
Building and improvement	4,044,801	126,340	(19,016)	96,432	-	4,248,557
Office equipment	1,237,288	42,364	(59,181)	(346)	587	1,220,712
Transportation equipment	61,488	3,179	(3,493)	-	-	61,174
Miscellaneous equipment	491,460	34,737	(18,435)	(185)	212	507,789
	13,066,313	$ 1,439,751	($ 123,417)	$ 924,178	$ 799	15,307,624
Accumulated depreciation						
Building and improvement	1,566,066	$ 51,505	($ 1,150)	$ -	$ -	1,616,421
Office equipment	886,337	45,919	(56,227)	(160)	380	876,249
Transportation equipment	48,270	1,888	(3,285)	-	-	46,873
Miscellaneous equipment	371,434	12,445	(16,757)	(101)	160	367,181
	2,872,107	$ 111,757	($ 77,419)	($ 261)	$ 540	2,906,724
Construction-in-progress and prepayment	924,709	$ -	$ -	($ 924,709)	$ -	-
Net amount	$ 11,118,915					$ 12,400,900

For the need to expand operation facilities, the Bank purchased an office building in 2012. As of December 31, 2012, the title of the building was not transferred to the Bank yet and the payment made by the Bank was recorded as prepayments. The Bank obtained ownership of the property in 2013 and transferred the balance into land, building and improvement.

The Bank did not recognize any impairment losses on the properties for the six months ended June 30, 2014 and 2013.

Depreciation expense of properties is computed using the straight-line method over below useful lives:

Building and improvement	
Branch	43-55 years
Air conditioning and machine room	9 years
Office equipment	3-8 years
Transportation equipment	5-10 years
Miscellaneous equipment	5-20 years

18. OTHER ASSETS, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Prepaid expenses	$ 655,826	$ 739,221	$ 712,440
Deferred charges	593,289	602,538	561,647
Refundable deposits - less impairment loss of $17,360 thousand	435,099	407,605	565,904
Prepaid pension cost	120,225	123,165	125,676
Temporary payments and suspense	107,461	128,662	133,403
Computer software	97,221	106,639	126,924
Current income tax assets	33,966	733	40,733
Others	27,816	30,761	31,720
	$ 2,070,903	$ 2,139,324	$ 2,298,447

19. DUE TO THE CENTRAL BANK AND BANKS

	June 30, 2014	December 31, 2013	June 30, 2013
Due to banks	$ 567,582	$ 484,348	$ 268,226
Call loans from banks	10,979,537	10,244,753	8,094,231
Deposit transfer from Chunghwa Post Co., Ltd.	3,310,084	3,077,873	2,853,026
Overdraft on banks	1,986,542	362,721	1,295,310
	$ 16,843,745	$ 14,169,695	$ 12,510,793

20. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of June 30, 2014, December 31, 2013 and June 30, 2013 were $7,927,202 thousand, $5,746,867 thousand and $4,218,105 thousand, respectively. The aforementioned securities will be sold back by January 2, 2015, December 25, 2014 and June 9, 2014 at $ 7,935,787 thousand, $5,751,602 thousand and $4,221,833 thousand, respectively.

21. PAYABLES

	June 30, 2014	December 31, 2013	June 30, 2013
Dividends payable	$ 14,698,545	$ 9,125,171	$ 14,294,405
Liabilities on bank acceptances	2,978,144	2,671,338	2,944,981
Accounts payable	1,898,235	1,961,248	4,931,759
Accrued interests	1,381,195	1,156,757	1,275,414
Accrued expenses	610,559	899,601	630,367
Other accounts payable	147,848	137,090	123,430
Others	108,912	120,603	95,313
	$ 21,823,438	$ 16,071,808	$ 24,295,669

22. DEPOSITS AND REMITTANCES

	June 30, 2014	December 31, 2013	June 30, 2013
Time deposits	$ 335,053,528	$ 329,671,930	$ 308,203,188
Savings deposits	226,930,776	240,502,458	238,483,296
Demand deposits	164,408,111	163,771,263	149,527,909
Checking deposits	8,263,470	8,325,609	8,498,912
Negotiable certificates of deposits	2,705,800	3,952,900	4,520,900
Remittances	305,940	314,529	208,021
	$ 737,667,625	$ 746,538,689	$ 709,442,226

23. BANK DEBENTURES

	June 30, 2014	December 31, 2013	June 30, 2013
The subordinate bank debenture - seven-year maturity; first issued in 2007; maturity date is on September 2014	$ 3,300,000	$ 3,300,000	$ 3,300,000
The subordinate bank debenture - seven-year maturity; second issued in 2007; maturity date is on December 2014	1,700,000	1,700,000	1,700,000
The subordinate bank debenture - seven-year maturity; first issued in 2008; maturity date is on June 2015	3,000,000	3,000,000	3,000,000
The subordinate bank debenture - seven-year maturity; second issued in 2008; maturity date is on December 2015	2,000,000	2,000,000	2,000,000
The subordinate bank debenture - seven-year maturity; first issued in 2010; maturity date is on December 2017	3,000,000	3,000,000	3,000,000
The subordinate bank debenture - seven-year maturity, first issued in 2012; maturity date is on April 2019	4,000,000	4,000,000	4,000,000
The subordinate bank debenture - seven-year maturity, second issued in 2012; maturity date is on May 2019	1,000,000	1,000,000	1,000,000
The subordinate bank debenture - seven to ten-year maturity, third issued in 2012; maturity date is on November 2019 to 2022	5,000,000	5,000,000	5,000,000
The subordinate bank debenture - seven to ten-year maturity, fourth issued in 2012; maturity date is on December 2019 to 2022	10,000,000	10,000,000	1,000,000
The subordinate bank debenture - seven-year to ten-year maturity; first issued in 2014; maturity date is on March 2021 to 2024	6,700,000	-	-
Par value total	39,700,000	33,000,000	33,000,000
Unrealized loss	65,907	104,321	140,260
	$ 39,765,907	$ 33,104,321	$ 33,140,260

About the hedge transactions, please see Note 9.

The first issuance of the 2007 subordinate bank debenture bears an interest rate at a target rate plus 0.45% with interest paid quarterly and repayment of principal at maturity.

The second issuance of the 2007 subordinated bank debenture bears a fixed interest rate of 3.015% with interest paid annually and repayment of principal at maturity.

The first issuance of the 2008 subordinated bank debenture bears a fixed interest rate of 3.15% with interest paid annually and repayment of principal at maturity.

The second issuance of the 2008 subordinated bank debenture bears a fixed interest rate of 3.05% with interest paid annually and repayment of principal at maturity.

The first issuance of the 2010 subordinated bank debenture bears a fixed interest rate of 1.5% with interest paid annually and repayment of principal at maturity.

The first issuance of the 2012 subordinated bank debenture bears a fixed interest rate of 1.48% with interest paid annually and repayment of principal at maturity.

The second issuance of the 2012 subordinated bank debenture bears a fixed interest rate of 1.54% with interest paid annually and repayment of principal at maturity.

The third issuance of the 2012 bank debenture can be classified into two types in accordance with the issued term and the methods of interest accrual: Type A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with repayment of principals at maturity.

The fourth issuance of the 2012 bank debenture can be classified into two types in accordance with the issued term and the methods of interest accrual: Type A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with repayment of principals at maturity.

The first issuance of the 2014 bank debenture can be classified into two types in accordance with the issued term and the methods of interest accrual: Type A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.70%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.85%. Their interests are paid annually with repayment of principals at maturity.

24. OTHER FINANCIAL LIABILITIES

	June 30, 2014	December 31, 2013	June 30, 2013
Appropriated loan funds	$ 5,332,069	$ 5,028,946	$ 2,635,593
Principals of structured instruments	1,060,484	1,651,878	1,856,991
	$ 6,392,553	$ 6,680,824	$ 4,492,584

25. PROVISIONS

	June 30, 2014	December 31, 2013	June 30, 2013
Reserve for possible losses on guarantees	$ 438,090	$ 438,079	$ 438,117
Reserve for employee benefits	176,762	174,210	155,647
Others	4,825	4,895	4,944
	$ 619,677	$ 617,184	$ 598,708

26. OTHER LIABILITIES

	June 30, 2014	December 31, 2013	June 30, 2013
Guarantee deposit received	$ 329,068	$ 363,860	$ 457,502
Deferred revenues	130,020	127,472	124,602
Received in advance	78,939	67,808	50,001
Temporary credit	75,680	155,162	63,642
Others	293,398	254,447	196,660
	$ 907,105	$ 968,749	$ 892,407

27. PENSION PLAN

Employee benefit expenses were calculated using the actuarially determined pension cost discount rate as of December 31, 2013 and 2012, and recognized in the following line items in their respective periods:

	Six Months Ended June 30,2014	Six Months Ended June 30,2013
Defined benefit plan	$ 89,958	$ 84,397
Employee preferential deposits	21,298	18,331
Other long-term employee benefit	542	678
	$ 111,798	$ 103,406

28. EQUITY

a. Share capital

	June 30, 2014	December 31, 2013	June 30, 2013
Common shares			
Authorized shares (in thousand)	3,800,000	3,800,000	3,800,000
Authorized capital	$ 38,000,000	$ 38,000,000	$ 38,000,000
Issued and paid shares (in thousand)	3,715,792	3,715,792	3,715,792
Issued capital	$ 37,157,916	$ 37,157,916	$ 37,157,916

Issued common shares with par value of $10 per share entitled the right to vote and to receive dividends.

In the stockholders meeting dated on June 6, 2014, it was resolved to increase the Bank’s authorized shares and authorized capital to 6,000,000 thousand shares and $60,000,000 thousand, and meanwhile increase capital by distributing a stock dividend of $928,948 thousand, representing 92,895 thousand shares of common shares. The meeting also determined the dividend ratio at $0.25 per share . The registration of the new shares has been completed by August 2014.

b. Capital surplus

	June 30, 2014	December 31, 2013	June 30, 2013
Share premium	$ 2,647,583	$ 2,647,583	$ 2,647,583
Treasury stock transaction	1,976,535	1,976,535	1,976,194
Proportionate share in equity-method investee’s surplus from donated assets	1,218	1,218	1,218
	$ 4,625,336	$ 4,625,336	$ 4,624,995

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (including additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Bank’s paid-in capital.

The capital surplus from investments using equity method may not be used for any purpose.

Since the shares held by subsidiaries were reclassified as treasury stocks, cash dividend distributed to subsidiaries was then recorded as “capital surplus - treasury stock”. Cash dividend distributed to subsidiaries amounted to $6,855 thousand for the six months ended June 30, 2013. (The six months ended June 30, 2014: None)

c. Appropriation of earnings and dividend policy

The Bank’s Articles provide that the Bank’s annual earnings after tax shall be used first offsetting against any deficit from prior years, and then set aside legal reserve required by laws or regulations until the balance of legal reserve has reached the Bank’s paid-in capital. Special reserve shall then be appropriated as necessary. The remainder together with the accumulated earnings in prior years can be distributed at the Board of Directors’ discretion as follows:

1) Bonus to shareholders;

2) Remuneration to directors and supervisors; and

3) Bonus to employees of at least 0.1% of net income less the appropriations for legal reserve and dividends; and

4) The remaining amount shall accumulate to the next year.

For the periods ended June 30, 2014 and 2013, the estimated amounts of bonus to employees were $15,008 thousand and $13,976 thousand, respectively, while the estimated amounts of remuneration to directors and supervisors were $28,290 thousand and $27,498 thousand, respectively. The Bank based its estimation of bonus and remuneration on its past experiences. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders’ 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 bonus by the fair value of the stock. When calculating the number of shares for year 2011, the fair value of the stock was based on the Bank’s equity, which is the net equity value in the latest audited financial statements. For computing the shares of the stock dividends issued in 2012, the fair value is valued following IFRS 2 “Share-based Payment”.

Starting from 2013, the Bank appropriate and reverse special reserves in accordance with 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."

Legal reserve shall be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under the Banking Law, if the Bank's legal reserve is still less than its paid-in capital, the Bank may distribute cash earnings only up to 15% of the paid-in capital.

Under the Integrated Income Tax System, which took effect on January 1, 1998, resident shareholders are allowed a tax credit for the income tax paid by the Bank on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Bank for such income tax and the tax credit allocated to each shareholder.

The appropriations of earnings for 2013 and 2012 had been approved in the shareholders' meetings on June 6, 2014 and June 11, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (Dollars)**	
	2013	**2012**	**2013**	**2012**
Legal reserve	$ 3,043,063	$ 2,858,594		
Cash dividends - common stock	5,573,687	5,573,687	$ 1.50	$ 1.50
Stock dividends - common stock	928,948	-	0.25	-
	$ 9,545,698	$ 8,432,281	$ 1.75	$ 1.50

The Bank had distributed cash dividends for 2012 by June 30, 2014.

The capital increase of the Bank had been approved by the Financial Supervisory Commission on July 8, 2014. The Board of Directors then determined the ex-dividend date, as August 3, 2014. The cash dividend was then paid on August 15, 2014, and the new shares were to be issued on September 19, 2014.

The cash dividends in 2013 earnings appropriation were not paid yet as of June 30, 2014 and recorded as dividends payable, accordingly.

The registration of the new shares issuance has been completed by August 20, 2014.

The bonus to employees and the remuneration to directors and supervisors for 2013 and 2012 approved in the shareholders' meeting on June 6, 2014 and June 11, 2013, respectively, were as follows:

	2013		**2012**	
	Cash	**Stock**	**Cash**	**Stock**
Bonus to employees	$ 30,000	$ -	$ 28,000	$ -
Remuneration to directors and supervisors	56,600	-	56,600	-

There was no difference between the amount approved and recognized above.

Information on the bonus to employees and remuneration to directors and supervisors can be accessed through the Market Observation Post System website of the Taiwan Stock Exchange Corporation's website.

d. Special reserve

The Bank has made a special reserve $1,256,859 thousand due to transferring its cumulative translation adjustment reported in equity to retained earnings while first-time adopting IFRSs. There was no change in the balance of special reserve for the period ended on June 30, 2014.

e. Treasury stock

Purpose	Beginning Balance	Increase	Decrease	Ending Balance
Six months ended June 30, 2014				
Shares held by subsidiaries	10,382	-	-	10,382
Six months ended June 30, 2013				
Shares held by subsidiaries	10,382	-	-	10,382

The Bank reclassified its shares held by the subsidiaries as treasury stock with a carrying amount of $83,144 thousand (representing 7,698 thousand shares). The shares increased by 2,684 thousand shares over the years.

Under the Company Law, the Bank is not allowed to buy more than 5% of its issued stock. In addition, the total cost of treasury stocks may not exceed the sum of the retained earnings and realized capital surplus. The Bank may not exercise shareholders' rights on these stocks before they are resold. The Bank's stocks held by its subsidiaries are treated as treasury stocks. However, the subsidiaries may still exercise shareholders' rights on these stocks, except for voting rights and subscription right on capital increase by cash. Under the Securities and Exchange Act, the Bank shall neither pledge treasury stocks nor exercise shareholders' rights on these shares, such as rights to dividends, to vote and to subscribe for shares on capital increase by cash.

29. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

a. Interest revenues, net

	Six Months Ended June 30	
	2014	2013
Interest revenue		
Discounts and loans	$ 6,412,510	$ 5,600,256
Securities investments	1,306,496	1,183,074
Due from banks	418,687	265,007
Credit and revolving	68,139	74,299
Others	269,792	195,061
	8,475,624	7,317,697
Interest expense		
Deposits	2,938,206	2,499,000
Bank debentures	304,980	279,077
Due to banks	80,343	42,915
Securities sold under repurchase agreements	22,082	18,152
Structured bond instruments	9,068	14,893
Others	7,767	4,738
	3,362,446	2,858,775
	$ 5,113,178	$ 4,458,922

b. Service fee revenue, net

	Six Months Ended June 30	
	2014	**2013**
Service fee revenues		
Trusts	$ 438,444	$ 416,040
Loans	184,714	188,936
Guarantees	150,060	122,183
Commissions	131,946	79,008
Credit cards	126,542	130,998
Exchange	117,739	106,918
Remittances	81,818	80,593
Others	297,068	293,863
	1,528,331	1,418,539
Service fee expenses		
Credit cards	48,466	51,543
Nominee	32,641	31,647
Foreign finance	23,752	24,247
Custody	11,888	12,483
Others	42,638	37,395
	159,385	157,315
	$ 1,368,946	$ 1,261,224

c. Gains (losses) on financial assets and liabilities at fair value through profit or loss

	Six Months Ended June 30, 2014		
	Realized (Loss) Gain	**Unrealized (Loss) Gain**	**Total**
Financial asset through profit or loss	$ 1,922,909	$ (1,017,005)	$ 905,904
Financial liabilities through profit or loss	(1,441,526)	962,038	(479,488)
	$ 481,383	($ 54,967)	$ 426,416

	Six Months Ended June 30, 2013		
	Realized (Loss) Gain	**Unrealized (Loss) Gain**	**Total**
Financial asset through profit or loss	$ 2,503,234	$ 1,417,834	$ 3,921,068
Financial liabilities through profit or loss	(2,189,513)	(1,408,331)	(3,597,844)
	$ 313,721	$ 9,503	$ 323,224

d. Employee benefit expenses

	Six Months Ended June 30	
	2014	**2013**
Short-term employee benefits	$ 1,474,649	$ 1,406,659
Retirement benefits		
Defined contribution plan	23,951	22,234
Defined benefit plan	89,958	84,397
	1,588,558	1,513,290
Other employee benefits	76,414	52,272
	$ 1,664,972	$ 1,565,562

e. Depreciation and amortization

	Six Months Ended June 30	
	2014	**2013**
Depreciation expenses	$ 119,018	$ 111,757
Amortization expenses	142,049	118,145
	$ 261,067	$ 229,902

30. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	Six Months Ended June 30	
	2014	**2013**
Current tax		
In respect of the current year	$ 778,413	$ 628,600
In respect of prior periods	167,990	378
	946,403	628,978
Deferred tax		
In respect of the current year	49,725	188,904
In respect of prior periods	1,851	1,941
	51,576	190,845
Income tax expense recognized in profit or loss	$ 997,979	$ 819,823

b. Income tax expense recognized in other comprehensive income

	Six Months Ended June 30	
	2014	**2013**
Deferred income tax expense		
Arising on income and expenses recognized in other comprehensive income		
Exchange differences on translating foreign operations	$ 10,786	$ 457,353
Unrealized gain or loss on available-for-sale financial assets	55,287	(38,570)
Income tax expense recognized in other comprehensive income	$ 66,073	$ 418,783

c. Integrated income tax

	June 30, 2014	December 31, 2013	June 30, 2013
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	$ 27,065	$ 27,065	$ 27,065
Unappropriated earnings generated on and after January 1, 1998	10,599,434	14,886,744	9,664,998
	$ 10,626,499	$ 14,913,809	$ 9,692,063
Imputation credits accounts	$ 2,456,903	$ 2,101,309	$ 1,172,428

The creditable ratio for distribution of earnings of 2014 and 2013 was 16.50 % (expected) and 24.11%, respectively.

Under the Income Tax Law, the imputation tax credits distributed to each shareholder are based on the ICA balance as of the date of dividend distribution. When the Bank pays dividend to its foreign shareholders, it should withhold income tax in accordance with related tax law, and therefore foreign shareholders are not entitled to the imputed tax credit. Only if earnings distributed include those which have been taxed for the 10% unappropriated earning tax, then the foreign shareholders are allowed a tax credit equal to their proportionate share of such additional 10% tax. The actual imputation credits allocated to shareholders of the Bank was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

d. The Bank’s income tax returns through 2011 had been assessed by the tax authorities; however, the Bank is currently filing appeals to the assessments of 2011 and 2008.

31. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share were as follows:

	Amount (Numerator)		Shares	Earnings Per Share (Dollars)	
	Before Income Tax	After Income Tax	(Denominator in Thousands)	Before Income Tax	After Income Tax
For the six months ended June 30, 2014					
Basic earnings per share	$ 6,256,367	$ 5,258,388	3,798,045	$ 1.65	$ 1.38
Effect of diluted potential common stock					
Bonus to employees	-	-	1,567		
Diluted earnings per share					
Income for the year attributable to common shareholders plus effect of potential diluted common shares	$ 6,256,367	$ 5,258,388	3,799,612	$ 1.65	$ 1.38

(Continued)

	Amount (Numerator)		Shares	Earnings Per Share (Dollars)	
	Before Income Tax	After Income Tax	(Denominator in Thousands)	Before Income Tax	After Income Tax
For the six months ended June 30, 2013					
Basic earnings per share	$ 5,728,426	$ 4,908,603	3,798,045	$ 1.51	$ 1.29
Effect of diluted potential common stock					
Bonus to employees	-	-	1,628		
Diluted earnings per share					
Income for the year attributable to common shareholders plus effect of potential diluted common shares	$ 5,728,426	$ 4,908,603	3,799,673	$ 1.51	$ 1.29

(Concluded)

When calculating earnings per share, if the base date of allotment of stock grants is earlier then the issuing date of financial report, the influence of allotment of stock grants should be adjusted retrospectively. The basic and diluted after-tax earnings per share adjusted retrospectively for the six months ended June 30, 2013 were as follows:

Unit: NT$ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 1.32	$ 1.29
Diluted earnings per share	$ 1.32	$ 1.29

If the Bank offered to settle bonuses paid to employees in cash or shares, the Bank assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

32. RELATED-PARTY TRANSACTIONS

a. The Bank's related parties were as follows:

Related Party	Relationship with the Bank
China Travel Service (Taiwan)	Subsidiary
SCSB Life Insurance Agency	Subsidiary
SCSB Property Insurance Agency	Subsidiary
SCSB Asset Management Ltd.	Subsidiary
SCSB Marketing Ltd.	Subsidiary
Shancom Reconstruction Inc.	Subsidiary
Wresqueue Limitada	Subsidiary
CTS Travel International Ltd.	Indirect subsidiary
SCSB Leasing (China) Co., Ltd.	Indirect subsidiary
Krinein Company (Krinein)	Indirect subsidiary

(Continued)

Related Party	Relationship with the Bank
Empresa Inversiones Generales, S.A. (Empresa)	Indirect subsidiary
Safehaven Investment Corporation	Indirect subsidiary
Prosperity Realty Inc.	Indirect subsidiary
Shanghai Commercial Bank (HK)	Indirect subsidiary
Paofoong Insurance Company Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shanghai Commercial Bank (Nominees) Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Futures Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shanghai Commercial Bank Trustee Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Investment Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Property Holdings (BVI) Limited	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Property (NY) Inc.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Property (CA) Inc.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Assets Investment Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Infinite Financial Solutions Limited	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Insurance Brokers Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Securities Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Hai Kwang Property Management Co., Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Right Honour Investments Limited	Subsidiary of Shanghai Commercial Bank (HK)
Glory Step Investments Limited	Indirect subsidiary of Shanghai Commercial Bank (HK)
Silver Wisdom Investments Limited	Indirect subsidiary of Shanghai Commercial Bank (HK)
The SCSB Cultural & Educational Foundation	Donated by the Bank which exceed 1/3 total fund
The SCSB Charity Foundation	Donated by the Bank which exceed 1/3 total fund
Silks Place Taroko	Investment under equity method held by subsidiary
BC Reinsurance Limited	Investment under equity method held by subsidiary
Joint Electronic Teller Services Limited (JETCO)	Investment under equity method held by subsidiary
Bank Consortium Holding Limited	Investment under equity method held by subsidiary
Hong Kong Life Insurance Limited	Investment under equity method held by subsidiary
i-Tech Solutions Limited	Investment under equity method held by subsidiary
Hung Ta Investment Corporation	The Chairman and the Bank’s chairman are related by marriage
Hung Shen Investment Corporation	The Chairman and the Bank’s chairman are related by marriage
Others	The Bank’s directors, supervisors, managers, and the relatives of the Bank’s directors, supervisors and managers

(Concluded)

b. The significant transactions and account balances with the above parties (except those disclosed in other notes) are summarized as follows:

1) Due from foreign banks

	June 30, 2014	December 31, 2013	June 30, 2013
Shanghai Commercial Bank (HK)	$ 209,323	$ 348,271	$ 226,316

The interest income arising from the above transactions were $90 thousand and $138 thousand for the six months ended June 30, 2014 and 2013.

2) Overdraft on foreign banks

	June 30, 2014	December 31, 2013	June 30, 2013
Shanghai Commercial Bank (HK)	$ 234,955	$ -	$ 5,977

3) Due to banks

	June 30, 2014	December 31, 2013	June 30, 2013
Shanghai Commercial Bank (HK)	$ 152	$ 195	$ 84

4) Call loans to banks (June 30, 2014: None)

	December 31, 2013	June 30, 2013
Shanghai Commercial Bank (HK)	$ 1,536,640	$ 1,546,440

The interest rates of call loans to banks on the balance sheet date were shown as follows (June 30, 2014: None):

	December 31, 2013	June 30, 2013
Shanghai Commercial Bank (HK)	0.09%-1.00%	0.98-1.10%

The interest income arising from the above transactions were $5,467 thousand and $7,445 thousand for the six months ended June 30, 2014 and 2013.

5) Call loans from banks

	June 30, 2014	December 31, 2013	June 30, 2013
Shanghai Commercial Bank (HK)	$ 346,581	$ 576,240	$ 1,113,437

The interest rates of call loans from banks on the balance sheet date were shown as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Shanghai Commercial Bank (HK)	0.22%-0.97%	0.20%-1.00%	0.22%-0.97%

The interest income arising from the above transactions were $2,101 thousand and $3,099 thousand for the six months ended June 30, 2014 and 2013.

6) Guarantees

	Maximum Balance	Ending Balance	Reserve for Possible Losses on Guarantees	Interest Rate (%)	Collateral
June 30, 2014					
China Travel Service (Taiwan)	$ 4,000	$ 4,000	$ -	0.50	Real estate
December 31, 2013					
China Travel Service (Taiwan)	$ 4,000	$ 3,000	$ -	0.50	Real estate
June 30, 2013					
China Travel Service (Taiwan)	$ 4,000	$ 4,000	$ -	0.50	Real estate

7) Deposits

	June 30, 2014			Six Months Ended June 30, 2014
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	$ 2,369,921	$ 746,406	0.50-0.60	$ 2,408
Krinein	753,987	429,284	0.50-0.60	1,325
SCSB Asset Management Ltd.	425,780	371,878	0.02-2.88	2,621
The SCSB Cultural & Educational Foundation	275,561	268,734	0.11-1.38	1,157
SCSB Life Insurance Agency	241,940	189,662	0.00-1.31	1,026
Shancom Reconstruction Inc.	186,600	186,600	0.02-0.60	511
Supervisors and management related	164,942	126,599	0.00-3.20	647
Employees	212,928	121,078	0.28-10.18	189
SCSB Property Insurance Agency	91,463	90,542	0.00-1.31	488
The SCSB Charity Foundation	90,248	90,248	0.28-1.31	346
China Travel Service (Taiwan)	87,681	36,839	0.00-2.88	221
SCSB Marketing	16,035	12,598	0.00-1.33	44
CTS Travel International Ltd.	7,026	5,140	0.00-1.31	-
Hung Shen Investment Corporation	2,379	840	0.17-0.17	2
Hung Ta Investment Corporation	3,970	358	0.00-1.31	-
Silks Place Taroko	9,356	303	0.00-1.31	2
	$ 4,939,817	$ 2,677,109		$ 10,987

	December 31, 2013		
	Maximum Balance	Ending Balance	Interest Rate (%)
Empresa	$ 2,248,296	$ 742,589	0.35-0.60
Krinein	727,450	427,089	0.35-0.60
SCSB Asset Management Ltd.	342,815	333,719	0.02-2.88
The SCSB Cultural & Educational Foundation	295,723	275,560	0.11-1.38
SCSB Life Insurance Agency	248,160	196,477	0.00-1.31
Employees	246,338	123,616	0.28-10.20
Supervisors and management related	199,742	112,514	0.00-3.25
Shancom Reconstruction Inc.	162,617	139,637	0.02-0.60
The SCSB Charity Foundation	90,200	90,021	0.28-1.31
SCSB Property Insurance Agency	89,509	89,509	0.00-1.31
China Travel Service (Taiwan)	85,903	85,711	0.00-2.88
Hung Ta Investment Corporation	49,303	343	0.00-0.17
SCSB Marketing	15,888	12,342	0.00-1.33
Silks Place Taroko	13,858	305	0.00-1.31
CTS Travel International Ltd.	7,183	7,183	0.00-1.31
	$ 4,822,985	$ 2,636,615	

	June 30, 2013			Six Months Ended June 30, 2013
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	$ 2,263,467	$ 745,505	0.35-0.50	$ 1,955
Krinein	732,358	428,766	0.35-0.50	1,086
SCSB Asset Management Ltd.	342,816	335,741	0.02-0.85	858
The SCSB Cultural & Educational Foundation	280,750	269,923	0.11-1.38	1,578
SCSB Life Insurance Agency	248,160	151,188	0.00-1.31	994
Shancom Reconstruction Inc.	163,269	140,930	0.02-0.50	365
Employees	154,591	74,801	0.35-10.19	137
SCSB Property Insurance Agency	88,550	87,733	0.00-1.31	450
The SCSB Charity Foundation	30,305	30,076	0.28-1.31	195
China Travel Service (Taiwan)	54,222	27,408	0.00-1.31	34
Supervisors and management related	17,012	23,997	0.00-3.20	465
SCSB Marketing	14,734	11,570	0.00-1.33	38
CTS Travel International Ltd.	6,913	6,696	0.00-1.31	4
Hung Ta Investment Corporation	6,344	940	0.00-0.17	1
Silks Place Taroko	167	113	0.00-1.31	1
	$ 4,403,658	$ 2,335,387		$ 8,161

8) Accrued receivables (accounted for receivables)

	June 30, 2014	December 31, 2013	June 30, 2013
SCSB Life Insurance Agency	$ 19,989	$ 10,065	$ 8,408
SCSB Property Insurance Agency	352	306	404
	$ 20,341	$ 10,371	$ 8,812

9) Interest receivable (accounted for receivables)

	June 30, 2014	December 31, 2013	June 30, 2013
Supervisors and management related	$ 171	$ 147	$ 156
Silks Place Taroko	29	35	32
	$ 200	$ 182	$ 188

10) Interest payable (accounted for payables)

	June 30, 2014	December 31, 2013	June 30, 2013
Empresa	$ 1,057	$ 1,102	$ 922
Krinein	608	634	530
SCSB Asset Management Ltd.	314	18	171
Shancom Reconstruction Inc.	250	241	189
Supervisors and management related	167	191	205
SCSB Life Insurance Agency	122	124	117
The SCSB Cultural & Educational Foundation	96	89	157
SCSB Property Insurance Agency	64	65	60
China Travel Service (Taiwan)	36	35	1
The SCSB Charity Foundation	24	6	3
CTS Travel International Ltd.	9	20	9
SCSB Marketing	5	5	5
	$ 2,752	$ 2,530	$ 2,369

11) Guarantee deposits received (accounted for other liabilities)

	June 30, 2014	December 31, 2013	June 30, 2013
The SCSB Cultural & Educational Foundation	$ 211	$ 211	$ 211
SCSB Life Insurance Agency	197	197	197
SCSB Property Insurance Agency	197	197	197
China Travel Service (Taiwan)	180	180	180
SCSB Asset Management Ltd.	47	47	47
SCSB Marketing	20	20	20
	$ 852	$ 852	$ 852

12) Service fees (accounted for service fee incomes, net)

	Six Months Ended June 30	
	2014	2013
SCSB Life Insurance Agency	$ 132,347	$ 78,667
SCSB Property Insurance Agency	5,952	6,234
	$ 138,299	$ 84,901

13) Rental income (accounted for other net revenues)

	Six Months Ended June 30	
	2014	2013
The SCSB Cultural & Educational Foundation	$ 421	$ 421
SCSB Life Insurance Agency	395	395
SCSB Property Insurance Agency	395	395
China Travel Service (Taiwan)	360	360
SCSB Asset Management Ltd.	83	94
SCSB Marketing	37	39
	$ 1,691	$ 1,704

For the rental contracts with related parties, the rent is determined in proportion to the area rented by reference to the rent in neighborhood and received on a monthly basis.

14) Administrative expense (accounted for other general administrative expense)

	Six Months Ended June 30	
	2014	2013
SCSB Marketing	$ 27,503	$ 23,455
China Travel Service (Taiwan)	430	354
	$ 27,933	$ 23,809

15) Loans

June 30, 2014

				Performance					Six Months Ended June 30, 2014
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Interest Income
Loans for personal house mortgage	Supervisors and management related (17)	$ 130,789	$ 120,617	$ 120,617	-	Real estate	1.58-2.87	None	$ 1,335
Others	Supervisors and management related (6)	26,926	24,511	24,511	-	Real estate	2.17-2.97	None	202
	Silks Place Taroko	66,000	57,000	57,000	-	Real estate	1.84-1.84	None	463
		$ 223,715	$ 202,128	$ 202,128					$ 2,000

December 31, 2013

				Performance				
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties
Loans for personal house mortgage	Supervisors and management related (16)	$ 127,848	$ 113,310	$ 113,310	-	Real estate	1.58-2.17	None
Others	Supervisors and management related (4)	13,138	8,503	8,503	-	Real estate	2.17-2.97	None
	Silks Place Taroko	68,000	63,500	63,500	-	Real estate	1.84-1.84	None
		$ 208,986	$ 185,313	$ 185,313				

		June 30, 2013							
				Performance				Difference of Terms of the Transactions with Unrelated Parties	Year Ended June 30, 2013
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Interest Rate (%)		Interest Income
Loans for personal house mortgage	Supervisors and management related (14)	$ 147,795	$ 125,370	$ 125,370	-	Real estate	1.58-2.61	None	$ 1,199
Others	Supervisors and management related (8)	13,717	9,507	9,507	-	Real estate	2.17-3.22	None	108
	Silks Place Taroko	63,700	63,700	63,700	-	Real estate	1.84-1.84	None	323
		$ 225,212	$ 198,577	$ 198,577					$ 1,630

Except for the additional disclosures made in the financial statements, the Bank did not have material related party transactions. Employee deposits and loans have interest rates that are better than ordinary rates but within regulated limits, while other related party transactions have similar terms as non-related party transactions.

Under the provisions of Article 32 and 33 of the Banking Act, the Bank shall not make unsecured loans to related party, except for consumer loans under certain limit, and government loans. Secured loan to a related party should be fully guaranteed and its terms not superior to other similar credit client.

c. Compensation of directors, supervisors and management personnel:

	Six Months Ended June 30	
	2014	**2013**
Bonus to employees	$ 63,959	$ 54,789
Salaries and other short-term employee benefits	49,225	45,269
Remuneration to directors and supervisors	28,290	27,498
Retirement benefit	5,446	5,038
	$ 146,920	$ 132,594

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

33. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on June 30, 2014, December 31, 2013 and June 30, 2013, the assets listed below had been provided as collateral for day-term overdraft with the pledged amount adjustable anytime.

	June 30, 2014	December 31, 2013	June 30, 2013	Guaranty Purpose
Held-to-maturity financial assets	$19,000,000	$ 8,600,000	$ 9,000,000	Day-term overdraft with the pledge

On June 30, 2014, December 31, 2013 and June 30, 2013, the assets listed below had been provided as refundable deposits for operating guarantee and executing legal proceedings against defaulting borrowers as required by the court.

	June 30, 2014	December 31, 2013	June 30, 2013	Guaranty Purpose
Held-to-maturity financial assets	$ 205,817	$ 205,807	$ 207,444	Operating guarantee and executing legal proceedings against defaulted borrowers as required by the court
Available-for-sale financial assets	106,700	112,351	116,472	Operating guarantee and executing legal proceedings against defaulted borrowers as required by the court

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Significant contingent liabilities and unrecognized commitments of the Company as of June 30, 2014, December 31, 2013 and June 30, 2013 were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Receivables under custody	$ 30,102,182	$ 31,598,109	$ 28,959,335
Loans made on behalf of others	-	-	800,000
Consigned travelers' checks	270,698	242,685	254,572
Guarantee notes payable	95,169,395	78,559,881	79,653,515
Assets under trust	127,114,604	122,429,227	125,280,802
Securities in custody	2,189,133	2,194,723	2,189,723
Government bonds in brokerage accounts	37,020,600	22,308,300	24,425,000
Short-term bills in brokerage accounts	1,508,720	1,109,164	1,019,400

b. Operational risk and legal risk

Item	Reason and Amount	
	Six Months Ended June 30	
	2014	2013
Chief director and staff indicted by prosecutor for breaking law in the conduct of operational activities in recent year	None	None
Violating the law and being punished by authorities in the recent year	None	None
Deficiency corrected by authorities in the recent year	None	None
Punished by authorities according to Bank law No. 61-1 in the recent year	None	None
A single or whole security events due to fraudulence, accident or against "Outlines Governing the Security Maintenance and Administration of Financial Institutions" which caused losses amount to $50 million in the recent year	None	None
Other	None	None

35. FINANCIAL INSTRUMENTS

a. Fair value information

1) Financial instruments not measured at fair value

Except as detailed in the following table, the Bank considers that the carrying amounts of financial assets instruments not measured at fair values approximate to their fair values or the fair values could not be reliably measured.

	June 30, 2014		December 31, 2013		June 30, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity financial assets	$ 107,048,794	$ 107,124,360	$ 107,047,110	$ 107,116,105	$ 112,241,032	$ 108,615,051
Financial liabilities						
Bank debentures	39,765,907	39,657,752	33,104,321	32,976,719	33,140,260	32,934,220

2) The evaluation method and assumptions used in measuring at fair value

The fair value of financial assets and liabilities are determined as follows:

a) The fair value of financial assets with standard clauses and terms is quoted market price.

b) The fair value of derivative with active market is based on market price. The fair value of option derivative without market price is measured by using option pricing model. The fair value of non-option derivative without market price is measured by discounted cash flow method that uses the yield curve for the duration. The fair value of forward foreign exchange contract is measured by the forward exchange rate and the quoted interest rate which are derived from the yield curve of contractual maturity period. Interest rate swap contracts are measured based on the present value discounted from the estimated future cash flow.

c) The fair value of financial instruments other than the above is determined by the discounted cash flow analysis or other generally accepted pricing models.

3) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Instruments Measured at Fair Value	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 65,024	$ 65,024	$ -	$ -
Other	29,039,797	7,254	29,032,543	-
Financial assets be designated as at FVTPL on initial recognition	1,433,550	-	-	1,433,550
Available-for-sale financial assets				
Stocks	3,823,951	2,082,657	-	1,741,294
Bonds	90,520,032	23,738,716	66,081,606	699,710
Other	9,739,798	8,875,523	-	864,275
Other financial assets				
Non-active market debt instruments	200,000	-	-	200,000
	$ 134,822,152	$ 34,769,174	$ 95,114,149	$ 4,938,829
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 377,728	$ -	$ 358,536	$ 19,192
Derivative instruments held for hedging	65,865	-	65,865	-
	$ 443,593	$ -	$ 424,401	$ 19,192
Liabilities				
Financial liability at fair value through profit or loss	$ 359,592	$ -	$ 346,397	$ 13,195
Derivative instruments held for hedging	8,048	-	8,048	-
	$ 367,640	$ -	$ 354,445	$ 13,195

Financial Instruments Measured at Fair Value	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 21,315	$ 21,315	$ -	$ -
Bonds	1,030	1,030	-	-
Other	28,477,001	7,883	28,469,118	-
Financial assets be designated as at FVTPL on initial recognition	1,545,803	-	-	1,545,803
Available-for-sale financial assets				
Stocks	3,640,599	1,913,459	-	1,727,140
Bonds	76,278,721	24,101,246	51,742,532	434,943
Other	8,736,694	7,779,122	-	957,572
Other financial assets				
Non-active market debt instruments	200,000	-	-	200,000
	$ 118,901,163	$ 33,824,055	$ 80,211,650	$ 4,865,458

(Continued)

Financial Instruments Measured at Fair Value	December 31, 2013 Total	Level 1	Level 2	Level 3
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 1,301,896	$ -	$ 1,205,925	$ 95,971
Derivative instruments held for hedging	104,418	-	104,418	-
	$ 1,406,314	$ -	$ 1,310,343	$ 95,971
Liabilities				
Financial liability at fair value through profit or loss	$ 1,292,169	$ -	$ 1,202,098	$ 90,071
Derivative instruments held for hedging	24,429	-	24,429	-
	$ 1,316,598	$ -	$ 1,226,527	$ 90,071

(Concluded)

Financial Instruments Measured at Fair Value	June 30, 2013 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stock	$ 3,687	$ 3,687	$ -	$ -
Bonds	122,426	122,426	-	-
Other	28,815,963	13,372	28,802,591	-
Financial assets be designated as at FVTPL on initial recognition	2,268,431	-	-	2,268,431
Available-for-sale financial assets				
Stocks	3,918,390	2,225,777	-	1,692,613
Bonds	68,918,502	19,834,961	48,291,840	791,701
Other	7,475,051	6,213,008	-	1,262,043
Other financial assets				
Non-active market debt instruments	200,000	-	-	200,000
	$111,722,450	$ 28,413,231	$ 77,094,431	$ 6,214,788
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 1,937,251	$ -	$ 1,899,839	$ 37,412
Derivative instruments held for hedging	140,528	-	140,528	-
	$ 2,077,779	$ -	$ 2,040,367	$ 37,412
Liabilities				
Financial liability at fair value through profit or loss	$ 1,836,332	$ -	$ 1,808,169	$ 28,163
Derivative instruments held for hedging	40,362	-	40,362	-
	$ 1,876,694	$ -	$ 1,848,531	$ 28,163

There are no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the six months ended June 30, 2014 and 2013.

4) Reconciliation of Level 3 fair value measurements of financial assets and liabilities for the six months ended June 30, 2014 and 2013 is as follows:

For the six months ended June 30, 2014

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets at FVTPL								
Held-for-trading financial assets	$ 95,971	($ 69,977)	$ -	$ 12,923	$ -	($ 19,725)	$ -	$ 19,192
Financial assets designated as at fair value	1,545,803	20,594	-	447,735	-	(580,582)	-	1,433,550
Available-for-sale financial assets	3,119,655	-	8,317	761,339	-	(584,032)	-	3,305,279
Other financial assets								
Debt investments with no active markets	200,000	-	-	-	-	-	-	200,000
Liabilities								
Financial liabilities at FVTPL								
Held-for-trading financial liabilities	90,071	(73,475)	-	6,461	-	(9,862)	-	13,195

For the six months ended June 30, 2013

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets at FVTPL								
Held-for-trading financial assets	$ 32,678	$ 6,059	$ 1	$ -	$ -	($ 1,326)	$ -	$ 37,412
Financial assets designated as at fair value	2,636,578	31,254	86,280	299,890	-	(785,571)	-	2,268,431
Available-for-sale financial assets	2,774,268	-	26,484	1,262,619	-	(317,014)	-	3,746,357
Other financial assets								
Debt investments with no active markets	200,000	-	-	-	-	-	-	200,000
Liabilities								
Financial liabilities at FVTPL								
Held-for-trading financial liabilities	20,533	8,293	-	-	-	(663)	-	28,163

5) Sensitivity analysis for alternative assumptions of Level 3 fair value measurements of financial instruments

The Bank reasonably measured the fair values of its financial instruments; however, using different valuation models, evaluation method and underlying assumptions may lead to different results. For those financial instruments classified as Level 3 fair value measurement, if the parameters went up 1%, the influence on net income or other comprehensive income would be as follows:

June 30, 2014

	Changes in Fair Value Reflected in Profit or Loss		**Changes in Fair Value Reflect in Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 10,796	$ (479)	$ -	$ -
Financial assets designated as at fair value	-	(1,201)	-	-
Available-for-sale financial assets	-	-	17,412	(8,594)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(10,796)	-	-

December 31, 2013

	Changes in Fair Value Reflected in Profit or Loss		**Changes in Fair Value Reflect in Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 83,273	$ (3,964)	$ -	$ -
Financial assets designated as at fair value	-	(1,198)	-	-
Available-for-sale financial assets	-	-	17,271	(5,612)
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held-for-trading	-	(83,273)	-	-

June 30, 2013

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 20,496	$ (3,283)	$ -	$ -
Financial assets designated as at fair value	-	(2,871)	-	-
Available-for-sale financial assets	-	-	16,926	(9,410)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(20,496)	-	-

For financial instruments those were classified as the Level 3 if the parameters went down 1%, the influence of net income or other comprehensive income is as follows:

June 30, 2014

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 2,556	$ (419)	$ -	$ -
Financial assets designated as at fair value	1,201	-	-	-
Available-for-sale financial assets	-	-	6,396	(17,412)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(2,556)	-	-

December 31, 2013

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 77,086	$ (3,938)	$ -	$ -
Financial assets designated as at fair value	1,198	-	-	-
Available-for-sale financial assets	-	-	5,870	(17,271)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(77,086)	-	-

June 30, 2013

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 10,695	$ (3,215)	$ -	$ -
Financial assets designated as at fair value	2,871	-	-	-
Available-for-sale financial assets	-	-	9,591	(16,926)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(10,695)	-	-

b. Financial risk management information

1) Risk management

The Bank's objective in risk management is to establish a risk control mechanism weighing the entire risk of the Bank, restrictions from laws and regulations, to diversify, transfer and avoid risk, and to pursue the maximum benefits of the Bank's customers, shareholders, and employees. The Bank's major risks include credit risk, market risk (interest rate, exchange rate and equity securities), operational risk, liquidity risk and so on.

The Bank established written resolution of risk management policies and procedures that considered and approved by the board to identify, measure, monitor, and control the credit risk, market risk, and liquidity risk.

The Bank's risk management department performs the Bank's risk management activities pursuant to the policies approved by the Board. Each relative risk department works with other business department in order to identify, evaluate, and avoid any financial risk. The board formulates the written policy for risk management; the policy included specific exposures such as currency risk, interest rate risk, credit risk, derivative and non-derivative financial instruments. In addition, the department of internal audit is responsible for independent review of risk management and control environment.

2) Credit risk

Credit risk is the risk resulted from counterparties' failure to fulfill the contractual obligations causing the Bank's financial losses. Both in-balance-sheet and off-balance-sheet items were covered in credit risks. For the Bank's credit exposures, in-balance-sheet items are mainly consisted of discounts and loans, credit card business, due from and call loans to banks, debt investments, and derivatives instruments. Off-balance sheet items are mainly consisted of financial guarantee, acceptances, letters of credit, loan commitments, and other services which also generate credit exposure.

To ensure that the credit risk is controlled within a tolerable range, the Bank established an internal standard for credit risk. In that standard, all transactions are analyzed whether in the banking book or in the trading book, and either in-balance-sheet or off-balance-sheet, to identify the inherent and potential risks. The Bank examines and confirms credit risk in accordance with the rules before launching new products and business. Furthermore, the Bank also establishes a risk management system for complicated credit business such as factoring, credit derivative financial instruments and so on.

The Bank's foreign operation units adopt policies and standards same with above to assess their asset quality and provision for contingent loss, and also include policies that comply with the regulations of the local financial supervisory commission.

a) Procedures of credit risk management

Each major business' procedures and methods of the credit risk management are as follows:

i. Credit business (loan commitments and guarantees included)

The classification of credit assets and credit quality levels are as follows:

i) Classification of credit assets

Credit assets are divided into normal, notice, warning, difficult and uncollectible. The Bank established its "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and "Credit Asset Valuation Guidelines" to manage credit issues related to nonperforming loans.

ii) Credit quality rating

The Bank establishes a credit quality rating guide (either using internal rating models or credit rating table) based on the business characteristics, scale and other factors and uses it in risk management.

In order to assess the corporate clients' credit risk, the Bank develops a credit rating model by using statistical methods or professional judgments and by considering clients' information. The model is reviewed regularly to determine whether the computation agrees to the actual situation, and makes adjustments to each parameter to optimize the calculation results.

For individual personal clients' credit loans and mortgage loans, internal credit rating model is used in the credit evaluation; other credits are assessed on a case by case basis.

The clients are assessed and ranked annually. In addition, to ensure the rationality of the credit rating system, the design, process and associated risk factors are reviewed and the models are evaluated based on the actual defaults on an annual basis.

ii. Due from and call loans to bank

The Bank assesses the credit position of counterparties and consults a credit rating agency for credit rating information and set limits to the credit facilities.

iii. Debt investment and derivative financial instruments

For the credit risk management of debt investments, the Bank identifies credit risk by using information from external institutions about credit ratings, quality of debts, region, and the risk of counterparties.

Most of the Bank's counterparties in derivative transactions are assessed at higher than investment grade and the Bank controls the investment according to counterparties' facilities (including call loans); counterparties that do not have credit ratings or are not assessed at investment grade are reviewed case by case. Counterparties which are non-financial or non-banking clients are assessed according to the general procedures for the approval of credit facilities and control of credit exposure situations of the counterparty.

iv. Other systems of credit risk management

The Bank adopted a series of policies and measures to reduce credit risk for its loan business, among which requiring the borrower to provide collateral is frequently used. The Bank has standard procedures for the assessment, management and disposal of collateral to ensure claims. The Bank's loan contracts with clients include terms that lower the credit risks.

Collaterals of non-credit business are required depending on the nature of the financial instruments. Asset-based securities and other similar financial instruments are assessed as a group of assets or pool of financial instruments.

To avoid the risk of excessive concentration of credit, the Bank has set a standard to limit credit to a single counterparty or a single group. In addition, the Bank has set credit limits on industry, group companies, countries, business and other loans secured by stocks to control and monitor various asset concentration risk. And there is a system to monitor a single counterparty, group companies, affiliates, industry, nationality, ultimate risk country and other types of credit risk concentration.

The Bank's transactions are usually settled on a gross basis, but some on a net basis, or upon default, all the transactions with the counterparty are terminated and settled on a net basis, in order to further reduce credit risk.

b) Credit risk exposures

The maximum exposure of the Bank's assets in the balance sheet is equivalent to the book value, while the pledged assets and other credit instruments are not considered. The off-balance sheet items related to the maximum credit exposure (without considering collateral or other credit enhancements and irrevocable maximum exposure) are as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Developed and noncancelable loan commitments	$ 323,887,442	$ 310,942,978	$ 322,003,472
Noncancelable credit card commitments	1,222,416	1,363,773	1,113,641
Issued but unused letters of credit	11,755,683	10,776,427	9,305,976
Other guarantees	43,669,892	39,540,256	40,787,032

The Bank assessed that it could continually control and minimize its credit risk exposure of off-balance-sheet items because it adopts stricter procedures and regularly audits credit accounts.

c) Information on concentration of credit risk

Concentration of credit risk exists if transaction counter-parties significantly concentrated on same individuals or groups engaged in activities with similar economic characteristics, which may lead their ability to fulfill contractual obligations being affected by similar changes in economic or other conditions.

Concentration of credit risk derives from assets, liabilities or off-balance sheet through the enforcement and implement of transaction (regardless of products or service) or combination of exposures across categories, including in credit, due from and call loans to banks, marketable securities, receivables and derivative etc. The Bank maintained a diversified loan portfolio to mitigate the credit risk concentrating to same customers, and total transaction of same customers in the discounts and loans and the balance of non-accrual loans is not material. The Bank's most significant concentrations of credit risk of discounts and loans and non-accrual loans by business, region, and collateral were summarized as follows:

i. Counterparty

	June 30, 2014		December 31, 2013		June 30, 2013	
Counterparty	Amount	% to Total	Amount	% to Total	Amount	% to Total
Private sector	$ 338,315,165	59	$ 327,620,429	60	$ 299,938,939	59
Consumer	222,581,903	39	210,131,591	39	199,835,858	39
Financial institution	4,350,642	1	6,022,742	1	5,358,832	1
Others	3,797,610	1	2,315,038	-	2,304,110	1
	$ 569,045,320	100	$ 546,089,800	100	$ 507,437,739	100

ii. Region

Region	June 30, 2014 Amount	June 30, 2014 % to Total	December 31, 2013 Amount	December 31, 2013 % to Total	June 30, 2013 Amount	June 30, 2013 % to Total
R.O.C.	$ 467,781,735	82	$ 455,751,751	84	$ 430,788,986	85
Asia area	94,653,575	17	82,399,125	15	68,525,356	13
Americas	5,276,754	1	5,959,736	1	2,788,728	1
Europe	1,019,360	-	1,282,880	-	4,357,700	1
Africa	313,896	-	696,308	-	976,969	-
	$ 569,045,320	100	$ 546,089,800	100	$ 507,437,739	100

iii. Collaterals assumed

Collaterals Assumed	June 30, 2014 Amount	June 30, 2014 % to Total	December 31, 2013 Amount	December 31, 2013 % to Total	June 30, 2013 Amount	June 30, 2013 % to Total
Unsecured	$ 113,852,259	20	$ 118,289,051	22	$ 110,560,812	22
Secured						
Properties	322,519,269	57	306,117,460	56	290,848,903	57
Guarantee	75,732,800	13	66,139,026	12	51,926,357	10
Financial collateral	22,778,183	4	21,959,402	4	24,058,219	5
Movable properties	10,467,808	2	11,225,797	2	11,274,060	2
Other collaterals	23,695,001	4	22,359,064	4	18,769,388	4
	$ 569,045,320	100	$ 546,089,800	100	$ 507,437,739	100

d) Information on credit risk quality

Part of the financial assets held by the Bank, cash and cash equivalents, financial assets at fair value through profit or loss, investment in bills and bonds with resale agreements, guarantee deposits paid, security business, and clearing and settlement fund, etc. are assessed to have very low credit risk because the counterparties have good credit ratings.

In addition to the above, the credit analysis of the remaining financial assets is as follows:

a) Credit analysis of discounts and loans and receivables

June 30, 2014	Neither Past Due Nor Impaired				Overdue but Unimpaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,437,228	$ 652,919	$ 65,471	$ 2,155,618	$ 52,670	$ 92,837	$ 2,301,125	$ 75,868	$ 100,433	$ 2,124,824
Others	2,230,337	3,708,465	508,417	6,447,219	334,981	185,325	6,967,525	22,927	106,978	6,837,620
Discount and loans	347,989,703	153,178,610	38,269,947	539,438,260	18,960,380	10,646,680	569,045,320	6,086,425	2,191,003	560,767,892

December 31, 2013	Neither Past Due Nor Impaired				Overdue but Unimpaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,399,884	$ 652,385	$ 71,228	$ 2,123,497	$ 54,010	$ 97,887	$ 2,275,394	$ 23,687	$ 139,683	$ 2,112,024
Others	2,820,665	2,267,950	329,216	5,417,831	573,216	363,789	6,354,836	48,817	78,419	6,227,600
Discount and loans	308,253,255	162,363,411	29,806,757	500,423,423	32,014,273	13,652,104	546,089,800	5,900,435	1,911,743	538,277,622

June 30, 2013	Neither Past Due Nor Impaired				Overdue but Unimpaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,840,923	$ 727,968	$ 81,833	$ 2,650,724	$ 55,039	$ 103,690	$ 2,809,453	$ 25,334	$ 123,882	$ 2,660,237
Others	1,799,455	3,467,962	246,088	5,513,505	472,811	723,366	6,709,682	80,374	46,923	6,582,385
Discount and loans	288,059,485	156,433,104	27,754,180	472,246,769	19,448,288	15,742,682	507,437,739	5,197,696	1,838,568	500,401,475

b) Credit quality analysis of discounts and loans that are neither past due nor impaired

June 30, 2014	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	$ 156,415,101	$ 10,038,050	$ 1,976,594	$ 168,429,745
Small scale credit loans	221,478	169,944	160,242	551,664
Others	16,402,424	1,771,750	337,712	18,511,886
Corporate banking				
Secured	102,517,382	68,863,608	18,634,920	190,015,910
Unsecured	72,433,318	72,335,258	17,160,479	161,929,055
Total	347,989,703	153,178,610	38,269,947	539,438,260

December 31, 2013	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	$ 142,353,144	$ 9,802,375	$ 1,639,871	$ 153,795,390
Small scale credit loans	297,155	191,927	137,865	626,947
Others	13,837,889	1,615,484	278,070	15,731,443
Corporate banking				
Secured	81,111,034	83,538,413	16,866,302	181,515,749
Unsecured	70,654,033	67,215,212	10,884,649	148,753,894
Total	308,253,255	162,363,411	29,806,757	500,423,423

June 30, 2013	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	$ 139,439,726	$ 10,501,468	$ 1,332,813	$ 151,274,007
Small scale credit loans	374,264	217,365	196,613	788,242
Others	13,712,658	1,651,891	238,757	15,603,306
Corporate banking				
Secured	67,566,146	80,728,350	18,023,972	166,318,468
Unsecured	66,966,691	63,334,030	7,962,025	138,262,746
Total	288,059,485	156,433,104	27,754,180	472,246,769

c) Credit quality analysis of security investment

(Amount in Thousands of New Taiwan Dollars)

June 30, 2014	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 49,034,125	$ 18,359,429	$ 20,403,471	$ 2,021,013	$ 701,994	$ 90,520,032	$ -	$ 89,547	$ 90,609,579	$ 89,547	$ 90,520,032
Stocks	-	-	-	-	11,938,761	11,938,761	-	-	11,938,761	-	11,938,761
Bills	-	-	-	-	1,624,988	1,624,988	-	-	1,624,988	-	1,624,988
Held-to-maturity financial assets											
Bonds	253,819	-	294,975	-	-	548,794	-	-	548,794	-	548,794
Bills	106,500,000	-	-	-	-	106,500,000	-	-	106,500,000	-	106,500,000
Financial assets at FVTPL											
Bonds	-	-	90,345	-	1,343,205	1,433,550	-	-	1,433,550	-	1,433,550
Other financial assets											
Debt Instruments	-	-	-	-	200,000	200,000	-	-	200,000	-	200,000

(Amount in Thousands of New Taiwan Dollars)

December 31, 2013	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 39,471,416	$ 16,758,748	$ 19,118,209	$ 735,326	$ 195,022	$ 76,278,721	$ -	$ 238,244	$ 76,516,965	$ 238,244	$ 76,278,721
Stocks	-	1,105,544	374,600	-	9,213,313	10,693,457	-	23,150	10,716,607	23,150	10,693,457
Bills	-	-	-	-	1,683,836	1,683,836	-	-	1,683,836	-	1,683,836
Held-to-maturity financial assets											
Bonds	255,481	-	591,629	-	-	847,110	-	-	847,110	-	847,110
Bills	106,200,000	-	-	-	-	106,200,000	-	-	106,200,000	-	106,200,000
Financial assets at FVTPL											
Bonds	-	-	370,808	-	1,174,995	1,545,803	-	-	1,545,803	-	1,545,803
Other financial assets											
Debt Instruments	-	-	-	-	200,000	200,000	-	-	200,000	-	200,000

(Amount in Thousands of New Taiwan Dollars)

June 30, 2013	Neither Past due Nor Impaired						Past Due but Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 29,099,356	$ 16,534,799	$ 22,557,967	$ 325,709	$ 400,671	$ 68,918,502	$ -	$ 539,742	$ 69,458,244	$ 539,742	$ 68,918,502
Stocks	-	967,730	350,459	-	8,813,209	10,131,398	-	23,150	10,154,548	23,150	10,131,398
Bills	-	-	-	-	1,262,043	1,262,043	-	-	1,262,043	-	1,262,043
Held-to-maturity financial assets											
Bonds	257,078	-	299,372	298,964	-	855,414	-	-	855,414	-	855,414
Bills	111,385,618	-	-	-	-	111,385,618	-	-	111,385,618	-	111,385,618
Financial assets at FVTPL											
Bonds	-	-	795,564	299,890	1,172,977	2,268,431	-	-	2,268,431	-	2,268,431
Other financial assets											
Debt Instruments	-	-	-	-	200,000	200,000	-	-	200,000	-	200,000

The processing delays of borrower and other administrative reasons may bring about the financial assets that overdue but unimpaired. According to the principles of internal management risk, the financial assets which overdue within 90 days are not considered impairment unless there is evidence.

Ages analysis for those financial assets that is overdue but impaired is as follows:

Items	June 30, 2014		
	Past Due Up to a Month	Past Due One to Three Months	Total
Receivables			
Credit card	$ 44,782	$ 7,888	$ 52,670
Others	324,288	10,693	334,981
Discounts and loans			
Consumer banking			
Housing mortgage	3,938,118	661,763	4,599,881
Small scale credit loans	17,244	1,527	18,771
Others	305,729	44,336	350,065
Corporate banking			
Secured	5,964,528	1,783,666	7,748,194
Unsecured	5,324,354	919,115	6,243,469

Items	December 31, 2013		
	Past Due Up to a Month	Past Due One to Three Months	Total
Receivables			
Credit card	$ 46,647	$ 7,363	$ 54,010
Others	561,560	11,656	573,216
Discounts and loans			
Consumer banking			
Housing mortgage	8,399,066	455,482	8,854,548
Small scale credit loans	29,831	2,667	32,498
Others	978,017	16,419	994,436
Corporate banking			
Secured	12,488,846	645,208	13,134,054
Unsecured	8,459,657	539,080	8,998,737

Items	June 30, 2013		
	Past Due Up to a Month	Past Due One to Three Months	Total
Receivables			
Credit card	$ 46,376	$ 8,663	$ 55,039
Others	468,374	4,437	472,811
Discounts and loans			
Consumer banking			
Housing mortgage	2,576,059	1,121,713	3,697,772
Small scale credit loans	11,581	3,802	15,383
Others	250,356	129,737	380,093
Corporate banking			
Secured	7,018,016	1,315,385	8,333,401
Unsecured	5,848,015	1,173,624	7,021,639

3) Market risk

a) The sources and definition of market risk

Market risk is the risk resulting from changes in fair value and future cash flows of on- and off-balance-sheet financial instruments caused by changes in market prices, interest rates, foreign exchange rate, including equity securities price and commodity price.

The Bank's financial instruments are exposed to price, interest rate and foreign exchange rate risks. Major market price risk positions of equity securities include domestic listed stocks and funds. Major interest risks include bonds and interest rate derivative instruments such as fixed and floating interest rate swap and bond options. Major foreign exchange risks include foreign currency positions held by the Bank.

b) Market risk management policies

The Bank monitors its market risk positions and tolerable loss according to the risk management objective and limit approved by the Board of Directors.

The Bank also builds a market risk information system, which enables the Bank to effectively monitor the management of facilities, assessment of gains and losses, analysis of sensitivity factors of the Banks all sorts of financial instruments positions etc. such policies would be reported in risk control meeting and serves as references for the decision making of management personnel.

The Bank split market risk exposure into trading and held-for-fixed-income portfolio which is control by both the Bank's operation and risk management section. Routine control report would be reviewed by the Bank's Board of Directors and relevant committees.

c) Market risk management process

i. Recognition and measurement

The Bank's operation and risk management section both recognize market risk factors of exposure positions, which are used to measure market risks. Market risk factors include elements which could affect the value of interest rates, foreign exchange rates and equity securities exposure, such as exposure, gains and losses and sensitivity (PVO1, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and equity securities.

ii. Monitor and report

The Bank's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the Board of Directors. Therefore, the Board of Directors could well understand market risk control. The Bank has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

d) Interest rate management policies

i. Definition of interest rate risk

Interest rate risk represents risks of variation of fair value of trading position and loss in earnings resulting from interest rate variation. Major relevant products include interest rates related financial securities and derivatives instrument.

ii. Purpose of interest risk management

Interest rate risk management enhance the Bank's resilience to measure, control and avoid negative influence of interest rate variation on earnings and economic values of balance sheet items. In addition to enhance capital efficiency and strengthen operation.

iii. Procedures of interest risk management

The Bank's should carefully choose investment target through conducting research in sponsor's credit, financial status, country risks and interest rate trend. The Bank should also establish trading amount limit and stop-loss limit including limit for trading room, trading personals and trading product etc. according to trading book operation policies and market status which is approved by top management personnel and the Board of Directors.

The Bank identifies re-pricing risk of interest rate and yield curve risk and measures possible effects on the Bank's earnings economic values of changes in interest rate. On a monthly basis, the Bank reports the analysis monitoring of limit on interest rate risk position and various interest rate management objectives to the Assets and Liabilities Management Committee and the Board of Directors.

Report to the Assets and Liabilities Management Committee is required when certain risk management objective exceed limit in order to resolve response action.

iv. Measurement methods

The Bank measures risks of price reset periods gap from difference in maturity date and price reset date of assets, liabilities, and off-balance sheet items. The Bank also established interest rate sensitivity monitoring index for major periods in order to maintain long-term profitability and business growth. Such interest rate indexes and results of pressure test is reviewed by management personnel periodically. In addition, the Bank uses the DV01 to measure portfolio that affected by interest rate in regular.

e) Foreign exchange rate risk management

i. Definition of foreign exchange risk

Foreign exchange risk means gains and losses resulting from transferring currencies at different times. The Bank's foreign exchange rate risk's results mainly from spot and forward foreign exchange business. The Bank's foreign exchange rate risk is relatively insignificant due to the fact that customers' position are basically settled immediately on transaction date.

ii. Policies, procedures and measurement method for foreign exchange rate risk management

In order to control foreign exchange rate risk within tolerable range, the Bank has established trading limit, stop-loss limit and maximum loss for trading department and trading personnel and the risk is controlled within the tolerable range.

The Bank undertakes pressure test on a seasonal basis and uses 3% fluctuation in major foreign exchange rate (USD) as a scenario and reports test results to the Assets and Liabilities Management Committee

f) Equity securities price risk management

i. Definition of equity securities price risk

The market risk of equity securities held by the Bank include individual and general risk from price fluctuation of both individual equity security the entire equity security market.

ii. Purpose of equity security price risk management

The main purpose of equity security price risk management is to prevent financial status from deteriorating and decrease in earnings due to violent fluctuation in equity security prices, enhance capital efficiency and strengthen operation.

iii. Procedures of equity security price risk management

The Bank regularly uses β value to measure the degree of influence on investment portfolio system risk. Stop-loss point is set according to the policy approved by the Assets and Liabilities Management Committee. Stop-loss action must be taken when limit is reached, otherwise the investment department must submit request to top management personnel for approval.

iv. Measurement method

The Bank's control of security price risk is based on risk values.

g) Market valuation technique

The Bank assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on several market position changes. Limits of various financial instruments are set by the Board of Directors and monitored by the Assets and Liabilities Management Committee. The Bank also establish sensitivity analysis based on major risk factors of various financial products in order to monitor the changes in various market risk factors of financial products.

i. Sensitivity analysis

i) Interest rate risk

The Bank has assessed the possible impact on income if global yield curve move between -100 to +100 base points simultaneously on June 30, 2014, December 31, 2013 and June 30, 2013.

ii) Foreign exchange rate risk

The Bank has assessed the possible impact on income when various currencies to NTD exchange rate fluctuate between -3% and +3% while other factors remain unchanged.

iii) Equity securities price risk

The Bank has assessed the possible impact on income when equity securities prices on June 30, 2014, December 31, 2013 and June 30, 2013 rise or fall by 10% while other factors remain unchanged.

The above analysis assume that the trends of equity instruments is consistent with historical data.

ii. Sensitivity analysis is summarized as follows:

June 30, 2014			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Various currencies/NTD increased 3%	$ 1,430,520	$ 21,601
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,430,520)	(21,601)
Interest rate risk	Rate curve increased 100BPS	(2,401,605)	(21,356)
Interest rate risk	Rate curve decreased 100BPS	2,401,605	21,356
Price risk of equity securities	Price of equity securities increase 10%	922,054	3,925
Price risk of equity securities	Price of equity securities decrease 10%	(922,054)	(3,925)

December 31, 2013			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Various currencies/NTD increased 3%	$ 1,398,977	$ (69,141)
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,398,977)	69,141
Interest rate risk	Rate curve increased 100BPS	(2,424,383)	(30,124)
Interest rate risk	Rate curve decreased 100BPS	2,559,753	30,124
Price risk of equity securities	Price of equity securities increase 10%	547,751	2,399
Price risk of equity securities	Price of equity securities decrease 10%	(547,751)	(2,399)

June 30, 2013			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Various currencies/NTD increased 3%	$ 1,359,477	$ 33,066
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,359,477)	(33,066)
Interest rate risk	Rate curve increased 100BPS	(2,166,061)	(33,086)
Interest rate risk	Rate curve decreased 100BPS	2,301,829	34,176
Price risk of equity securities	Price of equity securities increase 10%	539,364	1,366
Price risk of equity securities	Price of equity securities decrease 10%	(539,364)	(1,366)

4) Liquidity risk

a) The sources and definition of liquidity risk

The liquidity risk is the possibility that the Bank is unable to liquidate assets or obtain financing to fulfill matured financial liabilities which may result in financial loss. Liquidity risk may be present when, for example, deposits are withdrawn in advance of the original date of settlement, the market becomes worse and borrowing from other banks becomes difficult, the clients' credit deteriorates leading the occurrence of defaults, liquidation of financial instruments becomes difficult, early redemption of interest-sensitive instruments happens, etc. The aforementioned factors may reduce cash balance to be used in for the areas of loans, trading, and investment. In some extreme circumstances, the lack of liquidity may lead to the decrease in the overall assets and liabilities, the need to liquidate the Bank's assets and the possibility of unable to fulfill loan commitments. Liquidity risks include inherent risks that may be affected by some specific industry events or overall market condition. These events include but are not limited to credit, merger and acquisitions, systemic breakdown and natural disasters.

b) The management policies are as follows:

The Bank's management procedures are monitored by the independent department of risk management and the procedures are included in:

i. Regular financing and monitoring of cash flows to ensure the fulfillment of the requirements in the future

ii. Maintaining appropriate position of high liquidity assets which are easily realizable.

iii. Monitoring of liquidity ratios of the balance sheet according to the internal management purposes and external monitoring rules.

iv. Managing the maturity date of debt instruments.

The procedures for monitoring and reporting liquidation risk are applied and measured based on the estimated cash flows (the time gap is based on how the Bank manages the liquidity risk) of 1 day, 10 days, and 1 month. Estimates of future cash flows are based on the maturity analysis of financial assets and liabilities. The risk management department also monitors the use of loan commitment, discount facilities, guarantee letters, and other types of contingent liabilities, and furthermore reports the related information to the risk management committee and the Board of Directors regularly.

The Bank holds certain position of highly liquid interest bearing assets to fulfill its obligation and for future emergent needs. To manage the liquidity risk, the Bank holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, and financial assets at fair value through profit or loss, etc.

c) Maturity analysis

The analysis of cash outflows of non-derivative financial liabilities is illustrated according to the remaining terms from date of the balance sheet to maturity date of the contract. The disclosure of cash outflows of non-derivative financial liabilities is based on the cash flows of contracts so that the items could not correspond with all items in the balance sheet.

June 30, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 16,843,745	$ -	$ -	$ -	$ -	$ 16,843,745
Securities sold under repurchase agreements	5,037,498	630,072	181,935	2,077,697	-	7,927,202
Payables	21,315,369	71,502	285,394	149,173	2,000	21,823,438
Deposits and remittances	410,580,729	135,255,321	89,829,980	95,318,167	6,683,428	737,667,625
Bank debentures	65,907	3,300,000	1,700,000	3,000,000	31,700,000	39,765,907
Other financial liabilities	6,392,553	-	-	-	-	6,392,553

December 31, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 11,401,787	$ 682,832	$ 2,085,076	$ -	$ -	$ 14,169,695
Borrowings from the Central Bank and banks	3,932,016	-	-	-	-	3,932,016
Securities sold under repurchase agreements	4,223,883	563,110	158,861	801,013	-	5,746,867
Payables	15,758,796	76,167	123,495	111,860	1,490	16,071,808
Deposits and remittances	398,892,954	136,515,659	94,743,726	109,535,824	6,850,526	746,538,689
Bank debentures	104,321	-	-	5,000,000	28,000,000	33,104,321
Other financial liabilities	6,680,824	-	-	-	-	6,680,824

June 30, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 12,510,793	$ -	$ -	$ -	$ -	$ 12,510,793
Borrowings from the Central Bank and banks	1,499,450	-	-	-	-	1,499,450
Securities sold under repurchase agreements	3,217,971	637,483	146,076	216,575	-	4,218,105
Payables	23,926,059	38,386	266,812	62,913	1,499	24,295,669
Deposits and remittances	390,471,363	100,517,670	92,771,228	117,458,498	8,223,467	709,442,226
Bank debentures	140,260	-	-	-	33,000,000	33,140,260
Other financial liabilities	4,492,584	-	-	-	-	4,492,584

The Bank evaluated the contractual maturity date to comprehend all derivative financial instruments on the balance sheet. Because the disclosure of maturity analysis for derivative financial liabilities amount is based on the contract cash flows, part of the amount would not correspond with related items on the balance sheet. Maturity analysis of derivative financial liabilities is as follows:

i. Derivative financial liabilities of net settlement

June 30, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 20,776	$ 30,223	$ 35,223	$ 43,777	$ 2,046	$ 132,045
Rate derivatives	-	8,048	54	180	48,243	56,525

December 31, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 184,156	$ 306,809	$ 207,060	$ 216,685	$ 8,586	$ 923,296
Rate derivatives	-	-	-	24,576	130,863	155,439

June 30, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 122,599	$ 274,981	$ 417,020	$ 648,573	$ 20,251	$ 1,483,424
Rate derivatives	-	-	-	-	189	189

ii. Derivative financial liabilities of total settlement

June 30, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 7,819,043	$ 6,135,211	$ 2,668,083	$ 4,443,985	$ -	$ 21,066,322
Cash outflow	7,897,552	6,195,152	2,695,673	4,475,198	-	21,263,575

December 31, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 4,299,064	$ 8,607,574	$ 2,203,495	$ 1,348,448	$ -	$ 16,458,581
Cash outflow	4,315,318	8,649,218	2,248,070	1,346,614	-	16,559,220

June 30, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 7,665,844	$ 5,882,216	$ 1,930,544	$ 702,975	$ 179,666	$ 16,361,245
Cash outflow	7,679,794	5,960,577	1,997,832	725,168	180,496	16,543,867

The analysis of cash outflows of off-balance-sheet items is illustrated according to the remaining terms from date of the balance sheet to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the nearest time-zone of being asked to fulfill the guarantees. The disclosure of cash outflows of off-balance-sheet items is based on the cash flows of contracts so that part items could not correspond with all items in the balance sheet.

June 30, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 20,502,075	$ 41,004,150	$ 61,506,225	$123,012,451	$ 77,862,541	$323,887,442
Noncancelable credit card commitments	77,379	154,758	232,137	464,273	293,869	1,222,416
Issued but unused letters of credit	3,789,204	6,546,621	598,822	634,992	186,044	11,755,683
Other guarantees	5,220,947	6,638,690	4,744,208	11,062,759	16,003,288	43,669,892

December 31, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 19,682,691	$ 39,365,381	$ 59,048,071	$118,096,143	$ 74,750,692	$310,942,978
Noncancelable credit card commitments	86,327	172,654	258,980	517,961	327,851	1,363,773
Issued but unused letters of credit	3,513,409	5,114,987	783,483	1,249,312	115,236	10,776,427
Other guarantees	6,853,441	4,605,204	4,706,019	7,369,068	16,006,524	39,540,256

June 30, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 20,382,820	$ 40,765,639	$ 61,148,459	$122,296,919	$ 77,409,635	$322,003,472
Noncancelable credit card commitments	70,494	140,987	211,480	422,961	267,719	1,113,641
Issued but unused letters of credit	2,652,690	5,548,038	725,837	220,077	159,334	9,305,976
Other guarantees	4,876,952	7,352,608	4,047,775	8,667,788	15,751,942	40,787,032

36. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities that is affected by interest rate fluctuations was as follows:

Average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

	Six Months Ended June 30, 2014	
	Average Balance	**Average Rate (%)**
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 15,003,494	2.68
Due from the Central Bank and call loans to banks	5,121,801	0.87
Financial assets at fair value through profit or loss	32,199,415	0.89
Securities purchased under agreement to resell	3,261,290	0.56
Credit card revolving balances	821,558	16.59
Discounts and loans (excluding nonperforming loans)	550,288,142	2.35
Available-for-sale financial assets	87,751,335	1.68
Held-to-maturity financial assets	107,127,663	0.87
Bills purchased	9,979	1.61
Interest-bearing liabilities		
Due to the Central Bank and banks	16,895,264	0.90
Securities sold under agreement to repurchase	8,151,910	0.54
Borrowings from the Central Bank and banks	1,628,484	0.56
Negotiable certificates of deposits	3,506,280	0.70
Demand deposits	167,906,713	0.08
Savings deposits	114,985,204	0.38
Time deposits	334,324,875	1.11
Time-savings	121,555,848	1.32
Bank debentures	36,602,151	1.67
Appropriated loan funds	5,201,599	0.01
Structured deposit instruments principal	1,900,366	0.95

	Six Months Ended June 30, 2013	
	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>		
Cash and cash equivalents - due from other banks	$ 3,864,574	0.55
Due from the Central Bank and call loans to banks	69,614,001	0.72
Financial assets at fair value through profit or loss	28,792,092	1.07
Securities purchased under agreement to resell	818,065	0.70
Credit card revolving balances	896,943	16.57
Discounts and loans (excluding nonperforming loans)	483,543,564	2.30
Available-for-sale financial assets	66,438,067	1.76
Held-to-maturity financial assets	115,007,628	0.87
Bills purchased	10,521	1.39
<u>Interest-bearing liabilities</u>		
Due to the Central Bank and banks	10,085,531	0.75
Securities sold under agreement to repurchase	5,645,415	0.64
Borrowings from the Central Bank and banks	644,988	0.31
Negotiable certificates of deposits	4,551,730	0.78
Demand deposits	155,117,195	0.07
Savings deposits	108,642,482	0.38
Time deposits	282,116,694	0.98
Time-savings	120,839,383	1.33
Bank debentures	34,483,871	1.62
Appropriated loan funds	2,534,029	0.01
Structured deposit instruments principal	3,687,688	0.81

37. CAPITAL MANAGEMENT

All the Bank’s risks were included in the assessment of capital adequacy range according to ‘’Regulations Governing the Capital Adequacy” annual. The business projects and budget objective were approved by the Board of Director, and furthermore the Bank considered the development strategy, capital adequacy, debt ratio, and dividend policy. The contents are included in stress test, estimate of each capital adequacy ratio to ensure achieving the objective of capital adequacy and strengthening the capital structure.

According to the Banking Law and related regulations, the Bank should maintain a capital adequacy ratio of at least 8% to strengthen the financial basis. If the capital adequacy ratio falls below 8%, the Central Regulator would restrict the distributed earnings.

The following table which lists the equity capital, risk-weighted assets, and risk exposure is calculated according to “Regulations Governing the Capital Adequacy and Capital Category of Banks” that was modified by Financial Supervisory Commission R.O.C. (Ref. No. 10110007010) on November 26, 2012.

The Bank conformed to the regulation on capital management on June 30, 2014, December 31, 2013 and June 30, 2013.

	June 30, 2014	December 31, 2013	June 30, 2013
Analysis items			
Eligible capital			
Common equity	$ 75,358,235	$ 75,790,593	$ 72,089,430
Other Tier I capital	-	-	-
Tier II capital	7,248,059	2,198,218	4,410,722
Eligible capital	$ 82,606,294	$ 77,988,810	$ 76,500,152
Risk-weighted assets			
Credit risk			
Standardized approach	$ 577,871,660	$ 577,734,782	$ 538,628,917
Credit valuation adjustment	79,253	193,504	341,184
Internal rating based approach	N/A	N/A	N/A
Synthetic securitization	805,440	814,876	1,008,621
Operational risk			
Basic indicator approach	30,631,950	30,631,950	28,854,099
Standardized approach/alternative standardized approach	N/A	N/A	N/A
Advanced measurement approach	N/A	N/A	N/A
Market risk			
Standardized approach	39,330,601	38,053,957	37,225,967
Internal models approach	N/A	N/A	N/A
Total risk-weighted assets	$ 648,718,904	$ 647,429,069	$ 606,058,788
Capital adequacy ratio	12.73%	12.05%	12.62%
Ratio of common equity to risk-weighted assets	11.62%	11.71%	11.89%
Ratio of Tier I capital to risk-weighted assets	11.62%	11.71%	11.89%
Leverage ratio	6.18%	6.16%	6.32%

Note 1: Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “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 + Other Tier I capital + Tier II capital.

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

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

4) Ratio of common equity to risk-weighted assets = Common equity ÷ Total risk-weighted assets.

5) Ratio of Tier I capital to risk-weighted assets = (Common equity + Other Tier I capital) ÷ Total risk-weighted assets.

6) Leverage ratio =Average net value of tier I capital of recent 3 months ÷ Average net value of exposure measurement of recent 3 months

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

a. Assets quality: As stated in Table 1

b. Concentration of credit risks

Top 10 credit extensions information of the Bank were below:

Ranking (Note 1)	June 30, 2014		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)
1	A Group (plastic leather, plates, pipe manufacturing)	$ 6,901,591	6.96
2	B Group (real estate development)	4,618,135	4.66
3	C Group (real estate rental)	3,999,370	4.03
4	D Group (liquid fuel, gas and related industries)	3,735,859	3.77
5	E Group (head offices)	2,984,900	3.01
6	F Group (civil aviation)	2,946,007	2.97
7	G Group (head offices)	2,722,238	2.74
8	H Inc. (wholesale of other specialized wholesale trade not elsewhere classified)	2,598,623	2.62
9	I Inc. (wholesale of other fuels)	2,147,434	2.16
10	J Inc. (wholesale of other specialized wholesale trade not elsewhere classified)	1,674,364	1.69

Ranking (Note 1)	December 31, 2013		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)
1	B Group (journalism publishing)	$ 5,508,541	5.57
2	L Group (computer manufacturing)	3,676,123	3.72
3	C Group (real estate rental)	3,588,084	3.63
4	F Group (civil aviation)	2,896,951	2.93
5	M Group (knitting outerwear manufacturing)	2,797,756	2.83
6	G Group (head offices)	2,771,514	2.80
7	N Group (computer manufacturing)	2,607,190	2.64
8	O Inc. (paper exportation)	1,851,781	1.87
9	K Inc. (real estate development)	1,609,000	1.63
10	J Inc. (wholesale of other specialized wholesale trade not elsewhere classified)	1,584,557	1.60

Ranking (Note 1)	June 30, 2013		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)
1	B Group (journalism publishing)	$ 7,127,759	7.70
2	A Group (petroleum and coal)	5,924,116	6.40
3	C Group (real estate rental)	3,607,000	3.90
4	L Group (computer manufacturing)	3,577,395	3.87
5	F Group (civil aviation)	3,050,958	3.30
6	Q Inc. (ocean freight transportation forwarding services)	2,554,050	2.76
7	O Inc. (paper exportation)	1,875,578	2.03
8	R Inc. (chemical materials)	1,699,508	1.84
9	S Group (ocean freight transportation)	1,558,420	1.68
10	J Inc. (wholesale of other specialized wholesale trade not elsewhere classified)	1,532,181	1.66

Note 1: The ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of a group enterprise, the credit balance of the borrower is then aggregated to the Bank enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of the Republic of China published by the Directorate-general of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: "Group Enterprise" conforms to the definition of Article 6 in "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Credit balance includes each item of loan (included import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and nonperforming loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable and grantees issued.

c. Interest rate sensitivity information

Interest Rate Sensitivity Analysis
June 30, 2014

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 557,419,859	$ 3,924,697	$ 3,869,235	$ 48,069,071	$ 613,282,862
Interest-sensitive liabilities	247,218,069	225,826,436	53,236,394	34,918,040	561,198,939
Interest sensitivity gap	310,201,790	(221,901,739)	(49,367,159)	13,151,031	52,083,923
Net equity					99,207,148
Ratio of interest-sensitive assets to liabilities					109.28%
Ratio of interest sensitivity gap to net equity					52.50%

Interest Rate Sensitivity Analysis
December 31, 2013

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 562,472,052	$ 350,835	$ 1,487,523	$ 48,047,790	$ 612,358,200
Interest-sensitive liabilities	251,096,785	229,578,782	60,766,562	31,482,494	572,924,623
Interest sensitivity gap	311,375,267	(229,227,947)	(59,279,039)	16,565,296	39,433,577
Net equity					98,919,316
Ratio of interest-sensitive assets to liabilities					106.88%
Ratio of interest sensitivity gap to net equity					39.86%

Interest Rate Sensitivity Analysis
June 30, 2013

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 549,263,228	$ 1,052,039	$ 551,951	$ 47,389,082	$ 598,256,300
Interest-sensitive liabilities	227,000,753	222,435,591	64,412,165	33,883,698	547,732,207
Interest sensitivity gap	322,262,475	(221,383,552)	(63,860,214)	13,505,384	50,524,093
Net equity					92,529,561
Ratio of interest-sensitive assets to liabilities					109.22%
Ratio of interest sensitivity gap to net equity					54.60%

Note 1: The tables above refer only to the financial assets/liabilities denominated in N.T. dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

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. (The interest rate-sensitive assets and liabilities are in New Taiwan dollars).

Interest Rate Sensitivity Analysis
June 30, 2014

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 5,084,424	$ 55,444	$ 86,835	$ 442,509	$ 5,669,212
Interest-sensitive liabilities	2,058,032	3,331,592	444,346	38	5,834,008
Interest sensitivity gap	3,023,392	(3,276,148)	(357,511)	442,471	(164,796)
Net equity					3,323,634
Ratio of Interest-sensitive assets to liabilities					97,18%
Ratio of interest sensitivity gap to net equity					(4.96%)

Interest Rate Sensitivity Analysis
December 31, 2013

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 5,238,148	$ 46,883	$ 39,443	$ 467,504	$ 5,791,978
Interest-sensitive liabilities	2,248,078	3,124,225	492,973	60	5,865,336
Interest sensitivity gap	2,990,070	(3,077,342)	(453,530)	467,444	(73,358)
Net equity					3,320,777
Ratio of Interest-sensitive assets to liabilities					98.75%
Ratio of interest sensitivity gap to net equity					(2.21%)

Interest Rate Sensitivity Analysis
June 30, 2013

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 4,808,930	$ 63,665	$ 60,454	$ 362,311	$ 5,295,360
Interest-sensitive liabilities	1,940,027	3,082,320	398,860	21	5,421,228
Interest sensitivity gap	2,868,903	(3,018,655)	(338,406)	362,290	(125,868)
Net equity					3,085,450
Ratio of Interest-sensitive assets to liabilities					97,68%
Ratio of interest sensitivity gap to net equity					(4.08%)

Note 1: The tables above refer only to the financial assets/liabilities denominated in U.S. dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

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. (The interest rate-sensitive assets and liabilities are in U.S. dollars).

d. Profitability

Items		June 30, 2014	June 30, 2013
Return on total assets	Before income tax	1.33	1.30
	After income tax	1.12	1.11
Return on equity	Before income tax	12.63	12.34
	After income tax	10.62	10.57
Profit margin		56.18	56.46

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: Profit margin = Income after income tax ÷ Total net revenues.

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2014.

Note 5: The profitability disclosed each quarter is calculated as annual percentage rate.

e. Maturity analysis of assets and liabilities

1) New Taiwan dollars (thousands)

	Total	June 30, 2014					
		By Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 653,489,917	$ 110,941,175	$ 85,022,450	$ 23,934,983	$ 33,122,429	$ 47,875,401	$ 352,593,479
Main capital outflow on maturity	831,452,403	39,833,066	75,229,057	139,540,059	113,492,302	167,643,398	295,714,521
Gap	(177,962,486)	71,108,109	9,793,393	(115,605,076)	(80,369,873)	(119,767,997)	56,878,958

	Total	December 31, 2013					
		By Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 657,452,875	$ 131,972,215	$ 87,389,345	$ 26,306,543	$ 30,585,471	$ 43,097,264	$ 338,102,037
Main capital outflow on maturity	825,821,246	27,658,695	68,939,078	134,593,653	120,881,413	180,572,057	293,176,350
Gap	(168,368,371)	104,313,520	18,450,267	(108,287,110)	(90,295,942)	(137,474,793)	44,925,687

	Total	June 30, 2013					
		By Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 637,604,173	$ 125,523,912	$ 99,794,166	$ 12,787,740	$ 28,565,338	$ 42,750,729	$ 328,182,288
Main capital outflow on maturity	812,685,221	28,222,742	28,222,742	110,092,109	121,593,818	188,755,174	286,414,021
Gap	(175,081,048)	97,301,170	22,186,809	(97,304,369)	(93,028,480)	(146,004,445)	41,768,267

Note: This table includes only financial assets/liabilities denominated in New Taiwan dollars held by the head office and domestic branches.

2) U.S. dollars (thousands)

	Total	June 30, 2014				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 8,104,535	$ 1,075,685	$ 962,189	$ 3,071,741	$ 1,132,813	$ 1,862,107
Main capital outflow on maturity	11,742,730	2,549,400	1,807,622	1,983,066	3,322,480	2,080,162
Gap	(3,638,195)	(1,473,715)	(845,433)	1,088,675	(2,189,667)	(218,055)

	Total	December 31, 2013				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 7,252,139	$ 1,114,425	$ 1,056,177	$ 2,249,733	$ 663,832	$ 2,167,972
Main capital outflow on maturity	10,829,266	1,821,573	1,746,227	1,857,449	3,377,455	2,026,562
Gap	(3,577,127)	(707,148)	(690,050)	392,284	(2,713,623)	141,410

	Total	June 30, 2013				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 7,323,270	$ 1,401,308	$ 907,216	$ 2,263,266	$ 842,207	$ 1,909,273
Main capital outflow on maturity	11,140,915	2,017,093	1,822,212	1,914,203	3,358,216	2,029,191
Gap	(3,817,645)	(615,785)	(914,996)	349,063	(2,516,009)	(119,918)

Note: This table includes only financial assets/liabilities denominated in U.S. dollars held by the head office, domestic branches and OBU.

39. THE CONTENTS AND AMOUNTS OF TRUST ACTIVITIES BY PROCESSING TRUST ENTERPRISE ACT

The trust account balance sheets, income statements and the details of trust assets are as follows:

Balance Sheet of Trust Account

Trust Assets	June 30, 2014	December 31, 2013	June 30, 2013	Trust Liabilities	June 30, 2014	December 31, 2013	June 30, 2013
Bank deposit	$ 2,788,913	$ 2,876,769	$ 2,473,736	Depository of security payable	$ 37,567,446	$ 39,634,525	$ 41,693,040
Short-term investments	69,202,042	65,359,013	66,910,282	Trust capital	89,693,846	82,803,992	83,724,433
Net asset value of collective investment trust fund	4,220,319	2,955,896	2,886,968	Accumulated (loss) gain and equity	(141,201)	(17,282)	(136,671)
Account receivable	13,834	112,005	181,997				
Land	13,148,610	11,299,486	10,971,488				
Buildings and improvement, net	111,865	116,455	100,936				
Depository of security	37,567,446	39,634,525	41,693,040				
Other assets	67,062	67,086	62,355				
Total trust assets	$ 127,120,091	$ 122,421,235	$ 125,280,802	Total trust liabilities	$ 127,120,091	$ 122,421,235	$ 125,280,802

Trust Asset Lists

Item	June 30, 2014	December 31, 2013	June 30, 2013
Cash in banks	$ 2,788,913	$ 2,876,769	$ 2,473,736
Short-term investment			
Fund	60,931,309	58,666,252	59,997,267
Bond	5,548,995	4,690,407	4,278,405
Common Stock	2,721,738	2,002,354	2,634,610
Net asset value of collective trust accounts	4,220,319	2,955,896	2,886,968
Receivable	13,834	112,005	181,997
Land	13,148,610	11,299,486	10,971,488
Buildings and improvement, net	111,865	116,455	100,936
Depository of securities	37,567,446	39,634,525	41,693,040
Other assets	67,062	67,086	62,355
Total	$ 127,120,091	$ 122,421,235	$ 125,280,802

Income Statements of Trust Account

	For the Six Months Ended June 30	
	2014	2013
Trust income		
Interest revenue	$ 5,179	$ 3,931
Realized investment gain	-	653
Realized capital gain	5,391	9,700
Unrealized capital gain	171,675	81,001
Other revenue	34	35
	182,279	95,320

(Continued)

	For the Six Months Ended June 30	
	2014	2013
Trust expenses		
Tax expenditures	$ 657	$ 1,628
Management fee	1,082	1,010
Service fee	20,099	8,871
Realized investment losses	6	-
Realized capital losses	2	2,822
Unrealized capital losses	9,277	38,938
Other expenses	10	9
	31,133	53,278
Income before income tax	151,146	42,042
Income tax expense	-	-
Net income	$ 151,146	$ 42,042

(Concluded)

40. EXCHANGE RATE INFORMATION FOR FOREIGN FINANCIAL ASSETS AND LIABILITIES

	June 30, 2014			December 31, 2013			June 30, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets									
Monetary items									
Cash and cash equivalents									
CNY	$ 2,813,329	4.8046	$13,516,921	$ 1,639,501	4.9141	$ 8,056,672	$ 472,659	4.8794	$ 2,306,292
USD	58,154	29.8490	1,735,839	195,586	29.7880	5,826,116	29,361	29.9890	880,507
EUR	10,940	40.7333	445,622	9,909	41.1283	407,540	11,434	39.1666	447,831
Due from the Central Bank and call loans to banks									
USD	383,614	29.8490	11,450,494	498,514	29.7880	14,849,735	603,364	29.9890	18,094,283
CNY	1,004,706	4.8046	4,827,210	469,648	4.9141	2,307,897	1,163,700	4.8794	5,678,158
JPY	1,109,500	0.2947	326,970	4,616,500	0.2840	1,311,086	1,306,500	0.3037	396,784
Receivables									
USD	89,882	29.8490	2,682,887	57,628	29.7880	1,716,623	130,799	29.9890	3,922,531
EUR	27,784	40.7334	1,131,737	23,568	41.1283	969,312	12,495	39.1701	489,430
JPY	2,282,800	0.2947	672,741	348,596	0.2840	99,001	1,089,171	0.3037	330,781
Discounts and loans									
USD	4,601,303	29.8490	137,344,293	4,476,876	29.7880	133,357,182	4,144,087	29.9890	124,277,025
CNY	2,857,986	4.8046	13,731,479	2,586,160	4.9141	12,708,649	1,606,604	4.8794	7,839,264
HKD	2,282,378	3.8509	8,789,209	2,167,054	3.8416	8,324,955	2,112,886	3.8661	8,168,629
Option contract									
USD	4,445	29.8490	132,678	30,670	29.7880	913,598	48,965	29.9890	1,468,411
Nonmonetary items									
Structured corporate bonds contracts									
USD	48,027	29.8490	1,433,558	45,445	29.7880	1,353,716	60,109	29.9890	1,802,609
HKD	-	-	-	50,000	3.8416	192,080	50,000	3.8661	193,305
Structured bank debenture contracts									
USD	-	-	-	-	-	-	9,087	29.9890	272,510
Equity investments under the equity method									
USD	1,602,323	29.8490	47,827,739	1,594,655	29.7880	47,501,583	1,492,304	29.9890	44,752,710
HKD	56,808	3.8509	218,763	55,326	3.8416	212,540	54,224	3.8661	209,635
Financial liabilities									
Monetary items									
Payables									
USD	96,786	29.8490	2,888,965	92,171	29.7880	2,745,590	116,193	29.9890	3,484,512
JPY	2,535,115	0.2947	747,098	1,324,265	0.2840	376,091	1,380,464	0.3037	419,247
EUR	5,207	40.7334	212,100	6,647	41.1283	273,380	11,178	39.1701	437,843
Due to the Central Bank and banks									
USD	167,737	29.8490	5,006,781	326,051	29.7880	9,712,407	228,011	29.9890	6,837,822
AUD	57,105	28.1178	1,605,667	-	-	-	13,433	27.7323	372,528
HKD	362,013	3.8509	1,394,076	200,000	3.8416	768,320	379,546	3.8661	1,467,363
Borrowings from the Central Bank and banks									
USD	-	-	-	132,000	29.7880	3,932,016	50,000	29.9890	1,499,450
Deposits and remittances									
USD	5,692,302	29.8490	169,909,522	5,387,498	29.7880	160,482,790	5,122,965	29.9890	153,632,597
CNY	6,886,603	4.8046	33,087,372	5,061,147	4.9141	24,870,982	3,441,032	4.8794	16,790,172
AUD	233,854	28.1174	6,575,366	275,678	26.5947	7,331,574	247,414	27.7323	6,861,359

41. ADDITIONAL DISCLOSURES

a. and b. Additional disclosures for the Bank and investees are the following:

1) Financing provided: The Bank - not applicable; investees - not applicable or none.

2) Endorsement/guarantee provided: The Bank - not applicable; investees - not applicable or none.

3) Marketable securities held: The Bank - not applicable; investees - Table 2.

4) Marketable securities (for investees) or investee investment (for the Bank) acquired and disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital: None

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

6) Disposal of individual real estate at prices of at least $300 million or 10% of the issued capital: None.

7) Allowance for service fees to related-parties amounting to more than $5 million: None.

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

9) Sale of non-performing loans: Table 3.

10) Applying for approval the securitization product types and information according to Financial Asset Securitization or Clause of the Real State Securitization Act: None.

11) Other significant transactions which may have effects on decision making of financial statement users: None.

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

13) Derivative financial transactions: Note 8 investees on which the Bank exercises significant influence have no such transactions.

c. Investment in Mainland China:

1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 5.

2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Table 5.

42. SEGMENT INFORMATION

According to the Article 23 of “Regulations Governing the Preparation of Financial Reports by Public Banks”, the Bank does not prepare the segment information of IFRS 8.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

OVERDUE LOANS AND RECEIVABLE
JUNE 30, 2014, DECEMBER 31, 2013 AND JUNE 30, 2013
(In Thousands of New Taiwan Dollars, %)

Period			June 30, 2014					December 31, 2013					June 30, 2013				
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)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 565,877	$ 176,793,261	0.32	$ 3,258,223	575.78	$ 608,568	$ 175,731,075	0.35	$ 2,166,704	356.03	$ 496,307	$ 157,993,939	0.31	$ 1,811,240	364.94
	Unsecured		375,678	169,726,587	0.22	3,051,248	812.20	923,632	160,744,816	0.57	3,837,722	415.50	1,535,130	149,337,359	1.03	3,607,066	234.97
Consumer banking	Housing mortgage (Note 4)		163,300	123,571,209	0.13	1,160,620	710.73	229,899	119,224,125	0.19	1,075,437	467.79	173,258	115,744,566	0.15	967,492	558.41
	Cash card		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		13,871	593,104	2.34	33,437	241.06	14,821	684,718	2.16	24,945	168.31	14,739	826,934	1.78	22,272	151.11
	Other (Note 6)	Secured	36,131	92,973,757	0.04	695,232	1,924.20	68,652	84,905,554	0.08	643,244	936.96	39,973	78,377,463	0.05	575,919	1,440.77
		Unsecured	16,338	5,387,402	0.30	78,668	481.50	18,045	4,799,512	0.38	64,126	355.37	7,349	5,157,478	0.14	52,275	711.32
Loan			1,171,195	569,045,320	0.21	8,277,428	706.75	1,863,617	546,089,800	0.34	7,812,178	419.19	2,266,756	507,437,739	0.45	7,036,264	310.41
			Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			11,346	2,298,784	0.49	176,301	1,553.86	13,894	2,274,361	0.61	163,370	1,175.83	15,084	2,808,133	0.54	149,216	989.23
Accounts receivable factored without recourse (Note 7)			-	1,629,665	-	16,297	-	-	1,301,819	-	13,018	-	-	1,464,217	-	14,642	-
Excluded NPL as a result of debt consultation and loan agreements (Note 8)			-					-					-				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)			-					-					-				
Excluded NPL as a result of consumer debt clearance (Note 9)			-					-					-				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)			53,504					55,917					57,250				

Note 1: Nonperforming loans represent the amounts of nonperforming loans 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 represent the amounts of nonperforming receivables 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 cards receivables: Nonperforming credit cards receivables ÷ Outstanding credit cards receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses on loans ÷ Nonperforming loans.
Coverage ratio of credit cards receivable: Allowance for possible losses on credit cards receivable ÷ Nonperforming credit cards receivable.

Note 4: Housing mortgage is fully secured by house, which is purchased (owned) by the borrower, the spouse or the minor children of the borrower and the rights on mortgage are pledged to the financial institution, for the purpose of purchasing or decorating house.

Note 5: Small scale credit loans, as categorized in accordance with the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), are unsecured loans with small amounts exclusive of credit cards and cash cards.

Note 6: Other loans of consumer banking refer to secured or unsecured loans exclusive of housing mortgage, cash card, small scale credit loans and credit card.

Note 7: As required by the Banking Bureau's letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as nonperforming receivables in three months after the factors or insurance companies reject indemnification.

Note 8: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2014
(In Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	June 30, 2014				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Equity investments under the equity method	1	$ 1,622,361	100.00	$ 1,622,361	
	Krinein Company	Indirect subsidiary	Equity investments under the equity method	2	467,113	100.00	467,113	
	Safehaven Investment Corporation	Indirect subsidiary	Equity investments under the equity method	1	46,171	100.00	46,171	
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Equity investments under the equity method	4	68,653	100.00	(20,769)	
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	84,444	45.00	84,444	
	CTS Travel International Ltd.	Indirect subsidiary	Equity investments under the equity method	600	6,694	100.00	6,694	
	Joy Tour Service Co., Ltd.	-	Financial assets carried at cost	100	1,000	10.00	-	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets carried at cost	25	859	-	-	
SCSB Life Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	5,394	4.13	-	
	Prism Communication International Limited	-	Financial assets carried at cost	1,250	-	-	-	
SCSB Property Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	5,393	4.13	-	
	Prism Communication International Limited	-	Financial assets carried at cost	1,250	-	-	-	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Equity investments under the equity method	N/A	652,612	100.00	652,612	
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Equity investments under the equity method	1,920	7,610,689	9.60	7,610,689	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Equity investments under the equity method	9,600	38,053,446	48.00	38,053,446	

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

SALE OF NONPERFORMING LOANS
JUNE 30, 2014
(In Thousands of New Taiwan Dollars)

Summary of sale of nonperforming loans

Transaction Date	Counterparty	Content	Carrying Value (Note)	Selling Price	Gain (Loss) on Disposal	Other Terms	Nature of Relationship
January 15, 2014	Macquarie Bank Limited	Loans	$ 396,722	$ 519,838	$ 123,116	None	None
February 27, 2014	Deutsche Bank	Loans	99,945	162,951	63,006	None	None

Note: The carrying value is the balance after being fully or partially written-off.

TABLE 4

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

RELATED INFORMATION OF INVESTEES
SIX MONTHS ENDED JUNE 30, 2014
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment (Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Shares (In Thousands)	Percentage of Ownership (%)	
Equity investments under the equity method										
Financial business										
SCSB Asset Management Ltd.	Taipei City	Purchase and management of creditor's rights of financial institutions	100.00	$ 1,188,413	$ 461	120,000	-	120,000	100.00	
SCSB Life Insurance Agency	Taipei City	Insurance	100.00	176,993	44,332	5,000	-	5,000	100.00	
SCSB Property Insurance Agency	Taipei City	Insurance	100.00	95,972	1,879	5,000	-	5,000	100.00	
SCSB Marketing Ltd.	Taipei City	Marketing	100.00	10,080	316	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	218,763	5,939	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	45,664,135	2,119,633	11,520	-	11,520	57.60	
Non-financial business										
China Travel Service (Taiwan)	Taipei City	Travel services	99.99	198,779	10,140	38,943	-	38,943	99.99	
Kuo Hai Real Estate Management	Taipei City	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	47,539,054	2,116,986	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	288,685	2,683	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,622,361	1,647,373	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	467,113	329,850	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	46,171	136	1	-	1	100.00	
Prosperity Realty Inc.	America	Real estate services	100.00	68,653	-	4	-	4	100.00	
Silks Place Taroko	Hualien	Travel services	45.00	84,444	5,196	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taipei City	Travel services	100.00	6,694	43	600	-	600	100.00	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	652,612	(105)	N/A	-	N/A	100.00	

Note 1: Investees are categorized into financial business and non-financial business.

Note 2: The Bank, board chairman, supervisors, managing directors, and the stock of investee companies invested by related parties which comply with corporation law are considered.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

INVESTMENT IN MAINLAND CHINA
JUNE 30, 2014
(Amounts in Thousands of New Taiwan Dollars and Foreign Currency)

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying value as of June 30, 2014 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment as of December 31, 2013	Investment Flows		Accumulated Outflow of Investment as of June 30, 2014	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 6)	Carrying Value as of June 30, 2014 (Note 4)	Accumulated Inward Remittance of Earnings as of June 30, 2014
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	US$ 21,947	(3)	US$ 20,000	US$ 1,947	US$ -	US$ 21,947	100.00	($ 105) (-US$ 3)	$ 652,612 (US$ 21,864)	$ -
Bank of Shanghai	Approved by local government	US$ 776,015	(Note 5)	US$ 41,400	US$ -	US$ -	US$ 41,400	3.00	-	8,003,920 (US$ 268,147)	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Approved by local government	US$ 66,226	(Note 5)	US$ 36,339	US$ -	US$ -	US$ 36,339	57.60	112,466 (US$ 3,726)	1,548,913 (US$ 51,892)	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Approved by local government	US$ 31,854	(Note 5)	US$ 18,348	US$ -	US$ -	US$ 18,348	57.60	14,689 (US$ 487)	950,801 (US$ 31,854)	-

2. Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2014 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 4 and 7)	Upper Limit on Investment Authorized by Investment Commission MOEA (Note 3)
NT$3,523,197 (US$118,034)	NT$4,929,443 (US$165,146)	NT$79,612,913

Note 1: Routes of investment in Mainland China are listed below:

a. To directly invest.

b. To invest via third place company.

c. Others.

Note 2: In the column of "Investment Gain (Loss)"

a. It should be specified if it is preparing for establishment and no investment gain (loss).

b. It should be specified if the investment gain (loss) is divided into the following three categories:

1) Financial report audited by international accounting firm associated with accounting firm in R.O.C.
2) Financial report audited by the accounting firm associated with the parent company in R.O.C.
3) Others.

Note 3: Under the "Regulatory Principles for Investments in Mainland China Enterprises by Banks, Financial Holding Companies, and Their Affiliated Enterprises", when a Taiwan bank or its third-area subsidiary bank applies to establish a branch or subsidiary bank, or make equity investment in Mainland Area, or a subsidiary company with over 50 percent of total outstanding voting shares or capital owned by Taiwan bank makes investments in Mainland Area, the cumulative allocated operating capital and total amount of investment combined shall not exceed 15 percent of the bank's net worth at the time of application.

Note 4: Calculated using the exchange rate on June 30, 2014.

Note 5: To invest via sub-subsidiary of the Bank, "Shanghai Commercial Bank (HK)".