Chang Hwa Commercial Bank, Ltd.

Financial Statements for the
Years Ended December 31, 2012 and 2011 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chang Hwa Commercial Bank, Ltd.

We have audited the accompanying balance sheets of Chang Hwa Commercial Bank, Ltd. as of December 31, 2012 and 2011, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended (all expressed in New Taiwan dollars). These financial statements are the responsibility of Chang Hwa Commercial Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Chang Hwa Commercial Bank as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

Chang Hwa Commercial Bank has separately prepared consolidated financial statements for the year ended December 31, 2012 on which we have issued an unqualified opinion, based on our audits.

March 5, 2013

<u>*Notice to Readers*</u>

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 the convenience of readers, 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 there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value of Capital Stock)

ASSETS	2012 Amount	2011 Amount	Percentage of Variation %
Cash and cash equivalents (Note 4)	$ 40,180,352	$ 52,948,865	(24)
Due from Central Bank and call loans to banks (Note 4)	103,411,156	79,667,740	30
Financial assets at fair value through profit or loss, net (Notes 2, 5 and 26)	35,613,670	25,020,162	42
Receivables, net (Notes 2, 3, 6 and 7)	18,020,960	19,604,067	(8)
Loans, net (Notes 2, 3, 7 and 26)	1,129,128,128	1,122,738,843	1
Available-for-sale financial assets, net (Notes 2, 8 and 27)	63,427,594	57,579,949	10
Held-to-maturity financial assets, net (Notes 2, 9 and 27)	170,696,300	180,376,569	(5)
Investments accounted for by the equity method, net (Notes 2 and 10)	465,745	390,890	19
OTHER FINANCIAL ASSETS, NET			
Financial assets carried at cost (Notes 2 and 11)	4,728,434	4,728,434	-
Bond investments with no active market (Notes 2 and 12)	3,178,999	8,019,929	(60)
Hedging derivative financial instruments (Notes 2 and 19)	105,087	149,400	(30)
Other miscellaneous financial assets (Notes 2, 7 and 13)	36,300	45,394	(20)
Other financial assets, net	8,048,820	12,943,157	(38)
PROPERTY AND EQUIPMENT (Notes 2 and 14)			
Cost			
Land (including revaluation increments)	17,715,115	16,973,023	4
Buildings (including revaluation increments)	8,101,620	8,021,052	1
Machinery equipment	5,174,680	5,098,063	2
Transportation equipment	564,015	575,346	(2)
Miscellaneous equipment	1,438,041	1,437,059	-
Leasehold improvements	846,238	809,023	5
Leased assets	168,275	164,610	2
	34,007,984	33,078,176	3
Accumulated depreciation	(10,082,954)	(9,574,036)	5
	23,925,030	23,504,140	2
Construction in progress and prepayment for buildings and equipment	5,219	2,666	96
Property and equipment	23,930,249	23,506,806	2
INTANGIBLE ASSETS, NET (Note 2)	86,991	62,074	40
OTHER ASSETS			
Other miscellaneous assets (Notes 2, 15 and 27)	13,218,129	9,519,396	39
Deferred tax assets (Notes 2 and 24)	3,872,987	5,149,284	(25)
Total other assets	17,091,116	14,668,680	17
TOTAL	$ 1,610,101,081	$ 1,589,507,802	1

LIABILITIES AND SHAREHOLDERS' EQUITY	2012 Amount	2011 Amount	Percentage of Variation %
LIABILITIES			
Due to banks and Central Bank (Notes 16 and 26)	$ 100,530,198	$ 112,053,512	(10)
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 26)	1,912,629	2,035,814	(6)
Bonds and securities sold under repurchase agreements (Note 2)	5,629,554	10,726,892	(48)
Payables (Note 17)	32,863,279	31,956,087	3
Deposits (Notes 18 and 26)	1,316,727,161	1,288,795,742	2
Bank notes (Note 19)	38,451,937	38,496,086	-
Accrued pension liabilities (Notes 2 and 20)	767,223	452,697	69
Other financial liabilities	1,364,673	1,676,663	(19)
Other liabilities (Notes 2 and 14)	8,045,522	7,636,353	5
Total liabilities	1,506,292,176	1,493,829,846	1
SHAREHOLDERS' EQUITY (Note 21)			
Capital stock - 8,000,000,000 shares authorized			
Common stock issued and outstanding - 7,242,111,392 shares and 6,768,328,404 shares as of December 31, 2012 and 2011, respectively; par value - $10.00	72,421,114	67,683,284	7
Retained earnings			
Legal reserve	11,836,090	9,123,384	30
Special reserve (Note 2)	241,692	241,692	-
Unappropriated earnings (Note 24)	8,810,816	9,144,268	(4)
Other items of shareholders' equity			
Unrealized revaluation increments	11,011,800	10,339,717	7
Cumulative translation adjustments (Note 2)	(60,115)	45,884	(231)
Unrealized gains or losses on financial instruments (Note 2)	(12,937)	(766,871)	(98)
Net loss not recognized as pension cost	(439,555)	(133,402)	229
Total shareholders' equity	103,808,905	95,677,956	8
TOTAL	$ 1,610,101,081	$ 1,589,507,802	1

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

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012 Amount	2011 Amount	Percentage of Variation %
INTEREST INCOME (Notes 2 and 26)	$ 26,871,532	$ 26,700,664	1
INTEREST EXPENSE (Note 26)	(11,001,807)	(10,061,739)	9
NET INTEREST INCOME	15,869,725	16,638,925	(5)
NET INCOME OTHER THAN INTEREST INCOME			
Fee income, net (Notes 2, 22 and 26)	3,375,397	3,427,753	(2)
Gain on financial assets and liabilities at fair value through profit or loss (Notes 2, 5 and 26)	1,343,291	1,210,479	11
Realized gain (loss) on available-for-sale financial assets (Note 2)	300,733	(99,194)	403
Investment income recognized under the equity method (Notes 2 and 10)	321,996	274,601	17
Foreign exchange gain, net (Note 2)	95,365	483,252	(80)
Impairment loss (Note 12)	(21,736)	-	-
Other non-interest net income and losses			
Gain on sale of nonperforming loans (Note 30)	380,053	370,204	3
Gain on collection of nonperforming loans (Note 2)	2,633,842	3,679,373	(28)
Gain on financial assets carried at cost (Note 2)	235,204	259,819	(9)
Gain on disposal of property (Note 2)	(120)	11,575	(101)
Other miscellaneous net income (Note 26)	447,908	347,586	29
GROSS INCOME	24,981,658	26,604,373	(6)
PROVISION FOR LOAN LOSS (Notes 2 and 7)	(1,645,871)	(3,225,183)	(49)
OPERATING EXPENSES			
Personnel (Note 23)	(8,876,000)	(8,516,913)	4
Depreciation and amortization (Note 23)	(738,446)	(799,420)	(8)
Others	(3,512,536)	(3,493,717)	1
Total operating expenses	(13,126,982)	(12,810,050)	2
INCOME BEFORE INCOME TAX OF CONTINUED OPERATIONS	10,208,805	10,569,140	(3)
INCOME TAX EXPENSE (Notes 2 and 24)	(1,738,055)	(1,526,785)	14
NET INCOME	$ 8,470,750	$ 9,042,355	(6)

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Pretax	**After-tax**	**Pretax**	**After-tax**
BASIC EARNINGS PER SHARE (Note 25)	$ 1.41	$ 1.17	$ 1.46	$ 1.25
DILUTED EARNINGS PER SHARE (Note 25)	$ 1.40	$ 1.16	$ 1.45	$ 1.24

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

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	Capital Stock	Retained Earnings			Equity Adjustment				
	Common Stock	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Revaluation Increments	Cumulative Translation Adjustments	Unrealized Gain or Loss on Financial Instruments	Net Loss Not Recognized as Pension Cost	Total
BALANCE, JANUARY 1, 2011	$ 62,094,756	$ 8,340,729	$ -	$ 8,211,749	$ 8,058,163	$ 52,779	$ (174,109)	$ -	$ 86,584,067
Appropriation of 2010 earnings									
Legal reserve	-	782,655	-	(782,655)	-	-	-	-	-
Cash dividends	-	-	-	(1,738,653)	-	-	-	-	(1,738,653)
Stock dividends	5,588,528	-	-	(5,588,528)	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-	-	(592,762)	-	(592,762)
Change in translation adjustments	-	-	-	-	-	(6,895)	-	-	(6,895)
Sale of land and buildings with revaluation increments	-	-	-	-	(11,801)	-	-	-	(11,801)
Loss provision reclassified to special reserve	-	-	241,692	-	-	-	-	-	241,692
Unrealized revaluation increment	-	-	-	-	2,293,355	-	-	-	2,293,355
Net loss not recognized as pension cost	-	-	-	-	-	-	-	(133,402)	(133,402)
Net income for the year ended December 31, 2011	-	-	-	9,042,355	-	-	-	-	9,042,355
BALANCE, DECEMBER 31, 2011	67,683,284	9,123,384	241,692	9,144,268	10,339,717	45,884	(766,871)	(133,402)	95,677,956
Appropriation of 2011 earnings									
Legal reserve	-	2,712,706	-	(2,712,706)	-	-	-	-	-
Cash dividends	-	-	-	(1,353,666)	-	-	-	-	(1,353,666)
Stock dividends	4,737,830	-	-	(4,737,830)	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-	-	753,934	-	753,934
Change in translation adjustments	-	-	-	-	-	(105,999)	-	-	(105,999)
Sale of land with revaluation increments	-	-	-	-	672,083	-	-	-	672,083
Net loss not recognized as pension cost	-	-	-	-	-	-	-	(306,153)	(306,153)
Net income for the year ended December 31, 2012	-	-	-	8,470,750	-	-	-	-	8,470,750
BALANCE, DECEMBER 31, 2012	$ 72,421,114	$ 11,836,090	$ 241,692	$ 8,810,816	$ 11,011,800	$ (60,115)	$ (12,937)	$ (439,555)	$ 103,808,905

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

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 8,470,750	$ 9,042,355
Gains or losses with no effect on cash flows and other adjustments		
Depreciation and amortization	738,446	799,420
Investment income recognized under the equity method	(321,996)	(274,601)
Cash dividends received from equity-method investees	247,141	111,327
Loss (gain) on disposal of property, equipment and other miscellaneous assets	120	(11,575)
Gain on disposal of collaterals	-	(27,474)
Impairment loss	21,736	-
Provision for loan losses	1,645,871	3,225,183
Amortization of discount on investment in bonds	(921,003)	(773,993)
Valuation gain on financial assets and liabilities at fair value through profit or loss	(58,670)	(105,599)
(Gain) loss on disposal of available-for-sale financial assets	(218,684)	255,040
Valuation loss on hedging financial instruments	164	1,933
Deferred income tax expense	1,276,297	1,633,606
Net changes in operating assets and liabilities		
Financial assets for trading purpose	(7,971,434)	(5,269,668)
Receivables	1,560,228	3,775,781
Other financial assets	(73,862)	(184,370)
Other assets - other miscellaneous assets	(3,491,538)	(73,461)
Financial liabilities at fair value through profit or loss	(2,686,589)	(2,795,109)
Payables	907,192	6,411,999
Accrued pension liabilities	8,373	30,880
Other financial liabilities	(311,990)	505,817
Other liabilities	43,207	(45,561)
Net cash (used in) provided by operating activities	(1,136,241)	16,231,930
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in due from Central Bank and call loans to banks	(23,743,416)	8,846,166
Increase in loans (including delinquent loans)	(7,907,921)	(79,163,644)
Purchase of available-for-sale financial assets	(110,074,916)	(64,424,536)
Proceeds received on sale of available-for-sale financial assets	106,120,904	50,854,980
Purchase of held-to-maturity financial assets	(1,240,388,044)	(961,027,399)
Proceeds received on redemption of matured held-to-maturity financial assets	1,250,068,313	974,075,493
Purchase of bond investments with no active market	(665,780)	(82,324)
Repayments of matured bond investments with no active market	5,340,342	3,299,013
Proceeds received on redemption of matured bond investment with no active market	193,139	-
Purchase of intangible assets	(43,729)	(25,620)
Purchase of property, equipment and other miscellaneous assets	(384,726)	(521,442)

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
Proceeds received on sale of property, equipment and other miscellaneous assets	$ 87	$ 46,773
Proceeds received on disposal of collaterals	-	27,474
Net cash used in investing activities	(21,485,747)	(68,095,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to banks and Central Bank	(11,523,314)	16,944,531
Decrease in bonds and securities sold under repurchase agreements	(5,097,338)	(2,909,822)
Increase in deposits	27,931,419	48,616,754
Increase in bank notes	-	10,000,000
Cash dividends distributed	(1,353,666)	(1,738,653)
Net cash provided by financing activities	9,957,101	70,912,810
EFFECT FROM EXCHANGE RATE FLUCTUATION	(103,626)	(8,291)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,768,513)	19,041,383
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	52,948,865	33,907,482
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 40,180,352	$ 52,948,865
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	$ 10,929,509	$ 9,668,305
Income tax	$ 322,134	$ 139,617
NON-CASH FINANCING ACTIVITIES		
Capital increase by earnings recapitalization	$ 4,737,830	$ 5,588,528

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

1. ORGANIZATION AND BUSINESS SCOPE

Chang Hwa Commercial Bank, Ltd. (the "Bank") was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and got license from the Ministry of Economic Affairs in July 1950. Since February 1962 the Bank's shares have been listed and traded on the Taiwan Stock Exchange.

The Bank mainly engages in the following business:

a. All commercial banking operations allowed by the Banking Law;
b. Trust operations;
c. International banking operations;
d. Overseas branch operations authorized by the respective foreign governments; and
e. Other operations authorized by the central authority.

The Bank's head office is located in Taichung City, Taiwan. The Bank has banking and trust departments in head office, 183 domestic branches, an international financing branch, three agents conducting securities brokerage activities, seven overseas branches in New York, Los Angeles, Tokyo, London, Singapore, Hong Kong, and Kunshan China.

As of December 31, 2012 and 2011, the Bank had 6,470 and 6,421 employees, respectively.

The Bank's parent is Taishin Financial Holding Co., Ltd. ("Taishin Financial Holding"), which had a 22.55% equity interest in the Bank as of December 31, 2012 and 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For readers' convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretation between the two versions, the Chinese version of the financial statements shall prevail.

The accompanying financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China ("ROC"). Significant accounting policies are summarized as follows:

Foreign Currency Transactions

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
b. Shareholders' equity - at historical exchange rates;
c. Dividends - at the exchange rate prevailing on the dividend declaration date.
d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

Accounting Estimates

Under above regulations, law and principles, certain estimates and assumptions have been used for the valuation of financial instruments, allowance for loan losses, depreciation of property and equipment, pension cost, tax expense or benefit, asset impairment, guarantees, bonuses to employees, directors and supervisors, and so on. Actual results could differ from these estimates due to changes in operations and assumptions.

Current/Noncurrent Assets and Liabilities

Because of its business characteristics, assets and liabilities of the Bank are classified according to their liquidity rather than classified as current or noncurrent assets or liabilities.

Basis of Financial Statements

The financial statements include the accounts of the head office, all domestic and overseas branches, offices and the international financial branch. All material intra-office account balances and transactions have been eliminated.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Bank recognizes a financial asset or a financial liability on its balance sheet when the Bank becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Bank has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value plus transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. Regular way purchases or sales of stocks and mutual funds are recognized and derecognized on a trade date basis. Settlement date basis is applied to all other financial assets.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; bonds - at prices quoted by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Financial assets and liabilities designated upon initial recognition as at FVTPL include (a) compound financial instruments; and (b) financial assets or liabilities which have been designated as at fair value upon initial recognition for the purpose of eliminating major differences caused by inconsistent accounting process. In addition, a portfolio of financial assets, financial liabilities or its component which is managed according to the risk control and investment policy of the Bank is designated as financial instruments at FVTPL.

Bonds or Securities Purchased/Sold under Specific Agreements

Bonds or securities purchased under resell agreement are recorded at purchase price and are accounted for as financing transactions. Bonds or securities sold under repurchase agreement are recorded at sale price. Interest revenues and expenses are recorded on accrual basis.

Delinquent Loans

According to the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans and Bad Debts, overdue loans or other credit items including their accrued interest receivables are reclassified to delinquent loans.

The delinquent loans which are reclassified from loans are reported under loans, while others are reported as other miscellaneous financial assets.

Allowance for Loan Losses and Reserve for Guarantees

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Bank assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Bank adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by a company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Occurrence of past-due loans and receivables;
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the company's past experience in collection of payment and an increase in the number of delayed payments, as well as national or local economic conditions that correlate with defaults on the loans and receivables.

The amount of impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. Regular way purchases or sales of stocks and mutual funds are recognized and derecognized on a trade date basis. Settlement date basis is applied to all other financial assets.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date or upon the shareholders' resolutions, except for dividends distributed from the pre-acquisition profit which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss of an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. Settlement date basis is applied to all held-to-maturity financial assets.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Investments Accounted for by the Equity Method

Investments in which the Bank exercises significant influence over the investees' operating and financial policy decisions are recognized at cost and the carrying amount is increased or decreased by the investor's share of the profit or loss of the investee. Distributions received from an investee reduce the carrying amount of the investment. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Bond Investments with No Active Market

Bond investments with fixed or determinable payments and without quoted prices in an active market are carried at amortized cost using the effective interest method. The accounting treatment for such bond investments is similar to that for held-to-maturity financial assets, except for the absence of restriction on the timing of their disposal.

Hedging Derivative Financial Instruments

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in profit or loss, or in shareholders' equity, depending on the nature of the hedging relationship.

Financial Asset Securitization

According to the Statute for Financial Asset Securitization, mortgage loans and their related rights owned by original institution can be transferred to a specific purpose trust for issuing asset backed securities and funds raised from such issuance should be transferred to the original institution. Under such structure, controls over contractual rights of such financial assets are transferred to the buyers of the asset backed securities, except for subordinated asset backed securities, recorded as available-for-sale financial assets, issued for the purpose of credit enhancement. Therefore, transferred financial assets are derecognized and any resulting gains or losses are recognized in the net income or loss.

Because there is no market price for the retained right, fair value is assessed by making the best estimate of loss rate on the creditor's right, advance principal repayment rate and discount rate of related risks to project the present value of future cash flows.

Property, Equipment, Leased Assets and Idle Assets

Property, equipment, leased assets and idle assets are stated at cost plus revaluation increment less accumulated depreciation. Major additions and improvements to property, equipment, leased assets and idle assets are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is calculated using the straight-line method over estimated useful lives as follows: Buildings - 10 to 60 years; machinery equipment - 4 to 16 years; transportation equipment - 2 to 30 years; miscellaneous equipment - 3 to 40 years; leasehold improvements - 5 years.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

If the recoverable amount of an item of property, equipment, leased assets and idle assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a deduction of the unrealized revaluation increment.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the unrealized revaluation increment.

Assumed Collateral and Residuals

Assumed collateral and residuals are accounted as other miscellaneous assets and recorded at cost. An impairment loss is recognized when the cost is higher than fair value at each subsequent balance sheet date.

Intangible Assets

Intangible assets acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives. Computer software is amortized over 3-5 years.

Pensions

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the years in which employees render services.

Reserve for Default Losses and Losses on Trading Securities

The FSC issued on January 11, 2011 Order No. Financial-Supervisory-Securities-Firms-09900738571 to delete articles 11 and 12 of the amended Regulations Governing Securities Firms. As a result, the balances of trading loss reserve and default reserve are reclassified to special reserve. The special reserve shall not be used for purposes other than covering the losses of the company or, when the special reserve reaches 50 percent of the amount of paid-in capital, half of it may be used for capitalization.

Interest Income and Fee Income Recognition

The interest income on loans is recognized on an accrual basis. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts, and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected. If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

Fee income is recognized when income is received and main service is completed.

Income Tax

The Bank applies intra-year and inter-year allocations for its income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

Tax is separately levied on interest from short-term bills and securitized instruments, and recognized as tax expenses in current period.

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

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

Hedge Accounting

The Bank enters into derivatives in order to manage interest risk exposures on assets and liabilities. The transaction is accounted as fair value hedge to manage the fair value risk from market interest rate changes of a fixed interest payable. At the inception of the hedge, the Bank prepared formal designation and documentation of the hedging relationship between hedging instruments and the hedged items or transactions, the risk management objective and strategy and how the Bank will assess the hedging instrument effectiveness.

Under fair value hedge, gains or losses from hedging instrument are offset against the exposure of hedged item fair value attributable to the hedged risk. Changes in the fair value of derivatives that are designated and qualified as fair value hedges of interest rate risk are recorded as a gain or loss in current period. Changes in the fair value of the hedged items attributable to the hedged risk are recorded as a gain or loss and used to adjust the carrying value of the hedged items.

Commitments and Contingencies

If losses on commitments and contingencies are considered probable and can be reasonably estimated, the losses are recorded in the statement of income for the current period. If the amount could not be evaluated reasonably, the facts should be disclosed.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2011 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2012.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Bank adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include (1) original loans and receivables are included in applicable scope of SFAS No. 34; (2) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (3) accounting treatment by a debtor for modifications in the terms of obligations.

4. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

a. Cash and cash equivalents

	December 31	
	2012	2011
Cash on hand	$ 9,719,038	$ 8,820,730
Checks for clearing	19,934,402	18,382,183
Due from banks	9,537,729	24,765,051
Foreign currencies on hand	989,183	980,901
	$ 40,180,352	$ 52,948,865

b. Due from Central Bank and call loans to banks

	December 31	
	2012	2011
Call loans to banks	$ 46,564,854	$ 22,733,656
Reserve for checking account	15,649,229	16,652,741
Reserve for demand account	35,302,572	34,385,941
Reserve for foreign deposit	162,945	166,197
Others	5,731,556	5,729,205
	$ 103,411,156	$ 79,667,740

5. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2012	2011
Financial assets at FVTPL		
Financial assets held for trading		
Investment in bills	$ 29,248,709	$ 17,806,599
Mutual funds	102,590	97,663
Government bonds	2,496,045	2,937,290
Overseas corporate bonds and bank notes	238,370	-
Forward exchange contracts	230,901	140,816
Interest rate swaps	229,987	558,690
Cross-currency swaps	9,227	97,512
Currency swaps	1,105,197	1,804,649
Currency call option premium	346,230	241,013
Futures	37,823	67,247
	34,045,079	23,751,479
Designated financial assets at FVTPL		
Interest rate-linked combination instruments	1,568,591	1,268,683
	$ 35,613,670	$ 25,020,162

The par value of bonds and notes provided for transactions with repurchase agreements were $2,757,500 thousand and $7,194,800 thousand as of December 31, 2012 and 2011, respectively.

	December 31	
	2012	2011
Financial liabilities at FVTPL		
Financial liabilities held for trading		
Forward contracts	$ 88,400	$ 106,986
Currency swaps	1,111,528	1,090,494
Cross-currency swaps	121,920	-
Interest rate swaps	244,579	598,186
Currency put option premium	346,202	240,148
	$ 1,912,629	$ 2,035,814

The Bank entered into derivative contracts during the years ended December 31, 2012 and 2011 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2012 and 2011 were as follows:

	December 31	
	2012	2011
Currency swaps	$ 231,755,906	$ 289,258,090
Currency options	70,239,456	39,946,404
Forward exchange contracts	20,700,762	24,479,648
Interest rate swaps and asset-swap options	59,343,964	77,620,685
Cross-currency swaps	18,461,208	2,119,250

Profit or loss of financial assets and liabilities for trading purpose for the years ended December 31, 2012 and 2011 were as follows:

	Year Ended December 31	
	2012	2011
Financial assets		
Gain on disposal	$ 4,855,833	$ 6,676,187
Gain on valuation	2,622,074	446,542
Dividend revenue	1,549	-
	7,479,456	7,122,729
Financial liabilities		
Loss on disposal	(3,572,761)	(5,571,306)
Loss on valuation	(2,563,404)	(340,944)
	(6,136,165)	(5,912,250)
Net gain	$ 1,343,291	$ 1,210,479

6. RECEIVABLES, NET

	December 31	
	2012	2011
Accounts receivable	$ 9,881,079	$ 10,145,449
Tax refund receivable	516,566	747,310
Revenue receivable	202,085	202,172
Interest receivable	2,451,510	2,456,178
Acceptance receivable	5,092,983	6,252,183
Other receivables	250,717	170,121
Less allowance for receivables	(373,980)	(369,346)
	$ 18,020,960	$ 19,604,067

Please refer to Note 7 for the movements of allowance for receivables.

7. LOANS, NET

a. The details of loans are as follows:

	December 31	
	2012	2011
Negotiated	$ 5,698,529	$ 5,886,615
Overdraft	1,455,180	1,554,978
Short-term loans	266,684,473	320,612,225
Receivable amount for margin loans	283,321	320,257
Medium-term loans	362,659,517	327,186,634
Long-term loans	502,470,788	478,413,105
Delinquent loans	3,393,020	3,866,282
	1,142,644,828	1,137,840,096
Less allowance for loan losses	(13,516,700)	(15,101,253)
	$ 1,129,128,128	$ 1,122,738,843

b. Movements of allowance for receivables and loans are as follows:

	Year Ended December 31, 2012			
	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2012	$ 369,346	$ 15,101,253	$ 34,511	$ 15,505,110
Provision for loan losses	22,586	1,497,677	(2,682)	1,517,581
Loans written off	(16,945)	(3,038,002)	(45,670)	(3,100,617)
Others	(1,007)	(44,228)	37,572	(7,663)
Balance, December 31, 2012	$ 373,980	$ 13,516,700	$ 23,731	$ 13,914,411

	Year Ended December 31, 2011			
	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2011	$ 214,055	$ 13,451,194	$ 7,564	$ 13,672,813
Provision for loan losses	189,200	3,109,425	48,525	3,347,150
Loans written off	(33,929)	(1,405,653)	(26,471)	(1,466,053)
Others	20	(53,713)	4,893	(48,800)
Balance, December 31, 2011	$ 369,346	$ 15,101,253	$ 34,511	$ 15,505,110

The delinquent loans of which the accrual of interest income was stopped internally as of December 31, 2012 and 2011 were $3,393,020 thousand and $3,866,282 thousand, respectively. The interest income on delinquent loans not accrued in 2012 and 2011 was $97,719 thousand and $111,736 thousand, respectively.

The Bank did not write off any loans without legal claim process in 2012 and 2011.

c. Details of provision for loan losses for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Provision for receivable and loan (including delinquent loan) losses	$ 1,517,581	$ 3,347,150
Provision (reserve) for guarantees	128,290	(121,967)
	$ 1,645,871	$ 3,225,183

d. Details of receivables and allowance for loan accounts for the year ended December 31, 2012 were as follows:

Receivables

Item		Total Receivable		Total Allowance	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Objective evidence of impairment	Individual assessment of impairment	$ 253,805	$ 307,458	$ 202,057	$ 202,192
	Combined assessment of impairment	64,366	71,417	27,346	28,999
None objective evidence of impairment	Combined assessment of impairment	17,560,203	18,847,228	144,577	138,155
Total		$ 17,878,374	$ 19,226,103	$ 373,980	$ 369,346

Note: The amount of receivable did not include the amount of allowance for receivables and adjustment for discount (premium).

Loans

Item		Total Loans		Total Allowance	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Objective evidence of impairment	Individual assessment of impairment	$ 19,492,812	$ 12,211,096	$ 4,806,741	$ 7,227,613
	Combined assessment of impairment	3,993,191	4,003,171	1,101,936	884,130
None objective evidence of impairment	Combined assessment of impairment	1,119,158,825	1,121,625,829	7,608,023	6,989,510
Total		$ 1,142,644,828	$ 1,137,840,096	$ 13,516,700	$ 15,101,253

Note: The amount of loans did not include the amount of allowance for loans and adjustment for discount (premium).

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2012	2011
Domestic quoted stocks	$ 1,950,390	$ 2,219,138
Government bonds	46,681,328	38,914,471
Corporate bonds	4,122,568	5,140,776
Bank notes	10,443,092	11,085,112
Beneficiary securities and asset based securities	230,216	220,452
	$ 63,427,594	$ 57,579,949

The par values of bonds provided for transactions with repurchase agreements were $2,654,600 thousand and $3,112,300 thousand as of December 31, 2012 and 2011, respectively.

Government bonds placed as deposits in courts as of December 31, 2012 and 2011 were $655,600 thousand and $734,700 thousand, respectively. Government bonds placed as operating deposits as of December 31, 2012 and 2011 were both $290,000 thousand.

9. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2012	2011
Investment in bills	$ 158,549,517	$ 169,086,359
Bank notes	5,185,574	6,318,024
Corporate bonds	6,961,209	4,972,186
	$ 170,696,300	$ 180,376,569

The overseas branches' bonds as collateral for operations as of December 31, 2012 and 2011 were $232,263 thousand and $242,175 thousand, respectively.

Certificate of deposits placed as reserves for clearing at the Central Bank were $37,000,000 thousand and $37,500,000 thousand as of December 31, 2012 and 2011, respectively.

10. INVESTMENT ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2012		2011	
	Carrying Value	Ownership Interest (%)	Carrying Value	Ownership Interest (%)
CHB Life Insurance Agency Co., Ltd. (CHB Insurance Agency)	$ 413,163	100.00	$ 341,194	100.00
CHB Insurance Brokerage Co., Ltd. ("CHB Insurance Brokerage")	52,582	100.00	49,696	100.00
	$ 465,745		$ 390,890	

The investment income for the years ended December 31, 2012 and 2011 was based on the investees' financial statements audited by independent auditors for the same year. The investment income recognized under the equity method was as follows:

	2012	2011
CHB Insurance Agency	$ 290,406	$ 242,708
CHB Insurance Brokerage	31,590	31,893
	$ 321,996	$ 274,601

11. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2012	2011
Domestic unquoted common stocks	$ 4,728,434	$ 4,728,434

12. BOND INVESTMENT WITH NO ACTIVE MARKET

	December 31	
	2012	2011
Preferred stock - Taiwan High Speed Rail Co., Ltd.	$ 1,300,000	$ 1,300,000
Beneficiary securities and asset based securities	306,272	404,591
Corporate bonds and bank notes	1,572,727	6,315,338
	$ 3,178,999	$ 8,019,929

The Bank assessed and concluded that the bond investment with no active market has been impaired; thus, the Bank recognized impairment loss of $21,736 thousand for the year ended December 31, 2012.

13. OTHER MISCELLANEOUS FINANCIAL ASSETS

	December 31	
	2012	2011
Inward remittance	$ 13,253	$ 23,017
Delinquent loans reclassified from other accounts (excluding loans)	46,778	56,888
Less allowance for loan losses	(23,731)	(34,511)
	$ 36,300	$ 45,394

Please refer to Note 7 for the movement of allowance for delinquent loans reclassified from other accounts (excluding loans).

14. PROPERTY AND EQUIPMENT

	December 31			
	2012			2011
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	$ 17,715,115	$ -	$ 17,715,115	$ 16,973,023
Buildings	8,101,620	(3,307,758)	4,793,862	4,884,411
Machinery equipment	5,174,680	(4,355,396)	819,284	1,024,702
Transportation equipment	564,015	(464,509)	99,506	106,213
Miscellaneous equipment	1,438,041	(1,265,775)	172,266	172,849
Leasehold improvements	846,238	(657,767)	188,471	191,494
Leased assets	168,275	(31,749)	136,526	151,448
Construction in progress and prepayments for buildings and equipment	5,219	-	5,219	2,666
	$ 34,013,203	$ (10,082,954)	$ 23,930,249	$ 23,506,806

The Bank revalued its land in years 1956, 1961, 1962, 1968, 1970, 1971, 1975, 1980, 1987, 1991, 1992, 1997, 2001, 2011 and 2012 and revalued its buildings in year 1977. The total amounts of revaluation increments recognized for land and buildings were $21,117,393 thousand and $108,475 thousand, respectively.

Total revaluation increment of land and buildings decreases because of sale, disposal and expropriation by government. The balances of total revaluation increments as of December 31, 2012 and 2011 were as follows:

	December 31			
	2012		2011	
	Land	Buildings	Land	Buildings
Property and equipment	$ 13,263,756	$ 80,546	$ 12,521,663	$ 80,546
Other miscellaneous assets	7,117,505	12,533	6,891,471	12,533
	$ 20,381,261	$ 93,079	$ 19,413,134	$ 93,079

Reserve for land revaluation increment tax accounted as other liabilities amounted to $6,156,692 thousand and $5,860,648 thousand as of December 31, 2012 and 2011, respectively.

15. OTHER MISCELLANEOUS ASSETS

	December 31	
	2012	2011
Refundable deposits	$ 87,442	$ 122,716
Assumed collateral and residuals	37,105	37,105
Less: Accumulated impairment	(37,105)	(37,105)
Prepayments	5,282,693	1,721,959
Leased assets	7,817,829	7,600,839
Idle assets	27,038	27,038
Others	3,127	46,844
	$ 13,218,129	$ 9,519,396

As of December 31, 2012, the estimated future rental receivables under the contracts were as follows:

Period	Amount
2013	$ 179,997
2014	153,110
2015	123,145
2016	97,119
2017	59,033

16. DUE TO BANKS AND CENTRAL BANK

	December 31	
	2012	2011
Due to Central Bank	$ 24,011	$ 25,292
Due to banks	9,920,344	12,805,177
Bank overdraft	1,216,087	905,154
Call loans from banks	83,172,370	90,815,432
Deposits transferred from the Postal Bureau	6,197,386	7,502,457
	$ 100,530,198	$ 112,053,512

17. PAYABLES

	December 31	
	2012	2011
Checks issued to payees for clearing	$ 20,407,106	$ 19,245,596
Accounts payable	1,420,677	1,237,007
Collections for customers	372,339	290,738
Accrued expenses	2,105,407	1,861,965
Interest payable	1,839,766	1,767,725
Acceptances	5,344,166	6,480,541
Dividends payable	137,460	137,940
Factoring payable	480,475	370,472
Others	755,883	564,103
	$ 32,863,279	$ 31,956,087

18. DEPOSITS

	December 31	
	2012	2011
Checking deposit	$ 36,439,935	$ 38,560,488
Demand deposit	276,307,106	265,724,458
Time deposit	268,342,496	279,890,880
Negotiable certificates of deposit	9,950,500	10,146,600
Savings deposit	724,824,661	693,654,556
Remittances	862,463	818,760
	$ 1,316,727,161	$ 1,288,795,742

19. BANK NOTES

The Bank has issued bank notes to enhance its capital adequacy ratio and raise medium to long-term operating funds. The Bank issued subordinated bank notes on September 26, 2007, May 19, 2008, December 15, 2008, September 15, 2009, June 29, 2010, March 11, 2011, and April 18, 2011 as follows:

The Bank issued $5,000 million subordinated bank notes-96-1 with 7-year terms on September 26, 2007.

The Bank issued $5,000 million subordinated bank notes-97-1 with 7-year terms on May 19, 2008.

The Bank issued $8,350 million subordinated bank notes-97-2 with 7-year terms on December 15, 2008.

The Bank issued $5,000 million subordinated bank notes-98-1 with 7-year terms on September 15, 2009.

The Bank issued $5,000 million perpetual subordinated bank notes-99-1 on June 29, 2010.

The Bank issued $3,300 million subordinated bank notes-100-1 on March 11, 2011, divided into Financial Debentures A $2,200 million with 7-year terms and Financial Debenture B $1,100 million with 10-year terms.

The Bank issued $6,700 million subordinated bank notes-100-2 with 10-year terms on April 18, 2011.

The outstanding balance and details of subordinated bank notes are as follows:

Bank Note	Interest Rate and Maturity Date	December 31 2012	December 31 2011
Hedged financial liabilities at fair value			
97-1	7-year term, interest payable annually, annual interest 3.10%, maturity date: May 19, 2015	$ 2,000,000	$ 2,000,000
Valuation adjustment		101,937	146,086
		2,101,937	2,146,086
Non-hedged bank notes payable			
96-1	7-year term, interest payable annually, determined at the 90-day commercial paper fixing rate in the secondary market plus 0.35%, provided by Reuters Limited, maturity date: September 26, 2014	5,000,000	5,000,000
97-1	7-year term, interest payable annually, annual interest 3.10%, maturity date: May 19, 2015	3,000,000	3,000,000
97-2	7-year terms, interest payable annually, annual interest 3.05%, maturity date: December 15, 2015	8,350,000	8,350,000
98-1	7-year terms, interest payable annually, annual interest 2.30%, maturity date: September 15, 2016	5,000,000	5,000,000
99-1	No maturity date, interest payable annually, annual interest from first to tenth year is 3.15%, after tenth year is 4.15%	5,000,000	5,000,000
100-1	7-year terms, interest payable annually, annual interest 1.65%, maturity date: March 11, 2018	2,200,000	2,200,000
100-1	10-year terms, interest payable annually, annual interest 1.72%, maturity date: March 11, 2021	1,100,000	1,100,000
100-2	10-year terms, interest payable annually, determined at the 90-day commercial paper fixing rate in the secondary market plus 0.20%, provided by Reuters Limited, maturity date: April 18, 2021	6,700,000	6,700,000
		36,350,000	36,350,000
		$ 38,451,937	$ 38,496,086

The Bank engaged in derivative transactions as hedging tools for the 97-1 fixed interest bank notes with 7-year terms mentioned above to avoid fair value risks due to changes in interest rates. The interest rate swaps nominal principal was $2,000,000 thousand and the balance of $105,087 thousand and $149,400 thousand as of December 31, 2012 and 2011 were accounted as hedging derivative financial assets.

20. PENSION EXPENSE

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Bank makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were $201,355 thousand and $109,421 thousand for the years ended December 31, 2012 and 2011, respectively.

Based on the defined benefit plan under Labor Standard Law (the "LSL"), pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes amounts based on total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name. The Bank recognized pension costs of $613,046 thousand and $570,114 thousand for the years ended December 31, 2012 and 2011, respectively.

Information about the defined benefit plan was as follows:

a. Components of net pension cost

	Years Ended December 31	
	2012	**2011**
Service cost	$ 527,080	$ 506,655
Interest cost	136,565	139,853
Actual return on pension funds	(59,352)	(62,676)
Loss on pension plan assets	(46,378)	(49,903)
Amortization	55,131	36,185
Net pension cost	$ 613,046	$ 570,114

b. Reconciliation of funded status of the plan and accrued pension cost

	December 31	
	2012	**2011**
Benefit obligation		
Vested benefit obligation	$ 4,507,913	$ 4,069,057
Non-vested benefit obligation	2,502,220	2,239,265
Accumulated benefit obligation	7,010,133	6,308,322
Additional benefit based on future salaries	1,504,711	1,602,913
Projected benefit obligation	8,514,844	7,911,235
Fair value of plan assets	(6,253,350)	(5,866,741)
Funded status	2,261,494	2,044,494
Unrecognized net transitional obligation	916	1,160
Unrecognized gains or losses	(1,945,182)	(1,737,475)
Additional liabilities	439,555	133,402
Others	10,440	11,116
Accrued pension cost	$ 767,223	$ 452,697
Vested benefit	$ 4,999,840	$ 4,596,711

c. Actuarial assumptions

	December 31	
	2012	**2011**
Discount rate used in determining present values	1.50%	1.75%
Future salary increase rate	1.75%	2.00%
Expected rate of return on plan assets	1.50%	1.75%

	Year Ended December 31	
	2012	2011
d. Contributions to the fund	$ 490,306	$ 482,973
e. Payments from the fund	$ 163,049	$ 92,855

21. CAPITAL STOCK

Common Stock

As of January 1, 2011, the Bank's authorized and registered capital was $65,000,000 thousand divided into 6,500,000 thousand shares at $10 par value; the total paid-in capital was $62,094,756 thousand. In August 2011, the Bank increased the Bank's registered capital by $15,000,000 thousand. In August 2012 and 2011, the Bank had resolved capitalization of earnings and increased the Bank's paid-in capital by $4,737,830 thousand and $5,588,528 thousand, respectively. The amount of the Bank's authorized and registered capital at December 31, 2012 and 2011 was both $80,000,000 thousand divided into 8,000,000 thousand shares and, also at those dates, the amounts of total paid-in capital were $72,421,114 thousand and $67,683,284 thousand divided into 7,242,111 thousand outstanding shares and 6,768,328 thousand outstanding shares, respectively, at $10 par value.

Capital Surplus

The capital surplus from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year).

Distribution of Earnings and Dividend Policy

Under the Bank's Articles of Incorporation, the Bank should make appropriations from its net income in the following order:

a. Payment of income taxes;

b. Offset of prior years' losses, if any;

c. 30% as legal reserve and if needed, special reserve;

d. Dividends to shareholders as proposed by the Board of Directors and resolved in the general shareholders' meeting.

e. 1% to 1.5% as bonuses to directors and supervisors based on the approval of the Board of Directors.

f. 1% to 8% as bonuses to employees based on the approval of the Board of Directors.

For the years ended December 31, 2012 and 2011, the bonus to employees was $474,362 thousand and $506,372 thousand, respectively, and the remuneration to directors and supervisors was $74,119 thousand and $79,121 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represent 8.00% and 1.25%, based on past experiences, of net income (net of the bonus to employees and remuneration to directors and supervisors) minus legal reserve. 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.

An amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, cumulative translation adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Bank cannot distribute cash dividends or purchase treasury stocks if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria by the authority and also the Bank appropriates the legal reserve based on the Company Law.

To ensure the Bank has cash for present and future expansion plans and to raise the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than $0.1 per share, the Bank will not distribute any cash dividends, unless otherwise adopted in the shareholders' meeting.

The appropriations of earnings for 2011 and 2010 had been approved in the shareholders' meetings on June 22, 2012 and June 10, 2011. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2011	**2010**	**2011**	**2010**
Legal reserve	$ 2,712,706	$ 782,655	$-	$-
Dividends of common stock - cash	1,353,666	1,738,653	0.20	0.28
Dividends of common stock - stock	4,737,830	5,588,528	0.70	0.90

On June 22, 2012 and June 10, 2011, the shareholders decided to distribute $506,372 thousand and $563,512 thousand of bonus to employees; $79,121 thousand and $88,049 thousand of remuneration to directors and supervisors from the 2012 and 2011 earnings, and the shareholders did not distribute stock as bonus to employees.

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

22. FEE INCOME, NET

	Years Ended December 31	
	2012	**2011**
Fee income	$ 3,852,447	$ 3,857,899
Fee expense	(477,050)	(430,146)
	$ 3,375,397	$ 3,427,753

23. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Years Ended December 31	
	2012	2011
Personnel expenses		
Salary	$ 7,537,282	$ 7,346,398
Labor and health insurance	456,947	430,580
Pension	814,401	679,535
Others	67,370	60,400
Depreciation	712,998	778,410
Amortization	25,448	21,010

24. INCOME TAX

a. A reconciliation of income tax expense based on income before income tax at the statutory rate (17%) and income tax expense was as follows:

	2012	2011
Income tax expense at the statutory rate	$ 1,735,497	$ 1,796,754
Tax effect on adjusting items:		
Permanent differences		
Tax-exempt income	(319,634)	(123,494)
Others	1,536	(3,814)
Temporary differences	(499,731)	226,405
Loss carryforwards used	(664,814)	(1,801,173)
Current income tax expense	252,854	94,678
Additional 10% income tax on unappropriated earnings	23,815	-
Deferred income tax expense		
Temporary differences	499,731	(226,405)
Loss carryforwards	664,814	1,801,173
Tax returns examination adjustment	106,979	-
Adjustment to prior years' tax	4,772	-
Non-deductible tax of overseas branches	179,838	-
Others	5,252	(142,661)
Income tax expense	$ 1,738,055	$ 1,526,785

b. The details of deferred income tax assets and liabilities as of December 31, 2012 and 2011 were as follows:

	December 31	
	2012	2011
Deferred income tax assets		
Loss carryforwards	$ 2,178,844	$ 3,034,167
Allowance for bad debts in excess of tax limit	1,680,600	1,973,603
Unrealized exchange loss	-	418,149
Unrealized loss on investments	46,649	249,325
	3,906,093	5,675,244
Deferred income tax liabilities		
Unrealized exchange gains	(29,092)	-
Unrealized gain on derivative financial instruments	(1,543)	(521,951)
Deferred income on pension	(2,471)	(4,009)
	(33,106)	(525,960)
	$ 3,872,987	$ 5,149,284

c. Loss carryforwards as of December 31, 2012 and 2011:

	Unused Amount	
Expiry Year	**2012**	**2011**
2015	$ 2,178,844	$ 3,034,167

d. The income tax returns through 2010 had been examined and cleared by the tax authority. Since the Bank has further doubts about the clearance of the 2010 and 2007 tax returns, the Bank is filing an appeal to a high court.

e. Information about integrated income tax was as follows:

	December 31	
	2012	**2011**
Unappropriated earnings generated on and after January 1, 1998	$ 8,810,816	$ 9,144,268

As at December 31, 2012 and 2011, the balance of the imputation credits which can be allocated to the shareholders amounted to $108,710 thousand and $96,986 thousand.

The creditable ratio for distribution of earnings of 2012 and 2011 was 1.23% (estimate) and 1.06%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Bank is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2012 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

25. EARNINGS PER SHARE

	Year Ended December 31, 2012				
	Amounts (Numerator)		Weighted Average Number of Shares Outstanding	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Basic EPS					
Income for the year	$ 10,208,805	$ 8,470,750	7,242,111	$ 1.41	$ 1.17
Effect of dilutive potential common stock					
Bonus to employees	-	-	29,741		
Diluted EPS	$ 10,208,805	$ 8,470,750	7,271,852	$ 1.40	$ 1.16

	Year Ended December 31, 2011				
	Amounts (Numerator)		Weighted Average Number of Shares Outstanding	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Basic EPS					
Income for the year	$ 10,569,140	$ 9,042,355	7,242,111	$ 1.46	$ 1.25
Effect of dilutive potential common stock					
Bonus to employees	-	-	30,783		
Diluted EPS	$ 10,569,140	$ 9,042,355	7,272,894	$ 1.45	$ 1.24

The Bank presumes that the entire amount of bonus to employees will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses distributed out of earnings for the year ended December 31, 2011 and stock dividends. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2011 to decrease from NT$1.34 to NT$1.25 and from NT$1.33 to NT$1.24, respectively.

26. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Various individuals	Directors, supervisors, managers
CHB Insurance Agency	Equity-method investee
CHB Insurance Brokerage	Equity-method investee
Taishin Financial Holding	The Bank’s corporate director
Taishin International Bank Co., Ltd. (“Taishin Bank”)	A subsidiary of the Bank's corporate director
Shin Kong Life Insurance Co., Ltd. (“Shin Kong Life Insurance”)	Chairman is the second immediate family of the Bank’s corporate director and supervisor
Anlon Co., Ltd.	Same as above
An Hsin Real-Estate	Equity-method investee of a subsidiary of the Bank’s corporate director
Dah Chung Bills Finance Corp.	Affiliate
CyberSoft Digital Services Corp.	Affiliate (until November 2012)
Shin Kong Mitsukoshi Department Store Co., Ltd.	Affiliate
Master Link Securities Corporation	Affiliate
Other	As per SFAS No. 6 “Disclosure for related party transactions,” other related party

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)	Interest Rate Range (%)	Interest Revenue
Balance as of December 31, 2012	$ 584,759	0.05	1.34-3.06	$ 11,473
Balance as of December 31, 2011	584,234	0.05	1.34-3.06	8,363

	Year Ended December 31, 2012					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
20 accounts	$ 4,723	$ 6,896	$ 4,723	$	Credit	None
Self-use residential mortgage loans						
101 accounts	540,855	593,221	540,855		Real estate	None
Others						
Anlon Co., Ltd.	30,000	30,000	30,00	-	Real estate	None
9 accounts (Note)	9,181	9,978	9,181	-	Deposit	None
	$ 584,759		$ 584,759			

	Year Ended December 31, 2011					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
22 accounts	$ 6,882	$ 8,321	$ 6,882	$ -	Credit	None
Self-use residential mortgage loans						
104 accounts	545,162	577,507	545,162	-	Real estate	None
Others						
Anlon Co., Ltd.	30,000	30,000	30,000	-	Real estate	None
3 accounts (Note)	2,190	2,219	2,190	-	Deposit	None
	$ 584,234		$ 584,234			

Note: The balance of every single entity is not over 1% of the total ending balance

Loans to managers for mortgage within $8,000 thousand and credit loan within $800 thousand per person bore interest at 1.54% and 1.64% in 2012 and 2011, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Deposits

	Balance	Percentage of Deposits (%)	Interest Rate Range (%)	Interest Expense
Balance as of December 31, 2012	$ 2,168,602	0.16	0-13	$ 26,570
Balance as of December 31, 2011	1,891,212	0.15	0-13	24,172

The interest rate for managers' deposits amounting to $480 thousand per person was 13% per annum. The part of deposit exceeding $480 thousand will earn interest calculated at the demand savings rate. The interest rates and others terms provided to the other related parties are the same as those offered to general public.

3) Derivatives

	2012					
Related Party	Derivative Contracts	Period	Nominal Principal Amount (In Thousands)	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	Currency swaps	2012.04.30-2013.01.31	US$ 50,000	$(17,710)	Financial liabilities at FVTPL	$(17,710)
		2012.05.09-2013.05.09	US$ 30,000	(3,919)	Financial liabilities at FVTPL	(3,919)
		2012.11.30-2013.05.31	US$ 25,000	(534)	Financial liabilities at FVTPL	(534)

	2011					
Related Party	Derivative Contracts	Period	Nominal Principal Amount (In Thousands)	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	Currency swaps	2011.04.29-2012.04.30	US$ 50,000	$ 82,827	Financial assets at FVTPL	$ 82,827
		2011.05.09-2012.05.09	US$ 30,000	56,441	Financial assets at FVTPL	56,441
		2011.11.30-2012.11.30	US$ 25,000	(731)	Financial liabilities at FVTPL	(731)

4) Due to other banks

Year	Related Party	Branch	Highest Amount (In Thousands)	Ending Balance (In Thousands)	Percentage of Due to Banks (%)
2012	Taishin Bank	New York Branch	US$ 440	US$ 49	-
2011	Taishin Bank	New York Branch	US$ 85	US$ 67	-

5) Call loans to banks and call loans from banks

The Bank's due to related parties were as follows:

Year	Name of Related Parties	Department	Highest Balance (In Thousands)	Ending Balance (In Thousands)	Maximum Limit	Interest Rate %	Interest Expense (In Thousands)
2011	Taishin Bank	New York branch	US$ 35,000	$ -	According to counterparts	0.20-0.26	US$ 1
	Taishin Bank	Los Angeles branch	US$ 18,000	-	According to counterparts	0.25	US$ -

6) Operating leases

Both CHB Insurance Agency and CHB Insurance Brokerage rented offices from the Bank for two years and paid rental monthly. The rent revenues received from CHB Insurance Agency and CHB Insurance Brokerage were $1,948 thousand and $1,174 thousand, respectively for the year ended December 31, 2012 and $1,711 thousand and $1,118 thousand, respectively for the year ended December 31, 2011.

7) Others

The Bank recognized fee income from CHB Insurance Agency and CHB Insurance Brokerage for providing personnel and channel services. The income from CHB Insurance Agency and CHB Insurance Brokerage for 2012 was $1,013,118 thousand and $60,405 thousand respectively, and for 2011 was $670,155 thousand and $53,515 thousand, respectively.

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2012	2011
Salaries	$ 53,579	$ 60,674
Incentives	12,656	13,122
Bonus	76,161	80,967
	$ 142,396	$ 154,763

The compensation of directors, supervisors and management personnel for the years ended December 31, 2012 and 2011 was based on the estimation in 2013 and had been approved by shareholders in their annual meeting held in 2012.

27. PLEDGED ASSETS

The summary of the Bank's pledged assets as of December 31, 2012 and 2011 were as follows:

Pledged Assets	Description	2012	2011
Available-for-sale financial assets	Government bonds	$ 945,600	$ 1,024,700
Held-to-maturity financial assets	Government bonds, corporate bonds and certificate of deposits	37,232,263	37,742,175
Refundable deposits	Cash	87,442	122,716

28. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 5, the Bank had the following contingent liabilities and commitments as of December 31, 2012 and 2011:

	2012	2011
Repayment note and time deposit held for custody	$ 7,003,867	$ 7,056,153
Liabilities on joint loans	952,202	984,193
Guarantees issued in guarantee business	29,638,924	30,496,884
Unused issued letters of credit	23,171,635	25,200,037
Trust liabilities	260,916,260	250,084,882
Unused loan commitments	159,693,488	238,463,174

b. The Bank entered into operating leases for its domestic branch premises. Significant provisions of the contracts were as follows:

1) The lease periods range from one to ten years. Rental payments are made annually.

2) As of December 31, 2012, the estimated future lease payments under the lease contracts were as follows:

	Amount
2013	$ 482,050
2014	364,151
2015	256,863
2016	182,482
2017	96,389

c. A lawsuit was filed by the Ministry of Defence and Support for Armed Forces, the Islamic Republic of Iran (hereinafter referred to as "the Iranian plaintiff") in 1991 against the Bank concerning a dispute in which the Iranian plaintiff sought "request for payment via electronic remittance" for the amount of US$15 million. After the Supreme Court ruled in favor of the Bank on August 1, 2002, the Iranian plaintiff countered by resuming another lawsuit it had filed against the Bank in 1997: "Demand for the Return of the Remittance by Way of Subrogation". On September 10, 2004, the Taipei local district court again ruled in favor of the Bank with regard to the aforesaid "Demand for the Return of the Remittance by Way of Subrogation". On July 13, 2010, the Taiwan Superior Court once more ruled in favor of the Bank. The Iranian party again appealed the decision to the Supreme Court on August 10, 2010. On November 4, 2010, the Supreme Court ordered the Taiwan Superior Court to review the ruling. On December 27, 2011, the Taiwan Superior Court again ruled in favor of the Bank. The Iranian plaintiff, after refusing to accept the decision of the Court, appealed to the Supreme Court on January 19, 2012. On August 14, 2012, the Supreme Court ordered the Taiwan Superior Court to review the ruling. At present, the lawsuit remains under review by the Taiwan Superior Court.

29. DISCLOSURES OF FINANCIAL INSTRUMENTS INFORMATION

a. Fair value of financial instruments

	December 31			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	$ 40,180,352	$ 40,180,352	$ 52,948,865	$ 52,948,865
Due from Central Bank and call loans to banks	103,411,156	103,411,156	79,667,740	79,667,740
Financial assets at FVTPL	35,613,670	35,613,670	25,020,162	25,020,162
Receivables, net	17,504,394	17,504,394	18,856,757	18,856,757
Loans, net	1,129,128,128	1,129,128,128	1,122,738,843	1,122,738,843
Available-for-sale financial assets, net	63,427,594	63,427,594	57,579,949	57,579,949
Held-to-maturity financial assets, net	170,696,300	170,736,031	180,376,569	180,305,626
Investments accounted for by the equity method, net	465,745	-	390,890	-
Financial assets carried at cost	4,728,434	-	4,728,434	-
Bonds investment with no active market	3,178,999	3,221,962	8,019,929	8,002,151
Hedging derivative financial assets	105,087	105,087	149,400	149,400
Other miscellaneous financial assets	36,300	36,300	45,394	45,394
Refundable deposits	87,442	87,442	122,716	122,716
Financial liabilities				
Due to banks and Central Bank	100,530,198	100,530,198	112,053,512	112,053,512
Financial liabilities at FVTPL	1,912,629	1,912,629	2,035,814	2,035,814

(Continued)

	December 31			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds and securities sold under repurchase agreements	$ 5,629,554	$ 5,629,554	$ 10,726,892	$ 10,726,892
Payables	32,863,279	32,863,279	31,956,087	31,956,087
Deposits	1,316,727,161	1,316,727,161	1,288,795,742	1,288,795,742
Bank notes	38,451,937	40,306,042	38,496,086	40,786,650
Other financial liabilities	1,364,673	1,364,673	1,676,663	1,676,663
Guarantee deposits	1,033,587	1,033,587	1,061,867	1,061,867

(Concluded)

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Due from the Central Bank and call loans from banks, bonds purchased under resell agreements, receivables, other financial assets, due to banks and the Central Bank, bonds and securities sold under repurchase agreements, payables, remittances and other financial liabilities.

2) Fair values of financial instruments at FVTPL, available-for-sale, held-to-maturity financial assets, hedging derivative financial instruments and bank notes are based on their quoted prices in an active market.

For debt instruments, the valuation model adopted by the Bank uses benchmark interest rate of each time period to infer every currency's zero-coupon yield curve and calculated forward rate and discount rate based on the assumption that there are no arbitrage opportunities in market. In addition, the Bank would set appropriate credit parameter based on the credit rating of the issuers of long-term debt instruments.

For derivative instruments, the valuation model adopted by the Bank determines the fair value of holding position based on available parameter in public market.

The fair value of forward exchange contract is determined by forward rate which is offered by the Reuters Pricing System on maturity date of each contract. Except for those offered by counterparty, the fair value of interest rate swap and cross currency swap is evaluated by the average of bid and ask prices offered by the Reuters Pricing System of each contract, and applied consistently.

Fair values of bond investments with no active market are based on their transaction prices or quoted prices made by market makers. For those investments with no transaction prices or quoted prices, their fair values are determined by use of valuation techniques.

3) Loans and deposits are interest-bearing financial assets and liabilities and their carrying values approximate their fair values. The carrying amount of delinquent loans is the estimated collectable amount which is the book value less allowance for bad debt. Therefore, the fair value of loans and deposits is determined at their carrying value.

4) Investments accounted for by the equity method and financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

5) Refundable deposits and guarantee deposits have no specific maturity dates. Fair value of these instruments was determined at their carrying value.

c. Fair values of financial assets and liabilities based on quoted market prices or valuation techniques were as follows:

	December 31			
	2012		2011	
	Quoted Market Price	Valuation Techniques	Quoted Market Price	Valuation Techniques
Financial assets				
Financial assets at FVTPL	$ 32,123,537	$ 3,490,133	$ 20,908,799	$ 4,111,363
Available-for-sale financial assets	63,427,594	-	57,579,949	-
Held-to-maturity financial assets	-	170,736,031	-	180,305,626
Bonds investment with no active market	-	3,221,962	-	8,002,151
Hedging derivative financial instruments	-	105,087	-	149,400
Financial liabilities				
Financial liabilities at FVTPL	-	1,912,629	-	2,035,814
Bank notes	-	40,306,042	-	40,786,650

d. Valuation gains (losses) from changes in fair value of financial instruments at FVTPL using quoted market prices were $44 thousand and $23,845 thousand for the years ended December 31, 2012 and 2011, respectively. Valuation gains from changes in fair value of financial instruments at FVTPL determined using valuation techniques were $58,626 thousand and $81,755 thousand for the years ended December 31, 2012 and 2011, respectively.

e. The interest income (expense) associated with financial assets (liabilities) other than at FVTPL was as follows:

	Years Ended December 31	
	2012	2011
Total interest income	$ 26,654,111	$ 26,516,895
Total interest expense	10,987,730	10,061,739

f. Fair value input levels were as follows:

(In Thousands of New Taiwan Dollars)

Fair Value Measurement of Financial Instruments	December 31, 2012			
	Total	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 33,654,305	$ 2,831,346	$ 29,370,609	$ 1,452,350
Trading assets	32,085,714	2,831,346	29,254,368	-
Mutual funds	102,590	102,590	-	-
Bond investments	2,734,415	2,728,756	5,659	-
Others	29,248,709	-	29,248,709	-
Financial assets designated upon initial recognition as at fair value through profit or loss	1,568,591	-	116,241	1,452,350
Available-for-sale financial assets	63,427,594	27,979,244	35,218,134	230,216
Stock investments	1,950,390	1,950,390	-	-
Bond investments	61,246,988	26,028,854	35,218,134	-
Others	230,216	-	-	230,216
Other financial assets	3,221,962	781,655	837,114	1,603,193
Bond investments with no active market	3,221,962	781,655	837,114	1,603,193
Derivative financial products				
Assets				
Financial assets at FVTPL	1,959,365	37,823	1,921,542	-
Other financial assets	105,087	-	105,087	-
Hedging derivative financial instruments	105,087	-	105,087	-
Liabilities				
Financial liabilities at FVTPL	1,912,629	-	1,912,629	-

(In Thousands of New Taiwan Dollars)

Fair Value Measurement of Financial Instruments	December 31, 2011			
	Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 22,110,235	$ 3,029,409	$ 18,172,576	$ 908,250
Trading assets	20,841,552	3,029,409	17,812,143	-
Mutual funds	97,663	97,663	-	-
Bond investments	2,937,290	2,931,746	5,544	-
Others	17,806,599	-	17,806,599	-
Financial assets designated upon initial recognition as at fair value through profit or loss	1,268,683	-	360,433	908,250
Available-for-sale financial assets	57,579,949	27,007,812	30,351,685	220,452
Stock investments	2,219,138	2,219,138	-	-
Bond investments	55,140,359	24,788,674	30,351,685	-
Others	220,452	-	-	220,452
Other financial assets	8,002,151	5,466,262	840,136	1,695,753
Bond investments with no active market	8,002,151	5,466,262	840,136	1,695,753
Derivative financial products				
Assets				
Financial assets at FVTPL	2,909,927	67,247	2,842,680	-
Other financial assets	149,400	-	149,400	-
Hedging derivative financial instruments	149,400	-	149,400	-
Liabilities				
Financial liabilities at FVTPL	2,035,814	-	2,035,814	-

Changes in Level 3 financial assets were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2012						
	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer In	Sell, Disposal	Transfer Out	
Financial assets designated upon initial recognition as at fair value through profit or loss	$ 908,250	$ -	$ 1,467,584	$ -	$ (923,484)	$ -	$ 1,452,350
Available-for-sale financial assets	220,452	9,764	-	-	-	-	230,216
Other financial assets							
Bond investments without active market	1,695,753	(10,825)	-	-	(81,735)	-	1,603,193

(In Thousands of New Taiwan Dollars)

Item	December 31, 2011						
	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer In	Sell, Disposal	Transfer Out	
Financial assets designated upon initial recognition as at fair value through profit or loss	$ 590,780	$ -	$ 908,250	$ -	$ (590,780)	$ -	$ 908,250
Available-for-sale financial assets	374,712	22,740	-	-	-	(177,000)	220,452
Other financial assets							
Bond investments without active market	1,869,736	39,223	-	-	(213,206)	-	1,695,753

g. Information of financial risk was as follows:

1) Market price risk

The Bank uses the market risk factor sensitivity as the instrument for market risk controls. The market risk factor sensitivity refers to the change in value resulting from a unit change in a specific market risk factor. Market risk factors include interest rate, exchange rate, price of equity instruments and commodity prices. The market risk factor sensitivity of the Bank discloses the market risks derived from different risk positions on the trading book.

Foreign exchange rate factor, FX Delta, refers to the net risk positions of different currencies on balance sheet date, that is, the effect of the change in present value due to 100% change in foreign exchange for each currency. The foreign exchange rate factor sensitivity not only includes those of foreign-currency derivatives, but also integrates the risk sensitivity of spot foreign rate positions for hedging purpose and spot position of different currencies.

Interest rate factor sensitivity refers to the effect (DV01 or PVBP) of change in present value of future cash flows generated from spot rate positions and interest-rate derivative positions incurred by moving upwards the yield curves under evaluation by 0.01% (one b.p.) on the interest rate structure.

Risk sensitivity of equity instruments refers to the effect of price change in the value of derivative positions due to 100% price change in equity instruments and in underlying assets of derivative instruments. The Bank engages in the trading of equity instruments including stock, exchange traded funds, and stock-index options.

Market Risk Type	Currency	December 31 2012	December 31 2011
Exchange rate risk value	EUR	$ (16,509)	$ 3,404
	JPY	7,580	6,181
	USD	1,047,319	898,168
	Others	144,477	116,182
Interest rate sensitivity DV01			
Interest curve of bonds	TWD	(13,387)	(14,772)
	USD	(185)	(446)
	EUR	(1)	(38)
	Others	(63)	-
Interest curve of IRS	TWD	392	331
	USD	2	(24)
	Others	1	-

(Continued)

Market Risk Type	Currency	December 31 2012	2011
Interest curve of CCS	TWD	$ 454	$ 52
	USD	(73)	(31)
	Others	240	-
Equity securities risk value	TWD	-	-
	USD	102,630	97,869

(Concluded)

2) Credit risk

Credit risks refer to the losses from financial instruments incurred from non-performance of the contracted obligations by the Bank's counterparties or others. The Bank provides loans, loan commitments and guarantees based on prudent credit evaluations. The average secured loans are weighted 75.87% approximately of overall loans. The collaterals that the Bank demands to be pledged on loans, loan commitments or guarantees are normally cash, inventory, marketable securities or other property. When the counterparties or others default, the Bank has rights to enforce the collaterals or other guarantees and effectively reduce credit risks. In disclosures on the maximum amounts of credit risk exposures, the market values of the collaterals are not considered. The maximum credit risk exposures of various financial assets are the same as carrying values. Please refer to accompanying financial statements.

The contract amounts of financial assets with off-balance-sheet credit risks held by the Bank as of December 31, 2012 and 2011 were as follows:

	December 31 2012	2011
Guarantees in guarantee business	$ 29,638,924	$ 30,496,884
Unused issued letters of credit	23,171,635	25,200,037
Unused loan commitments (excluding credit card)	159,693,488	238,463,174

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics for concentration of credit risks include the nature of business activities engaged by debtors. The Bank has not engaged in transactions that involved a prominent concentration of one client or one transaction party, but have transaction parties of similar industry type or from similar region.

The prominent concentration of credit risk was as follows:

	December 31			
	2012		2011	
Industry Type	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Financial and insurance	$ 47,593,468	4	$ 58,059,210	5
Manufacturing	309,446,879	27	334,795,624	29
Wholesale and retail	97,484,713	9	100,212,964	9
Real estate and leasing	65,671,197	6	50,840,606	5
Service	20,891,098	1	19,674,233	2
Individuals	409,025,425	36	387,410,482	34
Others	192,532,048	17	186,846,977	16
	$ 1,142,644,828		$ 1,137,840,096	

Geographic Location	December 31			
	2012		2011	
	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Asia	$ 1,098,153,184	96	$ 1,086,678,847	96
North America	30,647,698	3	37,888,609	3
Europe	12,536,152	1	9,453,868	1
Others	1,307,794	-	3,818,772	-
	$ 1,142,644,828		$ 1,137,840,096	

3) Liquidity risk

The Bank's ratio of liquidity reserve is 18.16% and 17.11% as of December 31, 2012 and 2011, respectively. Since the capital and operating funds are deemed sufficient to meet the cash flow need for the performance of all the contracted obligations, liquidity risk is not considered to be significant.

The derivative instruments held by the Bank, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

Basic management policies adopted by the Bank for financial instruments are to match maturity and interest rate of financial assets and liabilities and to control unmatched gap. Because of uncertainty of transaction terms and differences in maturity dates and interest rates, financial assets and liabilities always can not match perfectly, and this kind of gap may cause potential gain or loss. The Bank does the maturity analysis of financial assets and liabilities according to their characteristic in order to analyze their liquidity. The maturity analysis was as follows:

Financial Instrument	December 31, 2012						
	Less Than One Month	One Month to Three Months	Three Months to Six Months	Six Months to A Year	One Year to Seven Years	Over Seven Years	Total
Assets							
Cash and cash equivalents	$ 36,323,202	$ 2,927,100	$ 430,090	$ 499,960	$ -	$ -	$ 40,180,352
Due from Central Bank and call loans to banks	47,088,059	24,450,831	7,774,103	24,098,163	-	-	103,411,156
Financial assets at FVTPL	33,034,454	374,357	305,132	120,791	1,778,936	-	35,613,670
Interest receivable and revenue receivable	1,743,081	151,135	108,280	289,977	349,026	12,096	2,653,595
Loans (excluding delinquent loans)	94,810,985	118,309,665	84,770,010	113,238,502	419,749,820	308,372,826	1,139,251,808
Available-for-sale financial assets	-	1,055,751	331,679	2,457,617	43,425,419	16,157,128	63,427,594
Held-to-maturity financial assets	135,572,147	17,871,206	2,320,685	6,369,220	8,563,042	-	170,696,300
Investments accounted for by the equity method	-	-	-	-	465,745	-	465,745
Financial assets carried at cost	-	-	-	-	4,728,434	-	4,728,434
Bond investments with no active market	-	-	229,410	-	2,699,520	250,069	3,178,999
Hedging derivative financial instruments	-	-	-	-	105,087	-	105,087
Total assets	348,571,928	165,140,045	96,269,389	147,074,230	481,865,029	324,792,119	1,563,712,740
Liabilities							
Due to banks and Central Bank	51,930,054	35,020,743	6,563,300	4,774	813,941	-	94,332,812
Deposit transferred from the Postal Bureau	539,078	1,508,438	735,008	3,414,862	-	-	6,197,386
Financial liabilities held for trading	779,351	391,554	149,673	356,063	235,988	-	1,912,629
Bonds and securities sold under repurchase agreements	3,298,068	2,131,986	199,500	-	-	-	5,629,554
Interest payable	489,318	337,906	508,336	477,325	26,881	-	1,839,766
Deposits	179,064,407	177,664,752	158,908,996	268,035,620	532,190,923	-	1,315,864,698
Bank notes	-	-	-	-	25,651,937	12,800,000	38,451,937
Total liabilities	236,100,276	217,055,379	167,064,813	272,288,644	558,919,670	12,800,000	1,464,228,782
Net current gap	$ 112,471,652	$ (51,915,334)	$ (70,795,424)	$ (125,214,414)	$ (77,054,641)	$ 311,992,119	$ 99,483,958

Financial Instrument	December 31, 2011 Less Than One Month	One Month to Three Months	Three Months to Six Months	Six Months to A Year	One Year to Seven Years	Over Seven Years	Total
Assets							
Cash and cash equivalents	$ 51,553,351	$ 1,244,139	$ 151,375	$ -	$ -	$ -	$ 52,948,865
Due from Central Bank and call loans to banks	31,755,069	19,557,264	6,722,631	21,632,776	-	-	79,667,740
Financial assets at FVTPL	21,770,811	753,133	605,044	341,825	1,549,349	-	25,020,162
Interest receivable and revenue receivable	1,747,352	219,030	145,159	238,931	305,265	2,613	2,658,350
Loans (excluding delinquent loans)	107,048,324	130,580,178	110,793,854	104,134,907	394,706,301	286,710,250	1,133,973,814
Available-for-sale financial assets	525,957	455,406	389,124	1,362,041	48,637,110	6,210,311	57,579,949
Held-to-maturity financial assets	78,797,351	68,534,231	24,135,748	651,635	8,246,058	11,546	180,376,569
Investments accounted for by the equity method	-	-	-	-	390,890	-	390,890
Financial assets carried at cost	-	-	-	-	4,728,434	-	4,728,434
Bond investments with no active market	495,661	1,681,651	2,380,060	495,256	2,627,791	339,510	8,019,929
Hedging derivative financial instruments	-	-	-	-	149,400	-	149,400
Total assets	293,693,876	223,025,032	145,322,995	128,857,371	461,340,598	293,274,230	1,545,514,102
Liabilities							
Due to banks and Central Bank	74,304,118	28,356,533	1,084,182	8,894	797,328	-	104,551,055
Deposit transferred from the Postal Bureau	760,507	1,785,830	839,919	4,116,201	-	-	7,502,457
Financial liabilities held for trading	789,368	371,336	201,496	110,853	562,761	-	2,035,814
Bonds and securities sold under repurchase agreements	7,567,127	2,960,365	199,400	-	-	-	10,726,892
Interest payable	448,065	292,590	394,178	604,780	28,112	-	1,767,725
Deposits	190,240,719	170,730,629	154,183,106	259,979,181	512,843,347	-	1,287,976,982
Bank notes	-	-	-	-	25,696,086	12,800,000	38,496,086
Total liabilities	274,109,904	204,497,283	156,902,281	264,819,909	539,927,634	12,800,000	1,453,057,011
Net current gap	$ 19,583,972	$ 18,527,749	$ (11,579,286)	$ (135,962,538)	$ (78,587,036)	$ 280,474,230	$ 92,457,091

4) Cash flow risk and fair value risk from change in interest rates

The Bank's cash flow risks as a result of change in interest rates refer to cash flow fluctuations in the future from its assets with floating rates and liabilities with floating rates. The Bank evaluates interest rates risks in trends of interest rate and engages in trading of interest rates swaps in accordance with risk levels and operational needs to reduce cash flow risks as a result of change in interest rates.

a) Expected revaluation date and expected settlement date

As of December 31, 2012 and 2011, expected revaluation date and expected settlement date are not affected by settlement date designated in the contract. Interest risks are presented with the carrying amounts of financial assets and liabilities according to revaluation date and settlement date in the following table.

Financial Instrument	December 31, 2012 Less Than One Month	One Month to Three Months	Three Months to Six Months	Six Months to A Year	One Year to Seven Years	Over Seven Years	Total
Assets							
Due from Central Bank and call loans to banks	$ 30,454,281	$ 22,696,175	$ 2,253,277	$ 2,487,322	$ 35,302,574	$ -	$ 93,193,629
Financial assets at FVTPL	25,485,634	4,550,619	1,019,419	-	-	2,496,045	33,551,717
Loans	206,953,796	856,572,823	67,310,165	3,092,869	4,793,536	528,619	1,139,251,808
Available-for-sale financial assets	4,816,512	6,865,783	-	1,058,936	32,691,072	16,044,901	61,477,204
Held-to-maturity financial assets	136,664,403	19,948,004	2,203,664	5,255,278	6,624,951	-	170,696,300
Bond investments with no active market	674,725	404,274	-	-	2,100,000	-	3,178,999
Hedging derivative financial instruments	-	-	-	-	105,087	-	105,087
Total assets	405,049,351	911,037,678	72,786,525	11,894,405	81,617,220	19,069,565	1,501,454,744

(Continued)

Financial Instrument	December 31, 2012 Less Than One Month	One Month to Three Months	Three Months to Six Months	Six Months to A Year	One Year to Seven Years	Over Seven Years	Total
Liabilities							
Borrowing	$ 55,935,273	$ 32,432,581	$ 6,539,756	$ -	$ -	$ -	$ 94,907,610
Deposit transferred from Post Bureau	401,972	5,795,414	-	-	-	-	6,197,386
Bonds and securities sold under repurchase agreements	3,347,968	2,082,086	199,500	-	-	-	5,629,554
Deposits	222,517,490	294,692,935	646,297,863	105,538,382	6,931,751	-	1,275,978,421
Bank notes	6,700,000	5,000,000	-	-	20,651,937	6,100,000	38,451,937
Total liabilities	288,902,703	340,003,016	653,037,119	105,538,382	27,583,688	6,100,000	1,421,164,908
Interest sensitivity gap	$ 116,146,648	$ 571,034,662	$ (580,250,594)	$ (93,643,977)	$ 54,033,532	$ 12,969,565	$ 80,289,836

(Concluded)

Financial Instrument	December 31, 2011 Less Than One Month	One Month to Three Months	Three Months to Six Months	Six Months to A Year	One Year to Seven Years	Over Seven Years	Total
Assets							
Due from Central Bank and call loans to banks	$ 28,016,269	$ 12,070,364	$ 1,060,567	$ 34,385,941	$ -	$ -	$ 75,533,141
Financial assets at FVTPL	21,743,302	269,538	-	-	-	-	22,012,840
Loans	231,331,854	812,826,576	68,089,368	12,838,274	8,805,910	81,832	1,133,973,814
Available-for-sale financial assets	5,036,000	7,131,432	593,150	703,332	35,907,037	5,989,860	55,360,811
Held-to-maturity financial assets	80,071,270	70,802,922	23,700,000	440,811	5,361,566	-	180,376,569
Bond investments with no active market	2,164,236	3,755,693	-	-	2,100,000	-	8,019,929
Hedging derivative financial instruments	-	-	-	-	149,400	-	149,400
Total assets	368,362,931	906,856,525	93,443,085	48,368,358	52,323,913	6,071,692	1,475,426,504
Liabilities							
Borrowing	80,817,381	23,392,019	1,060,567	-	-	-	105,269,967
Deposit transferred from Post Bureau	641,682	6,860,775	-	-	-	-	7,502,457
Bonds and securities sold under repurchase agreements	7,587,077	2,940,415	199,400	-	-	-	10,726,892
Deposits	222,717,911	306,859,113	624,774,108	88,187,830	5,445,945	-	1,247,984,907
Bank notes	-	11,700,000	-	-	20,696,086	6,100,000	38,496,086
Total liabilities	311,764,051	351,752,322	626,034,075	88,187,830	26,142,031	6,100,000	1,409,980,309
Interest sensitivity gap	$ 56,598,880	$ 555,104,203	$ (532,590,990)	$ (39,819,472)	$ 26,181,882	$ (28,308)	$ 65,446,195

b) Effective interest rate (excluding financial assets at FVTPL)

As of December 31, 2012 and 2011, the effective interest rates of financial instruments held or issued by the Bank on main currencies are as follows:

	December 31 2012 NTD	2012 USD	2011 NTD	2011 USD
Available-for-sale financial assets				
Government bonds	1.04%	-	1.08%	-
Financial bonds	-	1.31%	-	1.17%
Corporate bonds	1.75%	2.73%	1.68%	2.62%
Asset-backed securities	-	1.08%	-	1.15%
Held-to-maturity financial assets				
Certificate deposits in Central Bank	0.88%	-	0.95%	-
Government bonds	-	-	-	-
Financial bonds	1.25%	1.21%	1.24%	0.90%
Corporate bonds	1.37%	-	1.40%	0.90%

(Continued)

	December 31			
	2012		2011	
	NTD	USD	NTD	USD
Bond investments with no active market				
Financial bonds	-	-	-	0.77%
Corporate bonds	2.65%	-	2.65%	0.68%
Asset-backed securities	-	0.57%	-	0.65%
Loans				
Short-term loan	2.10%	1.68%	1.94%	1.91%
Medium to long-term loans	1.97%	1.75%	1.98%	1.80%
Long-term liabilities				
Bank notes	2.28%	-	2.27%	-

(Concluded)

h. Fair value hedge

		Designated as Hedging Instrument			
		December 31, 2012		December 31, 2011	
Hedged Item	Financial Instrument Designated as Hedging Instrument	Nominal Principal Amount	Fair Value	Nominal Principal Amount	Fair Value
Bank notes	Interest rate swap	$ 2,000,000	$ 105,087	$ 2,000,00	$ 149,400

1) Hedging type: Fair value hedging.

2) Hedging objective: To minimize risks from the variation of fair value due to fluctuation of interest rate, by converting fixed-rate note to floating-rate note.

3) Hedging method: By signing interest swap contract.

4) Hedging effect: 4 hedging trades were made in 2012. The actual offset result is considered highly effective since the variation of the fair value of the hedged instrument and of the hedging instrument is within 80%-125%, which has met the hedging accounting criterion suggested in the Statement of Financial Accounting Standards. The realized gain of fair-value hedging is $44,757 thousand for the year ended December 31, 2012, accounted as other non-interest net income and losses.

i. Reclassification information

On July 1, 2008, the Bank reclassified its financial assets in accordance with the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The fair values at the reclassification date were as follows:

	Before Reclassification	After Reclassification
Available-for-sale financial assets	$ 14,246,193	$ -
Bonds investments with no active market	-	14,246,193
	$ 14,246,193	$ 14,246,193

In view of the Bank's intention of not selling the abovementioned available-for-sale financial assets within a short period of time as a result of the economic instability and deterioration of the world's financial markets that has occurred during the third quarter of 2008, the Bank reclassified these available-for-sale financial assets to bonds investments with no active market.

The effective interest rate of the available-for-sale financial assets which have been reclassified to bonds investments with no active market financial assets is 1.44%. The estimated recoverable cash flows amounted to $606,575 thousand.

The reclassified financial assets (excluding those that had been derecognized) as of December 31, 2012 and 2011 were as follows:

	December 31			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds investments with no active market	$ 458,123	$ 468,237	$ 5,515,180	$ 5,466,262

The gains or losses and adjustments of shareholders' equity recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2012 and 2011) for the years ended December 31, 2012 and 2011 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	Years Ended December 31			
	2012		2011	
	Gains (Losses) Recorded	Pro Forma Gains (Losses)	Gains (Losses) Recorded	Pro Forma Gains (Losses)
Available-for-sale financial assets	$ 29,864	$ (4,744)	$ 124,352	$ 213,391

30. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type \ Item			December 31, 2012					December 31, 2011				
			Non-Performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)	Non-Performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)
Corporate finance	Secured		$ 1,796,195	$ 334,295,082	0.54%	$ 6,918,953	$ 385.20%	$ 1,520,756	$ 322,528,184	0.47%	$ 7,669,512	504.32%
	Unsecured		316,953	399,038,516	0.08%	3,079,195	971.50%	991,710	427,577,416	0.23%	4,339,299	437.56%
Consumer finance	Mortgage loans (Note d)		1,152,682	296,966,506	0.39%	2,503,651	217.20%	1,205,277	290,485,445	0.41%	2,135,592	177.19%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		2,542	1,801,829	0.14%	11,185	440.01%	2,218	1,978,179	0.11%	13,165	593.55%
	Others (Note f)	Secured	455,966	108,465,897	0.42%	958,911	210.30%	413,207	92,707,599	0.45%	697,864	168.89%
		Unsecured	19,540	2,076,998	0.94%	44,805	229.30%	131,528	2,563,273	5.13%	245,821	186.90%
Total			3,743,878	1,142,644,828	0.33%	13,516,700	361.03%	4,264,696	1,137,840,096	0.37%	15,101,253	354.10%

Business Type \ Item	December 31, 2012					December 31, 2011				
	Non-Performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)	Non-Performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)
Credit card	$ 1,882	$ 969,423	0.19%	$ 8,188	$ 435.07%	$ 1,234	$ 887,323	0.14%	$ 6,546	530.47%
No recourse receivable factoring (Note g)	-	7,929,116	-	78,146	-	-	8,534,101	-	62,684	-

Business Type \ Item	December 31, 2012		December 31, 2011	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note i)	$ 713	$ 6,819	$ 922	$ 6,824
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note j)	9,120	6,765	9,409	5,701
Total	9,833	13,584	10,331	12,525

Note a: Nonperforming loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005. (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note b: Nonperforming loans ratio = Nonperforming loan ÷ Loans
Nonperforming loans of credit card ratio = Nonperforming loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Nonperforming loans
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Nonperforming loans of credit cards

Note d: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, spouse or minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Bank does not engage in cash card business.

Note i: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note j: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

December 31, 2012			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%)**
1	A Corporation (railway transportation industry)	34,646,792	33.38
2	B Group (other chemical products manufacturing industry)	27,278,032	26.28
3	C Group (liquid crystal panel and components manufacturing industry)	18,150,083	17.48
4	D Group (airline industry)	16,744,929	16.13
5	E Group (synthesis construction industry	9,866,673	9.50
6	F Group (liquid crystal panel and components manufacturing industry)	8,542,536	8.23
7	G Group (steel manufacturing industry)	6,883,215	6.63
8	H Group (financial intermediation industry)	6,354,700	6.12
9	I Group (computers manufacturing industry)	5,699,272	5.49
10	J Group (electric appliance and audiovisual electric products manufacturing	5,648,120	5.44

December 31, 2011			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%)**
1	A Corporation (railway transportation industry)	$35,103,316	36.69%
2	B Group (oil refining, petrochemicals and raw materials manufacturing industry)	34,000,914	35.54%
3	C Group (liquid crystal panel and components manufacturing industry)	19,162,269	20.03%
4	D Group (airline industry)	13,801,702	14.43%
5	F Group (liquid crystal panel and components manufacturing industry)	10,905,759	11.40%
6	G Group (steel manufacturing industry)	8,115,215	8.48%
7	K Group (marine transportation industry)	6,243,937	6.53%
8	J Group (liquid crystal panel and components manufacturing industry)	5,958,909	6.23%
9	I Group (computers manufacturing industry)	5,573,153	5.82%
10	L Group (marine Transportation industry)	5,496,256	5.74%

Note a: Sorted by the balance of loans on December 31, 2012 and 2011, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

c. Interest-earning assets and interest-bearing liabilities

The average balances and average interest rates of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2012 and 2011 were as follows:

	December 31			
	2012		2011	
	Average Value	Average Interest Rate %	Average Value	Average Interest Rate %
Assets				
Due from banks and call loans to banks	$ 95,581,991	1.06	$ 105,183,265	1.16
Due from Central Bank	58,820,617	0.45	57,749,543	0.41
Financial assets - bonds and bills	26,215,105	0.84	22,937,354	0.85
Receivable - without recourse factoring	5,879,270	1.24	6,241,194	1.07
Bonds and securities purchased under resell agreements	-	-	4,624	0.44
Loans (including documentary bills)	1,147,336,062	1.97	1,103,756,187	1.87
Available-for-sale financial assets - bonds	60,835,165	1.56	51,847,221	1.74
Held-to-maturity financial assets - bonds and bills	176,793,084	0.97	180,266,177	0.91
Bond investments without active market	3,402,620	1.67	8,996,434	1.72
Liabilities				
Due to banks and call loans from banks	163,375,099	0.90	173,598,504	1.08
Deposits transferred from the Postal Bureau	6,768,413	1.40	8,052,424	1.34
Bonds and securities sold under repurchase agreements	8,678,878	0.69	13,447,452	0.57
Demand deposits	704,652,942	0.33	689,118,110	0.32
Time deposits	568,171,715	1.17	550,148,956	1.05
Negotiable certificates of deposits	17,123,613	0.76	8,597,648	0.58
Bank notes	38,350,000	2.27	35,762,055	2.32

d. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2012				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 1,099,268,562	$ 48,313,863	$ 8,443,360	$ 95,548,651	$ 1,251,574,436
Interest-sensitive liabilities	381,693,219	635,724,482	88,600,903	33,528,588	1,139,547,192
Interest sensitivity gap	717,575,343	(587,410,619)	(80,157,543)	62,020,063	112,027,244
Net worth					97,891,832
Ratio of interest-sensitive assets to liabilities					109.83%
Ratio of interest sensitivity gap to net assets					114.44%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2011				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 1,073,006,053	$ 63,678,233	$ 13,159,263	$ 93,453,431	$ 1,243,296,980
Interest-sensitive liabilities	401,472,093	613,418,523	72,394,141	31,893,818	1,119,178,575
Interest sensitivity gap	671,533,960	(549,740,290)	(59,234,878)	61,559,613	124,118,405
Net worth					92,321,882
Ratio of interest-sensitive assets to liabilities					111.09%
Ratio of interest sensitivity gap to net assets					134.44%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$
(N.T. dollars only)

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

Item	December 31, 2012				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 7,627,007	$ 923,618	$ 72,750	$ 48,497	$ 8,671,872
Interest-sensitive liabilities	8,522,342	426,190	461,384	-	9,409,916
Interest sensitivity gap	(895,335)	497,428	(388,634)	48,497	(738,044)
Net worth					124,447
Ratio of interest-sensitive assets to liabilities					92.16%
Ratio of interest sensitivity gap to net assets					(593.06%)

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

Item	December 31, 2011				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 6,325,442	$ 768,675	$ 35,181	$ 49,684	$ 7,178,982
Interest-sensitive liabilities	7,534,776	294,449	429,299	6,800	8,265,324
Interest sensitivity gap	(1,209,334)	474,226	(394,118)	42,884	(1,086,342)
Net worth					97,521
Ratio of interest-sensitive assets to liabilities					86.86%
Ratio of interest sensitivity gap to net assets					(1,113.96%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$
(U.S. dollars only)

e. Profitability

Item		December 31	
		2012	2011
Return on total assets	Pretax	0.64%	0.68%
	After tax	0.53%	0.58%
Return on net worth	Pretax	10.24%	11.60%
	After tax	8.49%	9.92%
Profit margin		33.91%	33.99%

Note a: Return on total assets = $\dfrac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net worth = $\dfrac{\text{Income before (after) tax}}{\text{Average net worth}}$

Note c: Profit margin = $\dfrac{\text{Income after tax}}{\text{Gross income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2012 and 2011, respectively.

f. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2012				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	$ 1,436,194,616	$ 296,574,383	$ 152,774,502	$ 93,151,948	$ 133,635,574	$ 760,058,209
Major maturity cash outflows	1,570,510,510	223,041,079	228,918,663	177,551,990	294,541,737	646,457,041
Gap	(134,315,894)	73,533,304	(76,144,161)	(84,400,042)	(160,906,163)	113,601,168

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2011				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	$ 1,467,370,980	$ 264,441,439	$ 232,457,960	$ 142,986,285	$ 108,131,242	$ 719,354,054
Major maturity cash outflows	1,632,927,049	228,486,669	245,411,446	197,464,805	313,133,753	648,430,376
Gap	(165,556,069)	35,954,770	(12,953,486)	(54,478,520)	(205,002,511)	70,923,678

Note: The amounts listed above include accounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2012				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	$ 11,288,150	$ 4,636,486	$ 2,886,715	$ 1,423,854	$ 858,417	$ 1,482,678
Major maturity cash outflows	11,737,057	4,154,019	2,506,650	1,306,724	1,659,640	2,110,024
Gap	(448,907)	482,467	380,065	117,130	(801,223)	(627,346)

(In Thousands of U.S. Dollars)

	Total	December 31, 2011				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	$ 10,593,491	$ 3,368,001	$ 3,368,468	$ 1,952,722	$ 675,519	$ 1,228,781
Major maturity cash outflows	11,151,516	4,102,046	2,764,754	1,464,747	979,864	1,840,105
Gap	(558,025)	(734,045)	603,714	487,975	(304,345)	(611,324)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

g. Transferring ownerships of non-performing loans

Summary of non-performing loans:

	December 31, 2012						
	Transferring Date	Composition of NPLs	Book Value (Note a)	Transferring Price	Gain on Disposal (Note b)	Agreement with Added Terms	Relationship
Shi-Yang Asset Management Corporation	2012.05.15	Corporate loans	$ -	$ 200,000	$ 200,000	None	None
Mega Asset Management Corporation	2012.05.15	Corporate loans	87,342	222,065	134,723	None	None
Bank of America	2012.07.20	Corporate loans	-	45,330	45,330	None	None

	December 31, 2011						
	Transferring Date	Composition of NPLs	Book Value (Note a)	Transferring Price	Gain on Disposal (Note b)	Agreement with Added Terms	Relationship
Deutsche Bank London Branch	2011.04.08	Corporate loans	$ -	$ 16,638	$ 16,638	None	None
Earntex Union Co., Ltd	2011.05.17	Corporate secured loans	256,225	501,094	244,869	None	None
Bank of America	2011.07.20	Corporate loans	-	108,697	108,697	None	None

Note a: Book value = Original loan balance - Allowance

Note b: Gain on disposal = Transferring price - Book value - Related cost

i. Capital adequacy

Item \ Period			December 31, 2012	June 30, 2012	December 31, 2011
Self-owned capital	Tier I capital		$ 94,358,061	$ 90,860,047	$ 87,857,735
	Tier II capital		28,273,128	32,020,316	32,246,211
	Tier III capital		-	-	-
	Self-owned capital		122,631,189	122,880,363	120,103,946
Risk-weighted assets	Credit risk	Standardized approach	1,021,263,260	1,005,346,005	998,250,438
		IRB	-	-	-
		Real estate securitization	249,337	262,039	264,823
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/ optional standard	35,279,000	35,279,000	35,044,538
		Advanced internal-rating based approach	-	-	-
	Market price risk	Standardized approach	7,331,175	8,138,925	7,651,638
		Internal model approach	-	-	-
	Total		1,064,122,772	1,049,025,969	1,041,211,437
Capital adequacy ratio			11.52%	11.71%	11.54%
Tier I capital to risk weighted assets ratio			8.87%	8.66%	8.44%
Tier II capital to risk weighted assets ratio			2.66%	3.05%	3.10%
Tier III capital to risk weighted assets ratio			-	-	-
Common stock equity to total assets ratio			4.50%	4.26%	4.26%
Gearing ratio			5.91%	5.84%	5.69%

Note: 1. The ratios are calculated in accordance with the Letters issued by the MOF on January 4, 2007 (Ref. No. Jin-Guan-Yin 09610000025) and on June 30, 2009 (Ref. No. Jin-Guan-Yin 09810003110).

2. Formula:

a. Self-owned capital = Tier I capital + Tier II capital + Tier III capital

b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk Capital + Market price risk Capital) × 12.5

c. Capital Adequacy = Self-owned capital ÷ Risk-weighted assets

d. Tier I capital to risk weighted assets ratio = Tier I capital ÷ Risk-weighted assets

e. Tier II capital to risk weighted assets ratio = Tier II capital ÷ Risk-weighted assets

f. Tier III capital to risk weighted assets ratio = Tier III capital ÷ Risk-weighted assets

g. Common stock equity to total assets ratio = Common stock equity ÷ Total assets

h. Gearing ratio = Tier I capital ÷ Average-assets adjusted

j. Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2012 and 2011 were as follows:

	December 31					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 8,797,734	29.0350	$ 255,442,207	$ 7,543,307	30.2750	$ 228,373,619
GBP	71,580	46.7800	3,348,512	85,615	46.6800	3,996,508
AUD	628,656	30.1250	18,938,262	556,645	30.7450	17,114,051
HKD	2,485,166	3.7460	9,309,432	2,069,708	3.8970	8,065,652
SGD	92,600	23.7400	2,198,324	68,459	23.3000	1,595,095
CAD	26,662	29.1900	778,264	55,438	29.6700	1,644,845
ZAR	1,045,642	3.4300	3,586,552	54,302	3.7100	201,460
JPY	84,738,446	0.3360	28,472,118	95,913,470	0.3897	37,377,479
EUR	406,205	38.4500	15,618,582	280,386	39.2200	10,996,739
NZD	96,138	23.8100	2,289,046	109,577	23.4100	2,565,198
CNY	686,931	4.6580	3,199,725	249,267	4.7970	1,195,734
Non-monetary items						
USD	85,391	29.0350	2,479,328	75,512	30.2750	2,286,126
Financial liabilities						
Monetary items						
USD	9,635,700	29.0350	279,772,550	8,484,159	30.2750	256,857,914
GBP	94,953	46.7800	4,441,901	145,618	46.6800	6,797,448
AUD	657,544	30.1250	19,808,513	603,469	30.7450	18,553,654
HKD	2,065,795	3.7460	7,738,468	1,970,560	3.8970	7,679,272
SGD	68,400	23.7400	1,623,816	49,407	23.3000	1,151,183
CAD	41,636	29.1900	1,215,355	100,176	29.6700	2,972,222
ZAR	1,962,497	3.4300	6,731,365	1,083,276	3.7100	4,018,954
JPY	69,833,033	0.3360	23,463,899	91,865,139	0.3897	35,799,845
EUR	437,055	38.4500	16,804,765	386,071	39.2200	15,141,705
NZD	171,918	23.8100	4,093,368	270,849	23.4100	6,340,575
CNY	636,740	4.6580	2,965,935	204,760	4.7970	982,234

k. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of December 31, 2012 and 2011 were as follows:

	December 31	
	2012	**2011**
Special purpose trust accounts - domestic	$ 32,904,333	$ 32,625,502
Special purpose trust accounts - foreign	72,326,948	68,768,492
Insurance trust	1,015	1,004
Retirement and breeds trust	332,760	255,700
Umbilical-cord-blood trust	347,062	429,074
Money claim and guarantee trust	2,431,428	454,060
Marketable securities trust	777,932	509,548
Real estate trust	4,260,277	3,707,880
Securities under custody	147,534,505	143,333,622
	$ 260,916,260	$ 250,084,882

l. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

Balance Sheet of Trust

	December 31			December 31	
Trust Assets	**2012**	**2011**	**Trust Liabilities**	**2012**	**2011**
Bank deposits	$ 2,987,022	$ 826,084	Trust capital		
Insurance claims	120,200	134,200	Money trust	$ 109,219,228	$ 102,284,103
Financial assets			Insurance claims	120,200	134,200
Common stocks	697,988	489,122	Marketable securities trust	699,988	489,122
Mutual funds	105,632,950	101,809,551	Real estate trust	4,406,769	3,852,966
Adjustments	68,935	(9,130)	Securities under custody payable	147,534,505	143,333,622
Interest receivable	340	326			
Receivable from disposal of securities	10,057	-	Administration payable	79	66
Land	3,225,290	2,990,536	Supervision payable		-
Buildings	42,961	20,002	Income taxes payable	34	32
Construction in progress	596,012	490,569	Profit and loss		
Securities under custody	147,534,505	143,333,622	Realized capital through profit and loss	1,061	(672)
			Investment profit and loss	(45,881)	112,909
			Realized capital gain - mutual funds	3,362	1,709
			Unrealized capital gain - mutual funds	8,294	507
			Unrealized capital gain - common stocks	108,969	49,681
			Realized capital loss - mutual funds	(2,301)	(6)
			Unrealized capital loss - mutual funds	(17,284)	(30,062)
			Unrealized capital loss - common stock	(31,028)	(29,257)
			Unappropriated retained earnings	(1,035,543)	(112,061)
			Interests and dividends revenues	35,355	33,934
			Other expenses	(89,547)	(35,911)
Total trust assets	$ 260,916,260	$ 250,084,882	Total trust liabilities	$ 260,916,260	$ 250,084,882

Trust Assets Register

Investments	December 31 2012	December 31 2011
Bank deposits	$ 2,987,022	$ 826,084
Insurance claims	120,200	134,200
Financial assets		
Common stocks	775,929	509,546
Mutual funds	105,623,944	101,779,997
Land	3,225,290	2,990,536
Buildings	42,961	20,002
Construction in progress	596,012	490,569
Others	10,397	326
Securities under custody	147,534,505	143,333,622
Total trust assets	$ 260,916,260	$ 250,084,882

Income Statement of Trust

Investments	Years Ended December 31 2012	Years Ended December 31 2011
Revenue		
Interest income	$ 3,419	$ 2,920
Dividends	31,936	31,014
Gain on mutual funds	4,735	-
	40,090	33,934
Expense		
Maintenance	(6,762)	(1,992)
Tax expense	(343)	(292)
Others	(82,442)	(33,627)
	(89,547)	(35,911)
Realized capital gain - mutual funds	3,362	1,709
Unrealized capital gain - mutual funds	8,294	507
Unrealized capital gain - quoted stocks	108,969	49,681
Realized capital loss - mutual funds	(2,301)	(6)
Unrealized capital loss - mutual funds	(17,284)	(30,062)
Unrealized capital loss - quoted stocks	(31,028)	(29,257)
	$ 20,555	$ (9,405)

31. LOANS TO PARTIES WITH COMMON INTERESTS

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Shares	Imputed Shares (Note b)	Shares	Ownership Interest (%)
CHB Insurance Agency (Note c)	Taipei City	Personal insurance agent	100.00%	$ 413,163	$ 290,406	5,000,000	-	5,000,000	100.00%
CHB Insurance Brokerage (Note c)	Taipei City	Property insurance broker	100.00%	52,582	31,590	800,000	-	800,000	100.00%
MasterLink Securities Corp.	Taipei City	Security brokerage	4.03%	553,638	-	60,047,459	-	60,047,459	4.03%
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00%	72,012	-	18,400,499	-	18,400,499	3.00%
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41%	61,540	-	32,286,333	-	32,286,333	0.41%
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71%	1,872,923	-	235,726,532	-	235,726,532	0.71%
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53%	7,000	-	860,000	-	860,000	4.34%
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00%	1,250	-	250,000	-	250,000	10.00%
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95%	500,000	-	54,000,000	-	54,000,000	4.95%
ING Securities Investment & Trust Co.	Taipei City	Securities investment trust	6.32%	40,812	-	3,197,700	-	3,197,700	6.32%
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.16%	46,446	-	15,450,750	-	15,450,750	3.43%
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00%	20,000	-	5,885,142	-	5,885,142	2.11%
Asia Pacific Broadband Telecom Co. (Note d)	Taipei City	Type I & type II telecommunications business	0.46%	30,000	-	30,000,000	-	30,000,000	0.91%
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35%	2,000,000	-	210,000,000	-	210,000,000	11.92%
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94%	50,000	-	10,000,000	-	10,000,000	5.88%
Financial Evolution Co., Ltd	Taipei City	Financial information systems development	5.13%	19,285	-	1,771,047	-	1,771,047	5.13%
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08%	6,749	-	266,290	-	266,290	0.08%
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70%	417	-	1,134,085	-	1,134,085	18.90%
Tai Yu Products Corporation	Taichung City	Frozen agricultural products	4.77%	(Note 5)	-	5,748,382	-	5,748,382	4.77%
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	1.47%	(Note 5)	-	556,965	-	556,965	1.47%

Note a: The investees' voting shares, and imputed shares were owned by the Bank and related parties.

Note b: Imputed shares are considered if equity securities such as convertible bonds, warrants, etc., or derivative contracts such as stock options, are converted.

Note c: Included the original investment amount and profit and loss recognized under the equity method.

Note d: Included the original investment amount of $150,000 thousand minus accumulated impairment of $120,000 thousand.

Note e: The Bank had recognized the loss on investment in Tai Yu Products Corporation and Chi-Yi Construction Management Company.

32. DISCLOSURES UNDER STATUTORY REQUIREMENTS

Material Transactions

According to Guidelines Governing the Preparation of Financial Reports by Public Banks Rule 16, the disclosure of related information was as follows:

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT$300 million or 10% of outstanding capital as of December 31, 2012	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital as of December 31, 2012	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital as of December 31, 2012	None
4	Discount on fees income from related parties over NT$5 million	None
5	Receivables from related parties over NT$300 million or 10% of outstanding capital	None
6	Sale of NPL	Note 30 (g)
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

Information on the Bank's Investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2012	None
5	Derivative instrument	None
6	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the year ended December 31, 2012	None
7	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the year ended December 31, 2012	None
8	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the year ended December 31, 2012	None
9	Discount on fees income from related parties over NT$5 million	None
10	Receivables from related parties over NT$300 million or 10% of outstanding capital	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

Investment in Mainland China: Table 2

33. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on services delivered or provided. The Bank's reportable segments under SFAS No. 41 are sorted by operation. The results of operations and assets/liabilities of each segment are disclosed in the consolidated financial statements of the Bank.

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTEES' NAMES, LOCATIONS
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Line of Business	Original Investment Amount		Ending Balance			Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of Year 2012	End of Year 2011	Shares	Ownership Interest (%)	Book Value			
Chang Hwa Bank	CHB Insurance Agency	6F, No. 57, Zhong Shan N. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.	Life insurance agency	$ 2,008	$ 2,008	5,000,000	100.00	$ 413,163	$ 290,406	$ 290,406	
	CHB Insurance Brokerage	6F, No. 57, Zhong Shan N. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.	Property insurance brokerage	2,000	2,000	800,000	100.00	52,582	31,590	31,590	

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION OF INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2012
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1.

Investee	Main Businesses and Products	Total Amount of Capital (US$ in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2012 (US$ in Thousand)	Investment Flows (US$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2012 (US$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses)	Carrying Value as of December 31, 2012	Accumulated Inward Remittance of Earnings as of December 31, 2012
					Outflow	Inflow					
Chang Hwa Commercial Bank, Ltd. Kunshan Branch	Banking	$ 2,202,168 (US$ 74,650)	Note 1.e.	$ 2,202,168 (US$ 74,650)	$ -	$ -	$ 2,202,168 (US$ 74,650)	-	$ -	$ -	$ -

Accumulated Investment in Mainland China as of December 31, 2012 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment regulated by Investment Commission, MOEA (US$ in Thousand) (Note 2)
US$74,650	US$74,650	$12,152,593

Note 1: The five methods of investment are as follows:

a. Investment in Mainland China by remittance through a third area.
b. Investment in Mainland China through establishment of new enterprise in a third area.
c. Investment in Mainland China through reinvestment in existing enterprise in a third area.
d. Direct investment in Mainland China.
e. Others.

Note 2: In accordance with the “Bank, Financial Holding Corporation and Related Party Invest China Business Rules” announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

a. Banks in Taiwan (or subsidiaries in a third area) which establish branches, subsidiaries or acquire shares or capital contribution from local shareholders in Mainland China.
b. The subsidiaries whose issued stocks with voting rights or more than 50% of capital is held by banks in Taiwan that have investment in Mainland China.