Cathay United Bank and Its Subsidiaries
Consolidated Financial Statements
For The Three-Month Periods Ended
31 March 2013 and 2012
With Independent Auditors' Report

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. These consolidated financial statements do not include additional disclosure information that is required for Chinese-language reports under the "Regulations Governing the Preparation of Financial Reports by Public Banks" by the Securities and Futures Bureau, Financial Supervisory Commission, Republic of China. If there is any conflict between these consolidated financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language consolidated financial statements shall prevail.

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Review Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

The Board of Directors
Cathay United Bank

We have reviewed the accompanying consolidated balance sheets of Cathay United Bank and its subsidiaries as of 31 March 2013, 31 December 2012, 31 March 2012, and 1 January 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2013 and 2012. These consolidated financial statements are the responsibility of the Bank's management.

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

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with "Regulations Governing the Preparation of Financial Reports by Public Bank", "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Securities Firms", IAS 34"Interim Financial Reporting" and IFRS 1"First-time Adoption of International Financial Reporting Standards" as recognized by Financial Supervisory Commission.

Ernst & Young

ERNST & YOUNG
Taipei, Taiwan
The Republic of China
30 April 2013

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated balance sheets

31 March 2013 and 31 December 2012

(Expressed in thousands of dollars)

		2013.3.31		2012.12.31	
Assets	Notes	NT$	US$	NT$	US$
Cash and cash equivalents	IV, VI and VII	$35,615,573	$1,194,752	$34,974,286	$1,203,934
Due from the Central Bank and call loans to banks	VI and VII	73,873,985	2,478,161	109,003,762	3,752,281
Financial assets at fair value through profit or loss	IV, V and VI	103,467,550	3,470,901	67,937,886	2,338,654
Derivative financial assets for hedging	IV and VI	1,233,116	41,366	1,203,138	41,416
Securities purchased under agreements to resell	IV	2,287,926	76,750	-	-
Receivables, net	IV, V, VI and VII	70,142,478	2,352,985	50,742,276	1,746,722
Discounts and loans, net	IV, V, VI and VII	1,000,452,852	33,560,981	1,003,183,193	34,532,984
Available-for-sale financial assets, net	IV, V and VI	82,506,589	2,767,749	63,955,328	2,201,560
Held-to-maturity financial assets, net	IV, V and VI	49,225,630	1,651,313	21,668,974	745,920
Investments accounted for using equity method, net	IV and VI	1,556,274	52,206	1,565,227	53,881
Other financial assets, net	IV and V	5,926	199	13,821	476
Investments in debt securities with no active market, net	IV, V and VI	401,487,143	13,468,203	424,043,663	14,597,028
Property and equipment, net	IV, VI and VII	22,763,088	763,606	22,733,080	782,550
Investment property, net	IV, V and VI	2,861,731	95,999	2,869,040	98,762
Intangible assets, net	IV, V and VI	7,453,951	250,049	7,488,272	257,772
Deferred tax assets	IV and V	1,541,078	51,697	1,463,224	50,369
Other assets, net	IV, VI and VII	5,159,579	173,082	4,922,516	169,450
Total assets		$1,861,634,469	$62,449,999	$1,817,767,686	$62,573,759

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated balance sheets (continued)

31 March 2012 and 1 January 2012

(Expressed in thousands of dollars)

		2012.3.31		2012.1.1	
Assets	Notes	NT$	US$	NT$	US$
Cash and cash equivalents	IV, VI and VII	$32,206,449	$1,091,744	$30,125,121	$995,214
Due from the Central Bank and call loans to banks	VI and VII	111,804,727	3,789,991	100,101,541	3,306,955
Financial assets at fair value through profit or loss	IV, V and VI	19,520,559	661,714	21,914,109	723,955
Derivative financial assets for hedging	IV and VI	1,476,373	50,047	1,438,773	47,531
Securities purchased under agreements to resell	IV	8,429,400	285,742	2,308,788	76,273
Receivables, net	IV, V, VI and VII	42,816,731	1,451,414	45,910,753	1,516,708
Discounts and loans, net	IV, V, VI and VII	1,008,769,662	34,195,582	1,001,925,794	33,099,630
Available-for-sale financial assets, net	IV, V and VI	63,783,975	2,162,168	47,839,435	1,580,424
Held-to-maturity financial assets, net	IV, V and VI	21,048,481	713,508	19,346,851	639,143
Investments accounted for using equity method, net	IV and VI	1,554,620	52,699	1,547,828	51,134
Other financial assets, net	IV and V	3,386,770	114,806	3,402,027	112,389
Investments in debt securities with no active market, net	IV, V and VI	439,377,835	14,894,164	425,140,266	14,044,938
Property and equipment, net	IV, VI and VII	23,391,621	792,936	23,459,353	775,003
Investment property, net	IV, V and VI	3,170,183	107,464	3,178,706	105,012
Intangible assets, net	IV, V and VI	7,256,610	245,987	7,292,648	240,920
Deferred tax assets	IV and V	1,037,562	35,171	914,712	30,219
Other assets, net	IV, VI and VII	3,376,883	114,471	3,136,428	103,615
Total assets		$1,792,408,441	$60,759,608	$1,738,983,133	$57,449,063

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated balance sheets (continued)

31 March 2013 and 31 December 2012

(Expressed in thousands of dollars)

		2013.3.31		2012.12.31	
Liabilities and equity	Notes	NT$	US$	NT$	US$
Liabilities					
Due to the Central Bank and call loans from banks	VI and VII	$73,996,201	$2,482,261	$56,931,773	$1,959,786
Funds borrowed from the Central Bank and other banks		1,493,750	50,109	1,456,800	50,148
Financial liabilities at fair value through profit or loss	IV, V and VI	5,906,954	198,153	4,967,738	171,006
Securities sold under agreements to repurchase	IV, VI and VII	34,700,066	1,164,041	20,369,249	701,179
Payables	VI and VII	21,708,908	728,242	22,153,186	762,588
Deposits and remittances	VI and VII	1,546,637,918	51,883,191	1,539,774,066	53,004,271
Financial debentures payable	IV and VI	42,682,909	1,431,832	42,518,631	1,463,636
Other financial liabilities	VI	18,243,674	611,999	17,426,191	599,869
Provisions	IV, V and VI	2,009,409	67,407	2,009,384	69,170
Deferred tax liabilities	IV and V	450,777	15,122	538,050	18,522
Other liabilities	VI and VII	4,590,421	153,989	4,219,338	145,244
Total liabilities		1,752,420,987	58,786,346	1,712,364,406	58,945,419
Equity					
Equity attribute to equity holders of parent					
Capital stock	VI	52,277,026	1,753,674	52,277,026	1,799,554
Capital reserves	VI	15,213,292	510,342	15,213,292	523,693
Retained earnings	VI				
Legal reserves		22,360,652	750,106	22,360,652	769,730
Special reserves		271,009	9,091	271,009	9,329
Undistributed earnings		14,506,805	486,642	10,910,914	375,590
Other equity		1,463,835	49,106	1,403,373	48,309
Subtotal		106,092,619	3,558,961	102,436,266	3,526,205
Non-controlling interests	VI	3,120,863	104,692	2,967,014	102,135
Total equity		109,213,482	3,663,653	105,403,280	3,628,340
Total liabilities and equity		$1,861,634,469	$62,449,999	$1,817,767,686	$62,573,759

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated balance sheets (continued)

31 March 2012 and 1 January 2012

(Expressed in thousands of dollars)

Liabilities and equity	Notes	2012.3.31 NT$	2012.3.31 US$	2012.1.1 NT$	2012.1.1 US$
Liabilities					
Due to the Central Bank and call loans from banks	VI and VII	$61,202,797	$2,074,671	$62,275,073	$2,057,320
Funds borrowed from the Central Bank and other banks		1,476,500	50,051	1,514,500	50,033
Financial liabilities at fair value through profit or loss	IV, V and VI	3,999,420	135,574	4,835,152	159,734
Securities sold under agreements to repurchase	IV, VI and VII	16,309,936	552,879	13,546,462	447,521
Payables	VI and VII	34,612,118	1,173,292	20,377,945	673,206
Deposits and remittances	VI and VII	1,514,017,328	51,322,621	1,484,029,187	49,026,402
Financial debentures payable	IV and VI	35,646,552	1,208,358	36,023,825	1,190,083
Other financial liabilities	VI	16,408,822	556,231	10,611,073	350,548
Provisions	IV, V and VI	2,027,315	68,723	2,075,802	68,576
Deferred tax liabilities	IV and V	581,389	19,708	513,965	16,980
Other liabilities	VI and VII	3,549,246	120,313	3,246,252	107,243
Total liabilities		1,689,831,423	57,282,421	1,639,049,236	54,147,646
Equity					
Equity attribute to equity holders of parent					
Capital stock	VI	52,277,026	1,772,102	52,277,026	1,727,025
Capital reserves	VI	15,213,292	515,705	15,213,292	502,586
Retained earnings	VI				
Legal reserves		19,009,053	644,375	19,009,053	627,983
Special reserves		271,009	9,187	271,009	8,953
Undistributed earnings		12,437,444	421,608	8,977,468	296,580
Other equity		225,018	7,628	1,036,878	34,254
Subtotal		99,432,842	3,370,605	96,784,726	3,197,381
Non-controlling interests	VI	3,144,176	106,582	3,149,171	104,036
Total equity		102,577,018	3,477,187	99,933,897	3,301,417
Total liabilities and equity		$1,792,408,441	$60,759,608	$1,738,983,133	$57,449,063

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated statements of comprehensive income

For the three-month periods ended 31 March 2013 and 2012

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

Items	Notes	2013.1.1-2013.3.31 NT$	2013.1.1-2013.3.31 US$	2012.1.1-2012.3.31 NT$	2012.1.1-2012.3.31 US$
Interest income	IV, VI and VII	$8,660,646	$290,528	$8,539,606	$289,478
Interest expense	VI and VII	(3,372,673)	(113,139)	(3,283,843)	(111,317)
Net interest income		5,287,973	177,389	5,255,763	178,161
Noninterest income					
Net fee income	IV, VI and VII	2,083,505	69,893	1,817,018	61,594
Gain on financial assets and liabilities at fair value through profit or loss	VI and VII	563,553	18,905	404,291	13,705
Realized gain on available-for-sale financial assets		375,385	12,592	143,864	4,877
Gain on foreign currency exchange, net	IV	211,091	7,081	378,982	12,847
Investment income recognized by the equity method		2,613	88	6,792	230
Others	IV, VI and VII	170,458	5,718	205,939	6,981
Net noninterest income		3,406,605	114,277	2,956,886	100,234
Net operating income		8,694,578	291,666	8,212,649	278,395
Bad debt expense and losses on guarantees		124,184	4,166	317,373	10,758
Operating expenses					
Employee benefits expenses	IV, V and VI	(2,265,697)	(76,005)	(2,059,766)	(69,823)
Depreciation and amortization expenses	VI	(291,367)	(9,774)	(304,027)	(10,306)
Other general and administrative expenses	IV, VI and VII	(2,007,631)	(67,347)	(2,115,137)	(71,699)
Total operating expenses		(4,564,695)	(153,126)	(4,478,930)	(151,828)
Income from continuing operations before income taxes		4,254,067	142,706	4,051,092	137,325
Income tax expense	IV and VI	(590,579)	(19,811)	(516,632)	(17,513)
Net income		$3,663,488	$122,895	$3,534,460	$119,812
Other comprehensive income					
Exchange differences on translation of foreign operations	VI	$377,871	$12,676	$(574,277)	$(19,467)
Net gains(losses) on available-for-sale financial assets		(200,579)	(6,729)	(392,655)	(13,310)
Share of other comprehensive profit of associates		9,740	327	-	-
Income tax relating to components of other comprehensive income		(40,936)	(1,373)	75,593	2,562
Other comprehensive income		146,096	4,901	(891,339)	(30,215)
Total comprehensive income		$3,809,584	$127,796	$2,643,121	$89,597
Net income attributable to:					
Equity holders of the parent		$3,595,891	$120,627	$3,459,976	$117,287
Non-controlling interests		67,597	2,268	74,484	2,525
Net income		$3,663,488	$122,895	$3,534,460	$119,812
Net comprehensive income attributable to:					
Equity holders of the parent		$3,656,352	$122,655	$2,648,116	$89,766
Non-controlling interests		153,232	5,141	(4,995)	(169)
Total comprehensive income		$3,809,584	$127,796	$2,643,121	$89,597
Earnings per share (In Dollars)					
Net income from continuing operations	VI	$0.69	$0.023	$0.66	$0.022

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated statements of changes in equity

For the three-month periods ended 31 March 2013 and 2012

(Expressed in thousands of dollars)

	Equity attributable to equity holders of the parent																		Non-controlling Interests		Total Equity	
					Retained earnings						Equity adjustment											
	Capital stock		Capital reserves		Legal reserves		Special reserves		Undistributed earnings		Foreign currency translation adjustment		Unrealized gains or losses on available-for-sale financial assets		Others		Total					
Items	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Balance,1January2012	$52,277,026	$1,772,103	$15,213,292	$515,705	$19,009,053	$644,374	$271,009	$9,187	$8,977,468	$304,321	$(51,219)	$(1,736)	$1,089,282	$36,925	$(1,185)	$(40)	$96,784,726	$3,280,839	$3,149,171	$106,751	$99,933,897	$3,387,590
Netincome	-	-	-	-	-	-	-	-	3,459,976	117,287	-	-	-	-	-	-	3,459,976	117,287	74,484	2,525	3,534,460	119,812
Netcomprehensiveincome	-	-	-	-	-	-	-	-	-	-	(410,682)	(13,922)	(401,178)	(13,599)	-	-	(811,860)	(27,521)	(79,479)	(2,694)	(891,339)	(30,215)
Balance,31March2012	$52,277,026	$1,772,103	$15,213,292	$515,705	$19,009,053	$644,374	$271,009	$9,187	$12,437,444	$421,608	$(461,901)	$(15,658)	$688,104	$23,326	$(1,185)	$(40)	$99,432,842	$3,370,605	$3,144,176	$106,582	$102,577,018	$3,477,187
Balance,1January2013	$52,277,026	$1,753,674	$15,213,292	$510,342	$22,360,652	$750,106	$271,009	$9,091	$10,910,914	$366,015	$(601,247)	$(20,169)	$2,005,850	$67,288	$(1,230)	$(41)	$102,436,266	$3,436,306	$2,967,014	$99,531	$105,403,280	$3,535,837
Netincome	-	-	-	-	-	-	-	-	3,595,891	120,627	-	-	-	-	-	-	3,595,891	120,627	67,597	2,268	3,663,488	122,895
Netcomprehensiveincome	-	-	-	-	-	-	-	-	-	-	251,398	8,433	(190,936)	(6,405)	-	-	60,462	2,028	85,635	2,873	146,097	4,901
ChangeinNon-controllinginterests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	617	20	617	20
Balance,31March2013	$52,277,026	$1,753,674	$15,213,292	$510,342	$22,360,652	$750,106	$271,009	$9,091	$14,506,805	$486,642	$(349,849)	$(11,736)	$1,814,914	$60,883	$(1,230)	$(41)	$106,092,619	$3,558,961	$3,120,863	$104,692	$109,213,482	$3,663,653

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Its Subsidiaries

Consolidated statements of cash flows

For the three-month periods ended 31 March 2013 and 2012

(Expressed in thousands of dollars)

Items	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Operating activities				
Net income before tax from continuing operations	$4,254,067	$142,706	$4,051,092	$137,325
Adjustment items:				
Non-cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation and amortization expenses	291,367	9,774	304,027	10,306
Reversal of bad debt expenses	(124,184)	(4,166)	(317,373)	(10,758)
Net interest income	(5,287,973)	(177,389)	(5,255,763)	(178,161)
Dividends income	(829)	(28)	(1,252)	(42)
Proportionate share of gains from associates or joint venture under equity method	(2,613)	(88)	(6,792)	(230)
(Gain) loss on disposal of property and equipment	308	10	(267)	(9)
Foreign currency translation adjustment	(17,826)	(598)	55,109	1,867
Change in operating assets and liabilities				
(Increase)decrease in due from the Central Bank and call loans to banks	421,575	14,142	(1,231,120)	(41,733)
(Increase)decrease in financial assets at fair value through profit or loss	(35,526,089)	(1,191,751)	2,390,680	81,040
Increase in derivative financial assets for hedging	(29,978)	(1,006)	(37,600)	(1,275)
(Increase)decrease in receivables	(18,921,020)	(634,721)	3,905,523	132,391
(Increase)decrease in discounts and loans	3,367,837	112,977	(7,804,773)	(264,569)
Increase in available-for-sale financial assets	(17,609,717)	(590,732)	(16,350,163)	(554,243)
Increase in held-to-maturity financial assets	(28,519,632)	(956,713)	(1,731,004)	(58,678)
Decrease in other financial assets	7,693	258	15,257	517
(Increase)decrease in investments in debt securities with no active market	22,556,520	756,676	(14,237,569)	(482,629)
(Increase)decrease in deferred tax assets	98,246	3,296	(142,664)	(4,836)
Increase in other assets	(182,701)	(6,129)	(179,398)	(6,081)
Increase(decrease) in funds borrowed from the Central Bank and other banks	16,736,056	561,424	(806,144)	(27,327)
Increase(decrease) in financial liabilities at fair value through profit or loss	939,216	31,507	(835,733)	(28,330)
Increase in securities sold under agreements to repurchase	14,330,817	480,739	2,763,474	93,677
Increase(decrease) in payables	(1,478,612)	(49,601)	13,636,694	462,261
Increase in deposits and remittances	6,168,559	206,929	30,353,008	1,028,916
Increase in other financial liabilities	817,483	27,423	5,797,749	196,534
Increase(decrease) in provisions	25	1	(48,487)	(1,644)
Increase(decrease) in deferred tax liabilities	(51,491)	(1,727)	143,017	4,848
Increase(decrease) in other liabilities	(175,057)	(5,872)	362,046	12,273
Interest received	8,702,768	291,941	8,218,592	278,596
Cash dividends received	829	28	1,252	42
Interest paid	(3,030,489)	(101,660)	(2,723,859)	(92,334)
Income tax paid	(118,978)	(3,991)	(179,657)	(6,090)
Net cash flows from (used in) operating activities	(32,383,823)	(1,086,341)	20,107,902	681,624
Investing activities				
Purchase of property and equipment	(245,264)	(8,227)	(181,794)	(6,162)
Proceeds from sale of property and equipment	-	-	359	12
Purchase of intangible assets	(8,846)	(297)	(6,760)	(229)
(Increase)decrease in other assets	3,344	112	(54,577)	(1,850)
Net cash flows used in investing activities	(250,766)	(8,412)	(242,772)	(8,229)
Financing activities				
Increase(decrease) in due to the Central Bank and call loans from banks	36,950	1,240	(38,000)	(1,288)
Increase(decrease) in financial debentures payable	164,278	5,511	(304,294)	(10,315)
Decrease in other liabilities	(64,638)	(2,168)	(10,548)	(358)
Net cash flows from (used in) financing activities	136,590	4,582	(352,842)	(11,961)
Effects of foreign exchange rate changes	516,977	17,342	(826,995)	(28,034)
Net increase(decrease) in cash and cash equivalents	(31,981,022)	(1,072,829)	18,685,293	633,400
Cash and cash equivalents at beginning of the period	102,950,210	3,453,546	92,486,585	3,135,138
Cash and cash equivalents at end of the period	$70,969,188	$2,380,717	$111,171,878	$3,768,538
The components of cash and cash equivalents				
Cash and cash equivalents in balance sheet	$35,615,573	$1,194,752	$32,206,449	$1,091,744
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	33,065,689	1,109,215	70,536,029	2,391,052
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	2,287,926	76,750	8,429,400	285,742
Cash and cash equivalents at end of the period	$70,969,188	$2,380,717	$111,171,878	$3,768,538

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

I. Business

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

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

The Bank merged with Lucky Bank on 1 January 2007. The Bank was the surviving entity after this merger and Lucky Bank was the extinguished entity. In addition, the Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation ("CUTIC") on 29 December 2007.

As of 31 March 2013 and 2012, the Bank and its subsidiaries employed 8,227 and 7,136 employees, respectively.

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

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

The consolidated financial statements of the Bank and its subsidiaries ("the Group") for the three-month periods ended 31 March 2013 and 2012 were authorized for issue in accordance with the Board of Directors' resolution on 30 April 2013.

III. Newly issued or revised standards and interpretations

1. Standards or interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission ("FSC"), but not yet adopted by the Group at the date of issuance of the Group's financial statements are listed below.

   IFRS 9 *Financial Instruments*

   IFRS 9 *Financial Instruments* which is divided in three distinct phases is designed by the International Accounting Standards Board ("IASB") to eventually replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The first phase relates to the classification and measurement of financial assets and liabilities that must be applied for annual periods beginning on or after 1 January 2015. The IASB will work on the remaining phases relate to impairment methodology and hedge accounting. However companies adopting International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as recognized by the FSC (collectively referred to as "TIFRS") may not early adopt IFRS 9. FSC will announce the local effective date for IFRS 9 in the future. Adopting the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets. The impact of adopting the remaining two phases of IFRS 9 on the Group could not be determined at this stage.

2. Standards issued by the IASB but not yet recognized by the FSC are listed below.

Standards or interpretations	Effective date
Improvements to IFRSs 2010:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Annual periods beginning on or after 1 January 2011
IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 July 2010
IFRS 7 *Financial Instruments: Disclosures*	Annual periods beginning on or after 1 January 2011
IAS 1 *Presentation of Financial Statements*	Annual periods beginning on or after 1 January 2011
IAS 34 *Interim Financial Reporting*	Annual periods beginning on or after 1 January 2011
IFRIC 13 *Customer Loyalty Programmes*	Annual periods beginning on or after 1 January 2011
Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendments to IFRS 1)	Annual periods beginning on or after 1 July 2010
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)	Annual periods beginning on or after 1 July 2011
Amendments to IFRS 7	Annual periods beginning on or after 1 July 2011
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 *Income Taxes*)	Annual periods beginning on or after 1 January 2012
IFRS 10 *Consolidated Financial Statements*	Annual periods beginning on or after 1 January 2013

Standards or interpretations	Effective date
IAS 27 *Separate Financial Statements*	Annual periods beginning on or after 1 January 2013
IFRS 11 *Joint Arrangements*	Annual periods beginning on or after 1 January 2013
IAS 28 *Investments in Associates and Joint Ventures*	Annual periods beginning on or after 1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	Annual periods beginning on or after 1 January 2013
IFRS 13 *Fair Value Measurement*	Annual periods beginning on or after 1 January 2013
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	Annual periods beginning on or after 1 July 2012
Amendments to IAS 19 *Employee Benefits*	Annual periods beginning on or after 1 January 2013
Government Loans (Amendments to IFRS 1)	Annual periods beginning on or after 1 January 2013
Disclosures－Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	Annual periods beginning on or after 1 January 2013
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 *Financial Instruments: Presentation*)	Annual periods beginning on or after 1 January 2014
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	Annual periods beginning on or after 1 January 2013
Annual Improvements 2009-2011 Cycle:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Annual periods beginning on or after 1 January 2013
IAS 1 *Presentation of Financial Statements*	Annual periods beginning on or after 1 January 2013
IAS 16 *Property, Plant and Equipment*	Annual periods beginning on or after 1 January 2013
IAS 32 *Financial Instruments: Presentation*	Annual periods beginning on or after 1 January 2013
IAS 34 *Interim Financial Reporting*	Annual periods beginning on or after 1 January 2013
Amendments to IFRS 10 *Consolidated Financial Statements*	Annual periods beginning on or after 1 January 2014

The adoption of the following standards or interpretations could have a material impact on the Group's financial statements in the period of initial application.

Improvements to IFRSs 2010

IFRS 7 *Financial Instruments: Disclosures*
The amendment emphasizes the interaction between qualitative and quantitative disclosures to and the nature and extent of risks associated with financial instruments.

Amendments to IFRS 7 "*Financial Instruments: Disclosures*"

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when financial assets are derecognized in their entirety, but the entity has a continuing involvement in them, or financial assets are not derecognized in their entirety.

IFRS 12 "*Disclosures of Interests in Other Entities*"

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

IFRS 13 "*Fair Value Measurement*"

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosure is required.

IAS 1 "*Presentation of Financial Statements*" — *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified.

IAS 19 "*Employee Benefits*" *(Revised)*

The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in Other Comprehensive Income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, etc..

Improvements to International Financial Reporting Standards (2009-2011 cycles):

IAS 1 *"Presentation of Financial Statements"*

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

The above-mentioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Group's financial statements. Since the local effective dates are not to be determined by FSC, it is not practicable to estimate their impact on the Group at this point in time.

IV. Summary of significant accounting policies

1. Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended 31 March 2013 and 2012 have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks", the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and IAS 34 "*Interim Financial Reporting*" and IFRS 1 *"First-time Adoption of International Financial Reporting Standards"* as recognized by the FSC.

2. Basis of preparation

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

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

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

3. Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of ownership (%)			
			2013.3.31	2012.12.31	2012.3.31	2012.1.1
The Bank	Indovina Bank Limited ("Indovina Bank") Indovina Bank was incorporated in Vietnam on 29 October 1992.	Wholesale banking	50%	50%	50%	50%

Investor	Subsidiary	Business nature	Percentage of ownership (%)			
			2013.3.31	2012.12.31	2012.3.31	2012.1.1
The Bank	Singapore Banking Corporation ("SBC Bank") SBC Bank was incorporated in Cambodia on 5 July 1993.	Wholesale banking	70%	70%	-	-

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012 and for the three-month periods ended 31 March 2013 and 2012, respectively, the consolidated financial statements excluded the following subsidiaries because their total assets and operating revenues had immaterial impact to the Bank.

Investor	Subsidiary	Business nature	Percentage of ownership (%)			
			2013.3.31	2012.12.31	2012.3.31	2012.1.1
The Bank	Seaward Card Co., Ltd. ("Seaward Card") Seaward Card was incorporated on 9 April 1999.	Dispatched work	100%	100%	100%	100%

4. Business combinations and goodwill

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

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

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

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

5. Investments in the associates

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

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

The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share of profit or loss of an associate in the statement of comprehensive income.

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

6. Foreign currency transactions

The consolidated financial statements are presented in NT dollars, which is also the Bank's functional currency. Each subsidiary determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

7. Translation of financial statements in foreign currency

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

8. Cash and cash equivalents

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

9. Bills and bonds under repurchase or resell agreements

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

10. Financial assets and financial liabilities

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

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

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

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

(2) Held-to-maturity financial assets

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

(3) Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity except for impairment loss and foreign currency exchange related gains or losses, until the investment is derecognized at which time the cumulative gain or loss previously reported in equity is transferred to income statement.

However, any difference between the initial amount and the maturity amount of available-for-sale financial assets shall be amortized by effective interest method as interest income or expense over the relevant periods.

(4) Loans and receivables

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

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

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

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

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

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

(5) Other financial assets

A. Investments in debt securities with no active market

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

B. Financial assets carried at cost

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

(6) Financial liabilities

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

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

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

11. Derivative financial instruments

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

12. Derecognition of financial assets and liabilities

(1) Financial assets

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

① The rights to receive cash flows from the asset have expired

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the Group allocates the previous carrying amount of the larger financial asset between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(2) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in income.

13. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

14. Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired when, and only when, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

Objective evidence may include:

(1) Significant financial difficulty of the issuer or obligor; or

(2) A breach of contract, such as a default or delinquency in interest or principal payments; or

(3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or

(4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(5) The disappearance of an active market for that financial asset because of financial difficulties; or

(6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

① Adverse changes in the payment status of borrowers in the group; or

② National or local economic conditions that correlate with defaults on the assets in the group.

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

(1) Available-for-sale financial assets

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

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

(2) Financial assets carried at amortized cost

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

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

(3) Loans and receivables

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

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

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

In addition, in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", the Bank shall allocate sufficient loan loss provision and reserves against liability on guarantees. The minimum loan loss provision and guarantee reserve shall be the sum of 0.5% of the outstanding balance of Category One credit asset's claim (excluding assets that represent claims against an ROC government agency), 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets.

15. Impairment of non-financial assets

The Bank and its subsidiaries assess at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "*Impairment of Assets*" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

16. Hedge accounting

The Bank uses its derivatives designated as hedging for accounting purposes as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

(1) Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;

(2) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction;

(3) Hedges of net investments in foreign operations.

A hedge of interest risk of the Bank's subordinated financial debentures is accounted for as a fair value hedge.

The Bank and its subsidiaries formally document at inception all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various accounting hedges. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value of the hedged items. The Bank assesses on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

For fair value hedges, the carrying amount of the hedged item is adjusted for gains or losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains or losses from both are taken to the income statement.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to the income statement. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

The Bank discontinues hedge accounting when it is determined a derivative is not expected to be or has ceased to be highly effective as a hedge, and then reflects changes in fair value in earnings after termination of the hedging relationship.

17. Financial guarantee contracts

Financial guarantee contracts issued by the Bank and its subsidiaries are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

18. Foreclosed properties

Foreclosed properties of the Bank represent assets acquired by repossession of collateral for realization and are stated at the lower of cost or net realizable value on the balance sheet date. If there is an objective evidence of impairment, the impairment loss shall be recognized.

19. Lease

All the leasing contracts of the Bank and its subsidiaries follow the regulations of IAS17 and SIC4 and are categorized as operating lease. If the Bank and its subsidiaries are the lessors, the asset in the operating lease is categorized under “Investment property” account. If the Bank and its subsidiaries are the lessees, the asset then is recorded as leased asset in the balance sheet. The rent payable and receivable of operating lease are recorded by its rental duration using straight-line method. They are recorded as “Other general and administrative expenses” and “Other net noninterest income”.

20. Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line method over the following estimated useful lives:

Building	5～60 years
Furniture and fixtures	3～ 8 years
Transportation equipment	3～ 8 years
Miscellaneous equipment	3～15 years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

21. Investment properties

Property held by the Bank to earn rentals or for capital appreciation or both, the Bank recognizes the property as investment properties. Investment properties comprise land and buildings leased under an operating lease.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

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

Depreciation is calculated on a straight-line method over the following estimated useful lives：

Building	5～60 years

22. Intangible assets

Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as finite, excluding goodwill.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

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

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

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

23. Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

Cathay Financial Holding Co., Ltd. has adopted the consolidated income tax return for income tax filings with its qualified subsidiaries, including the Bank, since 2003.

24. Employee benefits

Defined contribution plans

The Bank has a pension plan covering all full-time employees (the defined benefit plan). Under the plan, pension benefit payments for each employee are based on the employee's years of service and final average compensation. The Bank has established two employee retirement fund committees to supervise the employees' retirement fund based on the regulations of the employee retirement plan. Contribution to the pension fund is made to the separate accounts of the above two committees monthly. The Bank makes contributions to the pension plan, which is administered and operated by an independent employee retirement fund committee. The pension plan is not reflected in the consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

The Labor Pension Act of the ROC (the "Act"), which adopts a defined contribution pension plan, is effective on 1 July 2005. In accordance with the Act, employees of the Bank may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Act. For employees subject to the Act, the Bank shall make monthly contributions to the employees' individual pension accounts on a basis 6% of the employees' monthly wages. Monthly contributions are recognized as pension costs.

Defined benefit plans

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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

Employee preferential interest rate deposits

The Bank offers its employees with preferential deposit, including providing finite amount preferential interest rate deposits to current employees and providing the preferential interest rate deposits to current employees and retired employees after their retirement. The difference between the interest rate of preferential deposits and the market rate is recognized as employee benefits.

The finite amount preferential deposits that the Bank paid to its current employees are calculated monthly on accrual basis. The difference between the interest rate of preferential deposit and the market rate is recorded as "Employee benefits expenses". In accordance with Article 28 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", when the interest incurred from preferential interest rate deposits exceeds the interest generated from market rate, it should be considered the actuarial amount according to defined benefit plan regulated on IAS 19 "*Employee Benefits*" since the employee's retirement date.

25. Provisions

The provisions are recognized when：

(1) The Group has a present obligation (legal or constructive) as a result of a past event;
(2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(3) A reliable estimate can be made of the amount of the obligation.

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

26. Interest income

Interest income is recognized over the period by applying the interest rate method and measured except for delinquent accounts and troubled accounts whose interest is recognized when received.

27. Service fee

The Bank and its subsidiaries earn service fee from a diverse range of service it provide to its customers. Fee income can be divided into the following two categories：

(1) Fee income on transactions conducted or from services provided over a period of time.
(2) Fee income from providing transaction services.

The fair value of the award credits granted to the bank card holders is deferred and recognized as fee income when the award credits are redeemed or expire.

28. Operating segment information

An operating segment is a component of an entity that has the follow characteristics:

(1) Engaging in business activities from which it may earn revenues and incur expenses;

(2) Whose operating results are regularly reviewed by the entity’s chief operating decision marker to make decisions about resource to be allocated to the segment and assess its performance, and

(3) For which discrete financial information is available.

29. Basis for converting financial statements

The consolidated financial statements are stated in NT dollars. Translations of the 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012 NT dollar amounts into US dollar amounts are provided solely for the convenience of the readers, using the noon buying rates of NT$29.81, NT$29.05, NT$29.50 and NT$30.27 to US$1.00 on 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively, as provided by the Federal Reserve Bank of New York. The translation amounts are unreviewed. Such currency translation should not be construed as representations that the NT dollar amounts have been, could have been, or could in the future be, converted into US dollars at this rate or any other rate of exchange.

V. Significant accounting judgements, estimates and assumptions

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

1. Judgement

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

(1) Investment properties

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

(2) Operating lease commitment－the Bank and its subsidiaries as the lessor

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

2. Estimates and assumptions

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

(1) Impairment losses on loans and receivables

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

(2) Fair value of financial instruments

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

(3) Impairment of non-financial assets

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

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

(4) Award credits and deferred income

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

(5) Income tax

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

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

(6) Pension benefits

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

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

VI. Breakdown of Significant Accounts

1. Cash and cash equivalents

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Cash on hand	$13,024,168	$436,906	$13,255,565	$456,302
Checks for clearance	7,699,927	258,300	8,353,592	287,559
Due from commercial banks	14,891,478	499,546	13,365,129	460,073
Total	$35,615,573	$1,194,752	$34,974,286	$1,203,934

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Cash on hand	$12,014,151	$407,259	$11,995,509	$396,284
Checks for clearance	8,086,782	274,128	8,641,631	285,485
Due from commercial banks	12,105,516	410,357	9,487,981	313,445
Total	$32,206,449	$1,091,744	$30,125,121	$995,214

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

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Cash and cash equivalents in balance sheet	$35,615,573	$1,194,752	$34,974,286	$1,203,934
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	33,065,689	1,109,215	67,975,924	2,339,963
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	2,287,926	76,750	-	-
Cash and cash equivalents at end of the period in statement of cash flows	$70,969,188	$2,380,717	$102,950,210	$3,543,897

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Cash and cash equivalents in balance sheet	$32,206,449	$1,091,744	$30,125,121	$995,214
Due from the Central Bank and call loans to banks conformed to the definition of cash and cash equivalents in IAS7	70,536,029	2,391,052	60,052,676	1,983,900
Securities purchased under agreements to resell conformed to the definition of cash and cash equivalents in IAS7	8,429,400	285,742	2,308,788	76,273
Cash and cash equivalents at end of the period in statement of cash flows	$111,171,878	$3,768,538	$92,486,585	$3,055,387

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

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Call loans to banks	$22,374,064	$750,556	$30,984,776	$1,066,602
Due from the Central Bank － Statutory reserve on deposits	40,808,296	1,368,946	41,027,838	1,412,318
Due from the Central Bank － General deposits	10,691,625	358,659	36,991,148	1,273,361
Total	$73,873,985	$2,478,161	$109,003,762	$3,752,281

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Call loans to banks	$59,979,686	$2,033,210	$30,729,847	$1,015,191
Due from the Central Bank － Statutory reserve on deposits	41,268,698	1,398,939	40,048,865	1,323,055
Due from the Central Bank － General deposits	10,556,343	357,842	29,322,829	968,709
Total	$111,804,727	$3,789,991	$100,101,541	$3,306,955

(1) The Bank

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

As provided by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included NT$40,352,277 (US$1,353,649), NT$39,842,843 (US$1,371,526), NT$40,440,197 (US$1,370,854) and NT$39,432,413 (US$1,302,690) as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These non-interest bearing reserves may be withdrawn momentarily. As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the balances of foreign-currency deposit reserves were NT$186,719 (US$6,263), NT$215,606 (US$7,422), NT$168,321 (US$5,706) and NT$166,595 (US$5,504), respectively.

(2) Indovina Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the State Bank of Vietnam were NT$758,109 (US$26,097), NT$660,180 (US$22,379) and NT$449,857 (US$14,861) as of 31 December 2012, 31 March 2012 and 1 January 2012, respectively.

(3) SBC Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the National Bank of Cambodia were NT$269,300 (US$9,034), NT$211,280 (US$7,273) as of 31 March 2013 and 31 December 2012, respectively.

3. Financial assets at fair value through profit or loss

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Financial assets for trading :				
Short-term bills	$85,906,001	$2,881,785	$59,110,475	$2,034,784
Beneficiary securities	111,853	3,752	-	-
Bonds	8,998,344	301,857	3,197,378	110,065
Overseas financial instruments	1,006,311	33,757	974,079	33,531
Derivative financial instruments	7,445,041	249,750	4,655,954	160,274
Total	$103,467,550	$3,470,901	$67,937,886	$2,338,654

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Financial assets for trading :				
Stocks	$14,860,768	$503,755	$14,865,231	$491,088
Bonds	185,395	6,285	1,228,191	40,575
Overseas financial instruments	721,181	24,447	533,120	17,612
Derivative financial instruments	3,753,215	127,227	5,287,567	174,680
Total	$19,520,559	$661,714	$21,914,109	$723,955

(1) As of 31 March 2013, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT$50,000 (US$1,677). Such repurchase agreements amounting to NT$55,393 (US$1,858) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 March 2013 was settled at NT$55,457 (US$1,860) prior to 30 June 2013.

As of 31 December 2012, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT$2,950,500 (US$101,566). Such repurchase agreements amounting to NT$3,252,317 (US$111,956) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2012 was settled at NT$3,255,003 (US$112,048) prior to 31 March 2013.

As of 31 March 2012, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT$134,000 (US$4,542). Such repurchase agreements amounting to NT$148,778 (US$5,043) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 March 2012 was settled at NT$148,783 (US$5,043) prior to 30 April 2012.

(2) Net gains arising from financial assets at fair value through profit or loss for the three-month periods ended 31 March 2013 and 2012 were NT$722,006 (US$24,220) and NT$3,852,405 (US$130,590), respectively.

4. Derivative financial assets for hedging

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

In order to hedge the fair value risk from future market interest rate fluctuations, the Bank entered into interest rate swap transactions, where the interest rate payable on fixed-interest-rate financial debentures issued has been swapped with a floating interest rate. The fair value of the above interest rate swap transactions on 31 March 2013, 31 December 2012, 31 March 2012, and 1 January 2012 were NT$1,233,116 (US$41,366), NT$1,203,138 (US$41,416), NT$1,476,373 (US$50,047) and NT$1,438,773 (US$47,531), respectively. For the three-month periods ended 31 March 2013 and 2012, net gains (losses) on the hedging derivative financial instrument amounted to losses NT$371 (US$12) and gains NT$53,018 (US$1,797), respectively. For the three-month periods ended 31 March 2013 and 2012, net gains from the hedged risk of the hedged items amounted to NT$75,957 (US$2,548) and NT$40,990 (US$1,390), respectively.

5. Receivables, net

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Notes receivable	$104	$3	$-	$-
Accounts receivable	35,534,113	1,192,020	36,746,133	1,264,927
Interest receivable	3,290,714	110,390	3,248,886	111,838
Related party receivables for allocation of linked-tax system	-	-	246,573	8,488
Foreign currency receivable	83,994	2,818	88,657	3,052
Acceptances	828,926	27,807	1,639,720	56,445
Factoring receivable	29,991,766	1,006,097	9,151,418	315,023
Others	2,356,946	79,066	1,632,947	56,211
Total	72,086,563	2,418,201	52,754,334	1,815,984
Adjustment for discounts and premiums	(5,718)	(192)	(5,603)	(193)
Less: allowance for doubtful accounts	(1,938,367)	(65,024)	(2,006,455)	(69,069)
Net balance	$70,142,478	$2,352,985	$50,742,276	$1,746,722

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Notes receivable	$254	$9	$15	$1
Accounts receivable	36,963,168	1,252,989	39,796,588	1,314,720
Interest receivable	3,135,384	106,284	2,810,652	92,853
Related party receivables for allocation of linked-tax system	264,756	8,975	554,163	18,307
Foreign currency receivable	55,241	1,872	2,078,037	68,650
Acceptances	761,928	25,828	1,249,855	41,290
Factoring receivable	878,839	29,791	1,370,952	45,291
Others	2,760,650	93,581	807,640	26,681
Total	44,820,220	1,519,329	48,667,902	1,607,793
Adjustment for discounts and premiums	(3,320)	(113)	(2,638)	(87)
Less: allowance for doubtful accounts	(2,000,169)	(67,802)	(2,754,511)	(90,998)
Net balance	$42,816,731	$1,451,414	$45,910,753	$1,516,708

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

	2013.1.1 - 2013.3.31					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$116,138	$3,896	$1,890,317	$63,412	$2,006,455	$67,308
Reversal of doubtful accounts	(125,209)	(4,200)	-	-	(125,209)	(4,200)
Write-offs	(86,644)	(2,906)	-	-	(86,644)	(2,906)
Debt counseling recoveries	36,061	1,210	-	-	36,061	1,210
Recoveries	142,859	4,792	-	-	142,859	4,792
Reclassification	44,296	1,485	(80,357)	(2,695)	(36,061)	(1,210)
Effects of exchange rates change	-	-	906	30	906	30
Balance, end of the period	$127,501	$4,277	$1,810,866	$60,747	$1,938,367	$65,024

	2012.1.1 - 2012.3.31					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$129,860	$4,402	$2,624,651	$88,971	$2,754,511	$93,373
Reversal of doubtful accounts	(815,699)	(27,651)	-	-	(815,699)	(27,651)
Write-offs	(79,181)	(2,684)	-	-	(79,181)	(2,684)
Debt counseling recoveries	38,818	1,316	-	-	38,818	1,316
Recoveries	142,291	4,823	-	-	142,291	4,823
Reclassification	702,909	23,828	(717,645)	(24,327)	(14,736)	(499)
Effects of exchange rates change	-	-	(25,835)	(876)	(25,835)	(876)
Balance, end of the period	$118,998	$4,034	$1,881,171	$63,768	$2,000,169	$67,802

(2) Impairment assessment of receivables － the Bank

Item		Receivables			
		2013.3.31		2012.12.31	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$42,086	$1,412	$37,241	$1,282
	Collective assessment	160,166	5,373	140,445	4,835
Without objective evidence of impairment	Collective assessment	72,294,318	2,425,170	52,562,725	1,809,388

Item		Receivables			
		2012.3.31		2012.1.1	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$38,781	$1,315	$22,516	$744
	Collective assessment	143,932	4,879	154,121	5,092
Without objective evidence of impairment	Collective assessment	44,300,585	1,501,715	48,158,859	1,590,977

<table>
<tr><th colspan="2" rowspan="3">Item</th><th colspan="4">Allowance for doubtful accounts</th></tr>
<tr><th colspan="2">2013.3.31</th><th colspan="2">2012.12.31</th></tr>
<tr><th>NT$</th><th>US$</th><th>NT$</th><th>US$</th></tr>
<tr><td rowspan="2">With objective evidence of impairment</td><td>Individual assessment</td><td>$8,108</td><td>$272</td><td>$5,208</td><td>$179</td></tr>
<tr><td>Collective assessment</td><td>119,393</td><td>4,005</td><td>110,930</td><td>3,819</td></tr>
<tr><td>Without objective evidence of impairment</td><td>Collective assessment</td><td>1,810,866</td><td>60,747</td><td>1,890,317</td><td>65,071</td></tr>
</table>

<table>
<tr><th colspan="2" rowspan="3">Item</th><th colspan="4">Allowance for doubtful accounts</th></tr>
<tr><th colspan="2">2012.3.31</th><th colspan="2">2012.1.1</th></tr>
<tr><th>NT$</th><th>US$</th><th>NT$</th><th>US$</th></tr>
<tr><td rowspan="2">With objective evidence of impairment</td><td>Individual assessment</td><td>$5,214</td><td>$177</td><td>$4,327</td><td>$143</td></tr>
<tr><td>Collective assessment</td><td>113,784</td><td>3,857</td><td>125,533</td><td>4,147</td></tr>
<tr><td>Without objective evidence of impairment</td><td>Collective assessment</td><td>1,881,171</td><td>63,768</td><td>2,624,651</td><td>86,708</td></tr>
</table>

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

6. Discounts and loans, net

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Outward documentary bills	$1,877,041	$62,967	$1,764,969	$60,756
Overdrafts	982,499	32,959	594,231	20,455
Short-term loans	218,118,088	7,316,943	221,898,435	7,638,500
Medium-term loans	349,261,502	11,716,253	347,094,239	11,948,167
Long-term loans	438,638,197	14,714,465	439,958,850	15,144,883
Delinquent accounts	4,351,445	145,973	4,177,439	143,802
Total	1,013,228,772	33,989,560	1,015,488,163	34,956,563
Adjustment for discounts and premium	1,087,202	36,471	1,097,491	37,780
Less: allowance for doubtful accounts	(13,863,122)	(465,050)	(13,402,461)	(461,359)
Net balance	$1,000,452,852	$33,560,981	$1,003,183,193	$34,532,984

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Outward documentary bills	$417,320	$14,146	$355,418	$11,741
Overdrafts	500,854	16,978	497,529	16,436
Short-term loans	273,247,411	9,262,624	264,838,787	8,749,217
Medium-term loans	292,503,353	9,915,368	284,204,215	9,388,973
Long-term loans	448,472,844	15,202,470	457,332,942	15,108,456
Delinquent accounts	3,325,998	112,746	3,429,956	113,312
Total	1,018,467,780	34,524,332	1,010,658,847	33,388,135
Adjustment for discounts and premium	988,405	33,505	866,690	28,632
Less: allowance for doubtful accounts	(10,686,523)	(362,255)	(9,599,743)	(317,137)
Net balance	$1,008,769,662	$34,195,582	$1,001,925,794	$33,099,630

(1) As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the accounts without interest accrued were NT$3,530,867 (US$118,446), NT$3,802,624 (US$130,899), NT$2,607,249 (US$88,381) and NT$2,987,964 (US$98,710), respectively. The non-accrued interest on such accounts amounted to NT$70,139 (US$2,353) and NT$17,989 (US$610) for the three-month periods ended 31 March 2013 and 2012, respectively.

(2) Please refer to Notes XII.4 for details on loans by industries and geographic regions.

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

① The Bank

	2013.1.1 - 2013.3.31					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$3,838,785	$128,775	$9,198,147	$308,559	$13,036,932	$437,334
Provision of doubtful accounts	80,116	2,687	-	-	80,116	2,687
Write-offs	(19,875)	(667)	-	-	(19,875)	(667)
Debt counseling recoveries	29,319	984	-	-	29,319	984
Recoveries	373,264	12,522	-	-	373,264	12,522
Reclassification	103,208	3,462	(67,147)	(2,252)	36,061	1,210
Effects of exchange rates change	-	-	27,968	938	27,968	938
Balance, end of the period	$4,404,817	$147,763	$9,158,968	$307,245	$13,563,785	$455,008

	2012.1.1 - 2012.3.31					
	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of the period	$3,059,807	$103,722	$6,247,744	$211,788	$9,307,551	$315,510
Provision of doubtful accounts	498,326	16,893	-	-	498,326	16,893
Write-offs	(26,615)	(902)	-	-	(26,615)	(902)
Debt counseling recoveries	19,502	661	-	-	19,502	661
Recoveries	572,809	19,417	-	-	572,809	19,417
Reclassification	(589,646)	(19,988)	604,382	20,487	14,736	499
Balance, end of the period	$3,534,183	$119,803	$6,852,126	$232,275	$10,386,309	$352,078

② Indovina Bank

	2013.1.1 - 2013.3.31		2012.1.1 - 2012.3.31	
	NT$	US$	NT$	US$
Balance, beginning of the period	$355,255	$11,917	$292,192	$9,905
Reversal of doubtful accounts	(79,091)	(2,653)	-	-
Effects of exchange rates change, etc.	13,011	437	8,022	272
Balance, end of the period	$289,175	$9,701	$300,214	$10,177

③ SBC Bank

	2013.1.1 - 2013.3.31	
	NT$	US$
Balance, beginning of the period	$10,274	$345
Write-offs	(374)	(13)
Effects of exchange rates change, etc.	262	9
Balance, end of the period	$10,162	$341

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

Item		Discounts and loans			
		2013.3.31		2012.12.31	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$24,962,527	$837,388	$24,407,642	$840,194
	Collective assessment	6,112,267	205,041	2,346,283	80,767
Without objective evidence of impairment	Collective assessment	964,899,284	32,368,309	971,701,928	33,449,292

Item		Discounts and loans			
		2012.3.31		2012.1.1	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$23,634,046	$801,154	$13,764,770	$454,733
	Collective assessment	1,854,996	62,881	1,864,050	61,581
Without objective evidence of impairment	Collective assessment	976,824,292	33,112,688	976,913,511	32,273,324

Item		Allowance for doubtful account			
		2013.3.31		2012.12.31	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$3,357,584	$112,633	$3,413,547	$117,506
	Collective assessment	1,047,233	35,130	425,238	14,638
Without objective evidence of impairment	Collective assessment	9,158,968	307,245	9,198,147	316,632

Item		Allowance for doubtful account			
		2012.3.31		2012.1.1	
		NT$	US$	NT$	US$
With objective evidence of impairment	Individual assessment	$3,177,745	$107,720	$2,645,588	$87,400
	Collective assessment	356,438	12,083	414,219	13,684
Without objective evidence of impairment	Collective assessment	6,852,126	232,275	6,247,744	206,401

Note: discounts and loans shall refer to amounts originated excluded allowance for doubtful accounts and discount or premium.

7. Available-for-sale financial assets, net

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Stocks	$12,465,781	$418,174	$11,631,383	$400,392
Mutual funds and beneficiary securities	359,477	12,059	1,271,338	43,764
Bonds	38,397,801	1,288,085	34,012,397	1,170,822
Overseas financial instruments	31,722,471	1,064,155	17,478,521	601,670
Subtotal	82,945,530	2,782,473	64,393,639	2,216,648
Accumulated impairment	(438,941)	(14,724)	(438,311)	(15,088)
Net balance	$82,506,589	$2,767,749	$63,955,328	$2,201,560

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Stocks	$6,191,620	$209,885	$6,765,923	$223,519
Mutual funds and beneficiary securities	888,122	30,106	1,230,942	40,666
Bonds	31,680,544	1,073,917	30,538,020	1,008,854
Overseas financial instruments	25,023,689	848,260	9,304,550	307,385
Net balance	$63,783,975	$2,162,168	$47,839,435	$1,580,424

(1) As of 31 March 2013, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT$32,078,650 (US$1,076,104). Such repurchase agreements amounting to NT$34,644,673 (US$1,162,183) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 31 March 2013 was settled at NT$34,659,146 (US$1,162,668) prior to 30 September 2013.

As of 31 December 2012, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT$15,936,600 (US$548,592). Such repurchase agreements amounting to NT$17,116,932 (US$589,223) was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2012 was settled at NT$17,125,290 (US$589,511) prior to 30 June 2013.

As of 31 March 2012, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT$15,976,300 (US$541,569). Such repurchase agreements amounting to NT$16,161,158 (US$547,836) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 March 2012 was settled at NT$16,199,577 (US$549,138) prior to 30 June 2012.

As of 1 January 2012, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT$13,088,400 (US$432,389). Such repurchase agreements amounting to NT$13,546,462 (US$447,521) was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 1 January 2012 was settled at NT$13,557,277 (US$447,878) prior to 31 March 2012.

(2) Available-for-sale financial assets of NT$1,581,798 (US$53,063), NT$1,603,158 (US$55,186), NT$1,687,659 (US$57,209) and NT$1,504,328 (US$49,697) as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively, were pledged to other parties as collateral for business reserves and guarantees.

8. Held-to-maturity financial assets, net

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Bonds	$959,185	$32,177	$2,088,844	$71,905
Overseas financial instruments	48,266,445	1,619,136	19,580,130	674,015
Net balance	$49,225,630	$1,651,313	$21,668,974	$745,920

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Bonds	$2,414,103	$81,834	$2,446,128	$80,811
Overseas financial instruments	18,634,378	631,674	16,900,723	558,332
Net balance	$21,048,481	$713,508	$19,346,851	$639,143

Held-to-maturity financial assets of NT$805,452 (US$27,020), NT$610,570 (US$21,018), NT$487,257 (US$16,517) and NT$635,080 (US$20,981) as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively, were pledged to other parties as collateral of business reserves and guarantees.

9. Investments accounted for using equity method, net

	2013.3.31		
	Carrying value		% of ownership
	NT$	US$	
Seaward Card Co., Ltd.	$39,887	$1,338	100.00
Taiwan Real-estate Management Corp.	104,410	3,503	30.15
Taiwan Finance Corp.	1,410,562	47,318	24.57
Vista Technology Venture Capital Corp.	1,415	47	4.76
Total	$1,556,274	$52,206	

	2012.12.31		
	Carrying value		% of ownership
	NT$	US$	
Seaward Card Co., Ltd.	$39,752	$1,368	100.00
Taiwan Real-estate Management Corp.	105,357	3,627	30.15
Taiwan Finance Corp.	1,418,699	48,837	24.57
Vista Technology Venture Capital Corp.	1,419	49	4.76
Total	$1,565,227	$53,881	

	2012.3.31		
	Carrying value		% of ownership
	NT$	US$	
Seaward Card Co., Ltd.	$39,465	$1,338	100.00
Taiwan Real-estate Management Corp.	98,985	3,356	30.15
Taiwan Finance Corp.	1,410,968	47,829	24.57
Vista Technology Venture Capital Corp.	5,202	176	4.76
Total	$1,554,620	$52,699	

	2012.1.1		
	Carrying value		% of ownership
	NT$	US$	
Seaward Card Co., Ltd.	$39,202	$1,295	100.00
Taiwan Real-estate Management Corp.	98,115	3,241	30.15
Taiwan Finance Corp.	1,405,308	46,426	24.57
Vista Technology Venture Capital Corp.	5,203	172	4.76
Total	$1,547,828	$51,134	

(1) The shares of the associates that the Bank invested in are not publicly traded and the associates are not significantly restricted in terms of ability to transfer funds to the investors in the form of cash dividends, repayment of loans or advances.

(2) The equity method of accounting was applied to Vista Technology Venture Capital Corp. due to the fact that the Bank and its related parties held more than 20% of the company's common stock.

(3) No investment in the associates was pledged.

(4) The carrying amounts of investments accounted for using equity method were NT$1,556,274 (US$52,206), NT$1,565,227 (US$53,881), NT$1,554,620 (US$52,699), and NT$1,547,828 (US$51,134) as at 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively. The share of the profit or loss of these associates and joint ventures accounted for using the equity method amounted to NT$2,613 (US$88) and NT$6,792 (US$230) for the three-month periods ended 31 March 2013 and 2012, respectively, which were recognized based on the investees' unreviewed financial statements. No material adjustments were anticipated, have those financial statements been reviewed.

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

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Total assets	$40,290,903	$1,351,590	$39,180,129	$1,348,713
Total liabilities	(34,133,992)	(1,145,052)	(32,987,120)	(1,135,529)
Net assets	$6,156,911	$206,538	$6,193,009	$213,184

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Total assets	$38,127,194	$1,292,447	$36,536,006	$1,207,004
Total liabilities	(31,907,491)	(1,081,610)	(30,342,471)	(1,002,394)
Net assets	$6,219,703	$210,837	$6,193,535	$204,610

	2013.1.1 - 2013.3.31		2012.1.1 - 2012.3.31	
	NT$	US$	NT$	US$
Revenue	$219,591	$7,366	$216,768	$7,348
Net income	34,804	1,168	26,146	886

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

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Preferred stocks	$549,730	$18,441	$549,730	$18,923
Short-term bills	389,300,000	13,059,376	410,100,000	14,117,040
Bonds	95,586	3,206	95,586	3,290
Overseas financial instruments	12,755,418	427,891	14,572,080	501,621
Subtotal	402,700,734	13,508,914	425,317,396	14,640,874
Less: accumulated impairment	(1,213,591)	(40,711)	(1,273,733)	(43,846)
Net balance	$401,487,143	$13,468,203	$424,043,663	$14,597,028

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Preferred stocks	$549,730	$18,635	$549,730	$18,161
Short-term bills	415,250,000	14,076,271	407,350,000	13,457,218
Bonds	95,586	3,240	95,586	3,158
Overseas financial instruments	24,992,782	847,213	18,692,534	617,527
Subtotal	440,888,098	14,945,359	426,687,850	14,096,064
Less: accumulated impairment	(1,510,263)	(51,195)	(1,547,584)	(51,126)
Net balance	$439,377,835	$14,894,164	$425,140,266	$14,044,938

NT$50,100,000 (US$1,680,644), NT$50,100,000 (US$1,724,613), NT$50,100,000 (US$1,698,305) and NT$38,500,000 (US$1,271,886) of certificates of deposit as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively, were pledged to other parties as collateral for business reserves and guarantees.

11. Property and equipment, net

	Land		Buildings		Office equipment		Transportation equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Cost:																
2012.1.1	$14,062,240	$476,686	$10,734,586	$363,884	$4,391,157	$148,853	$86,580	$2,935	$16,115	$546	$5,550,996	$188,170	$136,041	$4,611	$34,977,715	$1,185,685
Additions	-	-	59	2	36,354	1,232	-	-	-	-	14,609	495	130,772	4,433	181,794	6,162
Transfers	-	-	-	-	-	-	-	-	-	-	22,992	779	(22,992)	(779)	-	-
Disposals	-	-	-	-	(19,244)	(652)	(1,928)	(66)	-	-	(29,490)	(999)	-	-	(50,662)	(1,717)
Exchange differences	-	–	(2,871)	(97)	(5,351)	(182)	(1,333)	(45)	(1,064)	(36)	(1,340)	(46)	(2,169)	(73)	(14,128)	(479)
2012.3.31	$14,062,240	$476,686	$10,731,774	$363,789	$4,402,916	$149,251	$83,319	$2,824	$15,051	$510	$5,557,767	$188,399	$241,652	$8,192	$35,094,719	$1,189,651

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	Land		Buildings		Office equipment		Transportation equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
2013.1.1	$13,753,748	$461,380	$10,506,641	$352,454	$4,555,618	$152,822	$108,458	$3,638	$15,855	$532	$5,423,162	$181,924	$305,134	$10,236	$34,668,616	$1,162,986
Additions	-	-	-	-	121,861	4,088	-	-	432	14	20,854	699	102,117	3,426	245,264	8,227
Transfers	-	-	(17,786)	(597)	40,596	1,362	(80)	(2)	(312)	(11)	68,546	2,300	(93,781)	(3,146)	(2,817)	(94)
Disposals	-	-	-	-	(325,615)	(10,923)	(285)	(9)	-	-	(14,824)	(498)	-	-	(340,724)	(11,430)
Exchange differences	3,204	108	3,346	112	13,128	440	2,187	73	402	14	930	32	4,190	140	27,387	919
2013.3.31	$13,756,952	$461,488	$10,492,201	$351,969	$4,405,588	$147,789	$110,280	$3,700	$16,377	$549	$5,498,668	$184,457	$317,660	$10,656	$34,597,726	$1,160,608

	Land		Buildings		Office equipment		Transportation equipment		Leasehold improvements		Other equipment		Construction in progress and prepayment for equipment		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Depreciations and impairment：																
2012.1.1	$-	$-	$3,281,937	$111,252	$3,618,720	$122,668	$65,373	$2,216	$12,359	$419	$4,539,973	$153,898	$-	$-	$11,518,362	$390,453
Depreciation	-	-	55,926	1,896	106,204	3,600	1,591	54	671	22	78,023	2,645	-	-	242,415	8,217
Disposals	-	-	-	-	(19,152)	(649)	(1,928)	(65)	-	-	(29,490)	(1,000)	-	-	(50,570)	(1,714)
Exchange difference	-	-	(1,037)	(35)	(3,541)	(120)	(812)	(28)	(752)	(25)	(967)	(33)	-	-	(7,109)	(241)
2012.3.31	$-	$-	$3,336,826	$113,113	$3,702,231	$125,499	$64,224	$2,177	$12,278	$416	$4,587,539	$155,510	$-	$-	$11,703,098	$396,715
2013.1.1	$-	$-	$3,397,317	$113,966	$3,908,661	$131,119	$80,176	$2,690	$9,515	$319	$4,539,867	$152,293	$-	$-	$11,935,536	$400,387
Depreciation	-	-	56,399	1,892	101,529	3,406	2,003	67	601	20	70,211	2,355	-	-	230,743	7,740
Transfers	-	-	12,093	406	(31,247)	(1,048)	(4,345)	(146)	-	-	23,697	795	-	-	198	7
Disposals	-	-	-	-	(325,615)	(10,923)	(269)	(9)	(312)	(10)	(14,532)	(488)	-	-	(340,728)	(11,430)
Exchange difference	-	-	1,361	45	5,166	173	1,462	49	241	8	659	23	-	-	8,889	298
2013.3.31	$-	$-	$3,467,170	$116,309	$3,658,494	$122,727	$79,027	$2,651	$10,045	$337	$4,619,902	$154,978	$-	$-	$11,834,638	$397,002
Net carrying amount:																
2013.3.31	$13,756,952	$461,488	$7,025,031	$235,660	$747,094	$25,062	$31,253	$1,049	$6,332	$212	$878,766	$29,479	$317,660	$10,656	$22,763,088	$763,606
2012.12.31	$13,753,748	$461,380	$7,109,324	$238,488	$646,957	$21,703	$28,282	$948	$6,340	$213	$883,295	$29,631	$305,134	$10,236	$22,733,080	$762,599
2012.3.31	$14,062,240	$476,686	$7,394,948	$250,676	$700,685	$23,752	$19,095	$647	$2,773	$94	$970,228	$32,889	$241,652	$8,192	$23,391,621	$792,936
2012.1.1	$14,062,240	$476,686	$7,452,649	$252,632	$772,437	$26,185	$21,207	$719	$3,756	$127	$1,011,023	$34,271	$136,041	$4,611	$23,459,353	$795,232

12. Investment Property

	Investment Property	
	NT$	US$
Cost :		
2012.1.1	$3,605,644	$122,225
Additions	-	-
2012.3.31	$3,605,644	$122,225
2013.1.1	$3,336,078	$111,911
Additions	-	-
2013.3.31	$3,336,078	$111,911

	Investment Property	
	NT$	US$
Depreciation and impairment :		
2012.1.1	$426,938	$14,472
Depreciation	8,523	289
2012.3.31	$435,461	$14,761
2013.1.1	$467,038	$15,667
Depreciation	7,309	245
2013.3.31	$474,347	$15,912
Net carrying amount:		
2013.3.31	$2,861,731	$95,999
2012.12.31	$2,869,040	$96,244
2012.3.31	$3,170,183	$107,464
2012.1.1	$3,178,706	$107,753

Accumulated impairment of investment property:

	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Balance, beginning of the period	$230,555	$7,734	$237,055	$8,036
Impairment losses	-	-	-	-
Balance, end of the period	$230,555	$7,734	$237,055	$8,036

	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Rental income from investment property	$20,404	$684	$19,461	$660
Less:				
Direct operating expenses from investment property generating rental income	(421)	(14)	(720)	(25)
Direct operating expenses from investment property not generating rental income	(101)	(3)	(99)	(3)
Total	$19,882	$667	$18,642	$632

(1) All the lease agreements of the Bank's lease business are operating leases. The content of the lease agreements is the same as general lease agreement.

(2) No investment property was pledged.

(3) The fair value of investment property were NT$3,539,927 (US$118,750), NT$3,394,886 (US$116,864), NT$3,996,669 (US$135,480) and NT$3,999,319 (US$132,122), as at 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively. The fair value has been determined based on the "Regulations on Real Estate Appraisal" performed by an independent valuer and on transactions observable in the market.

13. Intangible assets, net

	Goodwill		Computer software		Total	
	NT$	US$	NT$	US$	NT$	US$
Cost:						
2012.1.1	$6,673,083	$226,206	$1,640,066	$55,596	$8,313,149	$281,802
Additions-acquired separately	-	-	6,760	229	6,760	229
Disposals	-	-	(68,936)	(2,337)	(68,936)	(2,337)
Reclassification	-	-	10,673	362	10,673	362
Exchange differences	-	-	(1,054)	(36)	(1,054)	(36)
2012.3.31	$6,673,083	$226,206	$1,587,509	$53,814	$8,260,592	$280,020
2013.1.1	$6,981,063	$234,185	$1,627,117	$54,583	$8,608,180	$288,768
Additions-acquired separately	-	-	8,846	297	8,846	297
Disposals	-	-	(4,529)	(152)	(4,529)	(152)
Reclassification	-	-	900	30	900	30
Exchange differences	7,811	262	1,573	53	9,384	315
2013.3.31	$6,988,874	$234,447	$1,633,907	$54,811	$8,622,781	$289,258

	Goodwill		Computer software		Total	
	NT$	US$	NT$	US$	NT$	US$
Amortization and impairment:						
2012.1.1	$-	$-	$1,020,501	$34,593	$1,020,501	$34,593
Amortization	-	-	53,089	1,800	53,089	1,800
Disposals	-	-	(68,936)	(2,337)	(68,936)	(2,337)
Exchange differences	-	-	(672)	(23)	(672)	(23)
2012.3.31	$-	$-	$1,003,982	$34,033	$1,003,982	$34,033
2013.1.1	$-	$-	$1,119,908	$37,568	$1,119,908	$37,568
Amortization	-	-	53,315	1,789	53,315	1,789
Disposals	-	-	(4,529)	(152)	(4,529)	(152)
Reclassification difference	-	-	(1,041)	(35)	(1,041)	(35)
Exchange differences	-	-	1,177	39	1,177	39
2013.3.31	$-	$-	$1,168,830	$39,209	$1,168,830	$39,209
Net carrying amount:						
2013.3.31	$6,988,874	$234,447	$465,077	$15,602	$7,453,951	$250,049
2012.12.31	$6,981,063	$234,185	$507,209	$17,015	$7,488,272	$251,200
2012.3.31	$6,673,083	$226,206	$583,527	$19,781	$7,256,610	$245,987
2012.1.1	$6,673,083	$226,206	$619,565	$21,003	$7,292,648	$247,209

Impairment testing of goodwill:

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

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

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

① Discount rates

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

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

Assumptions are based on published industry research.

(3) Sensitivity to changes in assumptions:

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

14. Other assets, net

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Prepayment	$912,375	$30,606	$687,055	$23,650
Temporary payments	130,696	4,384	198,030	6,817
Interbank settlement fund	2,565,371	86,058	2,552,473	87,865
Refundable deposits, net	1,310,174	43,951	1,313,772	45,225
Others	240,963	8,083	171,186	5,893
Total	$5,159,579	$173,082	$4,922,516	$169,450

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Prepayment	$751,249	$25,466	$574,225	$18,970
Temporary payments	39,789	1,349	22,573	746
Interbank settlement fund	1,355,297	45,942	1,363,563	45,047
Refundable deposits, net	1,046,926	35,489	992,349	32,783
Others	183,622	6,225	183,718	6,069
Total	$3,376,883	$114,471	$3,136,428	$103,615

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

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Due to commercial banks	$5,200,607	$174,458	$3,596,299	$123,797
Due to Post Co., Ltd.	19,913,195	668,004	19,919,402	685,694
Overdrafts from banks	1,384,794	46,454	108,340	3,729
Call loans from banks	47,497,605	1,593,345	33,307,732	1,146,566
Total	$73,996,201	$2,482,261	$56,931,773	$1,959,786

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Due to commercial banks	$3,043,997	$103,186	$2,660,943	$87,907
Due to Post Co., Ltd.	19,399,957	657,626	19,407,169	641,136
Overdrafts from banks	56,313	1,909	86,387	2,854
Call loans from banks	38,702,530	1,311,950	40,120,574	1,325,423
Total	$61,202,797	$2,074,671	$62,275,073	$2,057,320

16. Financial liabilities at fair value through profit or loss

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Financial liabilities for trading:				
Derivative financial instruments	$5,906,954	$198,153	$4,967,738	$171,006

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Financial liabilities for trading:				
Derivative financial instruments	$3,999,420	$135,574	$4,835,152	$159,734

Net losses arising from financial liabilities at fair value through profit or loss for the three-month periods ended 31 March 2013 and 2012 were NT$158,453 (US$5,315) and NT$3,448,114 (US$116,885), respectively.

17. Payables

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Accounts payable	$7,763,784	$260,442	$8,408,434	$289,447
Accrued interest payable	2,821,115	94,636	2,620,033	90,191
Accrued expenses	2,122,945	71,216	3,874,061	133,359
Foreign currency payable	77,275	2,592	68,653	2,363
Acceptance	831,966	27,909	1,644,088	56,595
Tax payable	68,566	2,300	152,317	5,243
Related party payables for allocation of linked-tax system	299,167	10,036	-	-
Dividends payable	418,250	14,031	407,904	14,041
Receipts under custody	307,728	10,323	228,744	7,874
Others	6,998,112	234,757	4,748,952	163,475
Total	$21,708,908	$728,242	$22,153,186	$762,588

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Accounts payable	$8,163,286	$276,722	$8,725,729	$288,263
Accrued interest payable	3,136,533	106,323	2,582,401	85,312
Accrued expenses	2,046,017	69,356	3,402,477	112,405
Foreign currency payable	86,027	2,916	742,049	24,514
Acceptance	766,477	25,982	1,256,741	41,518
Tax payable	75,169	2,548	134,845	4,455
Receipts under custody	308,299	10,451	232,540	7,682
Others	20,030,310	678,994	3,301,163	109,057
Total	$34,612,118	$1,173,292	$20,377,945	$673,206

18. Deposits and remittances

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Check deposits	$14,467,111	$485,311	$17,115,953	$589,189
Demand deposits	255,286,860	8,563,799	266,645,938	9,178,862
Demand savings deposits	583,892,901	19,587,149	579,112,495	19,935,025
Time deposits	395,512,614	13,267,783	384,716,809	13,243,264
Negotiable certificates of deposit	6,942,800	232,902	6,922,200	238,286
Time savings deposits	289,177,097	9,700,674	283,700,913	9,765,952
Outward remittances	1,118,088	37,507	395,743	13,623
Remittances payable	240,447	8,066	1,164,015	40,070
Total	$1,546,637,918	$51,883,191	$1,539,774,066	$53,004,271

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Check deposits	$13,079,947	$443,388	$15,025,841	$496,394
Demand deposits	230,448,900	7,811,827	234,041,131	7,731,785
Demand savings deposits	583,458,786	19,778,264	561,876,492	18,562,157
Time deposits	404,115,440	13,698,828	394,828,523	13,043,559
Negotiable certificates of deposit	1,978,900	67,081	1,581,400	52,243
Time savings deposits	280,383,479	9,504,525	276,089,504	9,120,895
Outward remittances	412,231	13,974	313,280	10,350
Remittances payable	139,645	4,734	273,016	9,019
Total	$1,514,017,328	$51,322,621	$1,484,029,187	$49,026,402

19. Financial debentures payable

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Subordinated financial debentures	$41,680,478	$1,398,205	$41,438,544	$1,426,456
Discount in financial debentures	(22,323)	(749)	(23,666)	(815)
Valuation adjustment	1,024,754	34,376	1,103,753	37,995
Total	$42,682,909	$1,431,832	$42,518,631	$1,463,636

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Subordinated financial debentures	$34,403,137	$1,166,208	$34,724,925	$1,147,173
Discount in financial debentures	(29,572)	(1,002)	(32,218)	(1,065)
Valuation adjustment	1,272,987	43,152	1,331,118	43,975
Total	$35,646,552	$1,208,358	$36,023,825	$1,190,083

The Bank issued a 15-year US$500 million subordinated bonds with a stated interest rate of 5.5% on 5 October 2005, and the interest is payable semiannually. The Bank can redeem the bonds after 10 years by exercising the call option. As discussed in Notes VI.4, the Bank has adopted hedge accounting to account for its subordinated financial debentures. The Bank had bought back the bonds in the amount of US$172,620 in May 2009.

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

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

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

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

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

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

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

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

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

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

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

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

Each subordinated financial debenture has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, senior to common stock.

Indovina Bank issued a two-year financial debentures totaling VND $2,000 billion in 2010 with the first year interest rate of 13.5% and the second year interest rate of average interest rate of VND deposit plus 2.5%. These dominant financial debentures have matured before 31 March 2013.

20. Other financial liabilities

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Borrowed funds	$78,019	$2,617	$85,500	$2,943
Principal received from the sale of structured products	18,165,655	609,382	17,340,691	596,926
Total	$18,243,674	$611,999	$17,426,191	$599,869

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Borrowed funds	$121,410	$4,115	$135,518	$4,477
Principal received from the sale of structured products	16,287,412	552,116	10,475,555	346,071
Total	$16,408,822	$556,231	$10,611,073	$350,548

21. Provisions

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Employee benefits provision - Defined benefits plan	$1,354,199	$45,428	$1,354,199	$46,616
Employee benefits provision - Preferential interest rate deposits	630,317	21,144	630,292	21,697
Reserve for losses on guarentees	24,893	835	24,893	857
Total	$2,009,409	$67,407	$2,009,384	$69,170

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Employee benefits provision - Defined benefits plan	$1,414,552	$47,951	$1,435,794	$47,433
Employee benefits provision - Preferential interest rate deposits	587,870	19,928	615,115	20,321
Reserve for losses on guarentees	24,893	844	24,893	822
Total	$2,027,315	$68,723	$2,075,802	$68,576

22. Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the three-month periods ended 31 March 2013 and 2012 were NT$46,563 (US$1,562) and NT$41,705 (US$1,414), respectively, and recorded as "Employee benefits expenses".

Defined benefits plan

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

Pension costs amounted to NT$44,266 (US$1,485) and NT$42,047 (US$1,425) were recognized for the three-month periods ended 31 March 2013 and 2012, and recorded as "Employee benefits expenses".

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	2012.12.31		2012.1.1	
	NT$	US$	NT$	US$
Defined benefit obligation	$(3,932,340)	$(135,364)	$(3,456,243)	$(114,180)
Plan assets at fair value	2,183,577	75,166	2,020,449	66,747
Funded status	(1,748,763)	(60,198)	(1,435,794)	(47,433)
Unrecognized past service cost	394,564	13,582	-	-
Accrued pension liabilities recognized on the consolidated balance sheets	$(1,354,199)	$(46,616)	$(1,435,794)	$(47,433)

Changes in present value of the defined benefit obligation are as follows:

	NT$	US$
Defined benefit obligation at 1 January 2012	$3,456,244	$118,976
Current service cost	139,903	4,816
Interest cost	60,484	2,082
Benefits paid	(105,242)	(3,623)
Actuarial losses (gains)	380,951	13,113
Defined benefit obligation at 31 December 2012	$3,932,340	$135,364

Changes in fair value of plan assets are as follows:

	NT$	US$
Plan assets, at fair value at 1 January 2012	$2,020,449	$69,551
Expected return on plan assets	21,745	748
Contributions by employer	246,625	8,490
Benefits paid	(105,242)	(3,623)
Plan assets, at fair value at 31 December 2012	$2,183,577	$75,166

The Bank expects to contribute NT$173,282 (US$5,813) to its defined benefit plan during the 12 months beginning on 31 March 2013.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as at	
	2013.12.31	2012.1.1
Cash	23.39	22.76
Equity instruments	20.71	18.99
Debt instruments	21.52	19.81
Others	34.38	38.44

Actual return on plan assets amounted to NT$21,745 (US$749) were recognized in 2012.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

The principal assumptions used in determining the Bank's defined benefit plan are shown below:

	2012.12.31	2012.1.1
Discount rate	1.50%	1.75%
Expected rate of return on plan assets	2.00%	1.75%
Expected rate of salary increases	2.00%	2.00%

A 0.5 percentage point change in discount rate on defined benefit obligation:

	2012			
	Discount rate increase by 0.5%		Discount rate decrease by 0.5%	
	NT$	US$	NT$	US$
Effect on the aggregate current service cost and interest cost	$5,375	$185	$5,860	$202
Effect on the defined benefit obligation	258,273	8,891	297,565	10,243

Other information on the defined benefit plan is as follows:

	2012	
	NT$	US$
Defined benefit obligation at present value	$3,932,340	$135,364
Plan assets at fair value	(2,183,577)	(75,166)
Surplus in plan	$1,748,763	$60,198
Experience adjustments on plan liabilities	$380,951	$13,114
Experience adjustments on plan assets	$13,613	$469

Employee preferential interest rate deposits plan

The Bank has the obligation to pay the preferential interest deposits for current employees and retired employees as according to the ”Regulation for Employee Preferential Interest Rate Deposits of Cathay United Bank”.

Expenses under preferential interest rate deposits plan amounted to NT$71,338 (US$2,393) and NT$47,846 (US$1,622) were recognized for the three-month periods ended 31 March 2013 and 2012, respectively, and recorded as “Employee benefits expenses”.

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	2012.12.31		2012.1.1	
	NT$	US$	NT$	US$
Defined benefit obligation	$630,292	$21,697	$615,115	$20,321
Plan assets at fair value	-	-	-	-
Funded status	630,292	21,697	615,115	20,321
Unrecognized past service cost	-	-	-	-
Accrued pension liabilities recognized on the consolidated balance sheets	$630,292	$21,697	$615,115	$20,321

Changes in present value of the defined benefit obligation are as follows:

	NT$	US$
Defined benefit obligation at 1 January 2012	$615,115	$21,174
Interest cost	10,765	371
Past service cost amortization	11,980	412
Benefits paid	(10,392)	(357)
Actuarial losses (gains)	2,824	97
Defined benefit obligation at 31 December 2012	$630,292	$21,697

The principal assumptions used in determining the Bank’s preferential interest rate deposits plan is shown below:

	2012.12.31	2012.1.1
Discount rate	4.00%	4.00%
Expected rate of return on deposited fund	2.00%	2.00%
Withdrawal rate of preferential interest rate deposits	1.00%	1.00%

23. Other liabilities

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Unearned receipts	$1,106,234	$37,109	$695,017	$23,925
Temporary receipts	779,549	26,151	844,181	29,060
Guarantee deposits received	1,183,903	39,715	1,278,507	44,010
Deferred income	1,125,156	37,744	1,123,325	38,669
Others	395,579	13,270	278,308	9,580
Total	$4,590,421	$153,989	$4,219,338	$145,244

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Unearned receipts	$463,844	$15,724	$382,624	$12,641
Temporary receipts	666,997	22,610	441,911	14,599
Guarantee deposits received	1,029,087	34,884	1,044,328	34,500
Deferred income	1,108,721	37,584	1,105,371	36,517
Others	280,597	9,511	272,018	8,986
Total	$3,549,246	$120,313	$3,246,252	$107,243

24. Capital Stock

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the Bank had issued and outstanding capital stock of NT$52,277,026 divided into 5,227,703 thousand common shares, with par value NT$10 per share.

25. Capital reserves

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Capital reserves from the merger Bank	$10,949,303	$367,303	$10,949,303	$376,912
Additional paid-in capital	4,249,096	142,539	4,249,096	146,268
Others	14,893	500	14,893	513
Total	$15,213,292	$510,342	$15,213,292	$523,693

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Capital reserves from the merger Bank	$10,949,303	$371,163	$10,949,303	$361,721
Additional paid-in capital	4,249,096	144,037	4,249,096	140,373
Others	14,893	505	14,893	492
Total	$15,213,292	$515,705	$15,213,292	$502,586

26. Retained earnings

(1) The Bank's articles of incorporation provide that its annual net income shall be appropriated after paying all outstanding taxes and deducting any deficit of prior years and distributed in the following order:

(a) Legal reserve shall be set aside before the total amount of the legal reserve reaches the amount of paid-in capital;
(b) Special reserves;
(c) Regular dividends; and
(d) The remainder, if any, shall be distributed and appropriated as follows: extra dividends: 85%, employees' special bonus: 15%.

(2) The Company Act provides that the Bank must retain part of its annual net income as legal reserve, and cash dividend declaration, if any, should not exceed the limit of 15% of paid-in capital until such retention of legal reserve reaches the amount of paid-in capital. The legal reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reaches 25% of the paid-in capital, the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed by issuing new shares or by cash.

(3) The estimation of employee bonus and remuneration of directors for the three-month periods ended 31 March 2013 and 2012 were both NT$375 based on the average actual payment over the past three years and recognized as operating expense. The actual amount of payments resolved at the next year shareholders' meeting might differ from the estimation mentioned above and the difference, if any, will be recognized as income or expense in the next year.

(4) On 30 April 2013 and 24 April 2012, the following are appropriations and distribution approved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) and resolved as follows:

	2012			
	Appropriation of earnings		Dividend per share	
	NT$	US$	NT$	US$
Legal reserves	$3,920,437	$134,955	$0.75	$0.026
Stock dividends	9,147,688	314,894	1.75	0.060
Total	$13,068,125	$449,849	$2.50	$0.086

	2011			
	Appropriation of earnings		Dividend per share	
	NT$	US$	NT$	US$
Legal reserves	$3,351,599	$110,723	$0.64	$0.021
Cash dividends	7,820,397	258,355	1.50	0.050
Total	$11,171,996	$369,078	$2.14	$0.071

Note: Bonus to employees in the amount of NT$1,500 was deducted from current expenses.

There is no significant difference between the actual employee bonuses and remuneration to directors and supervisors distributed from the 2011's earnings and the estimated amount in the financial statements for the year ended 2011.

Information relating to the appropriation of the Bank's earning is available from the "Market Observation Post System" at the website of the TWSE.

27. Non-controlling interests

	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Beginning balance	$2,967,014	$99,531	$3,149,171	$106,751
Profit attributable to non-controlling interests	67,597	2,268	74,484	2,525
Other comprehensive income, attributable to non-controlling interests, net of tax:				
Exchange differences resulting from translating the financial statements of a foreign operation	74,982	2,515	(79,479)	(2,694)
Unrealized gains (losses) from available-for-sale financial assets	10,653	358	-	-
Change in non-controlling interests	617	20	-	-
Ending balance	$3,120,863	$104,692	$3,144,176	$106,582

28. Net interest income

	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Interest income				
Discounts and loans	$5,850,644	$196,264	$5,733,163	$194,344
Factoring receivable	143,854	4,826	3,144	107
Due from banks and call loans to banks	494,318	16,582	548,083	18,579
Securities	1,650,837	55,379	1,712,550	58,052
Credit cards	518,252	17,385	532,971	18,067
Others	2,741	92	9,695	329
Subtotal	8,660,646	290,528	8,539,606	289,478
Interest expense				
Deposits	2,765,410	92,768	2,530,635	85,784
Due to Central Bank and other banks	68,767	2,307	73,958	2,507
Funds borrowed from the Central Bank and other banks	140,075	4,699	238,906	8,099
Financial debentures	288,561	9,680	367,466	12,457
Others	109,860	3,685	72,878	2,470
Subtotal	3,372,673	113,139	3,283,843	111,317
Net interest income	$5,287,973	$177,389	$5,255,763	$178,161

29. Net fee income

	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Fee income:				
Trust business	$673,549	$22,595	$343,502	$11,644
Cross-selling marketing	432,825	14,520	698,410	23,675
Credit card business	813,672	27,295	759,785	25,756
Loan business	254,490	8,537	82,456	2,795
Others	345,230	11,581	313,624	10,631
Subtotal	2,519,766	84,528	2,197,777	74,501
Fee expense:				
Credit card business	291,541	9,780	263,997	8,949
Others	144,720	4,855	116,762	3,958
Subtotal	436,261	14,635	380,759	12,907
Net fee income	$2,083,505	$69,893	$1,817,018	$61,594

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

	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Short-term bills	$102,051	$3,424	$35,239	$1,195
Bonds	23,111	775	5,766	196
Beneficiary securities	8,323	279	-	-
Derivative financial instruments	450,589	15,115	294,571	9,985
Others	(20,521)	(688)	68,715	2,329
Total	$563,553	$18,905	$404,291	$13,705

Realized gains on financial assets and liabilities at fair value through profit or loss include disposal gains NT$411,903 (US$13,818) and NT$167,447 (US$5,676) and the interest income NT$140,801 (US$4,723) and NT$32,850 (US$1,114) during the three-month periods ended 31 March 2013 and 2012, respectively.

31. Other net non-interest income

	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Rental income from operating assets	$33,663	$1,129	$29,958	$1,015
Rental income from investment properties	20,404	684	19,461	660
Gain on disposal of property and equipment	-	-	359	12
Others	116,391	3,905	156,161	5,294
Total	$170,458	$5,718	$205,939	$6,981

32. Employee benefits expenses

	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Salary	$1,731,856	$58,096	$1,645,932	$55,794
Insurance	290,728	9,753	211,177	7,159
Post-employment benefit	114,133	3,829	83,756	2,839
Others	128,980	4,327	118,901	4,031
Total	$2,265,697	$76,005	$2,059,766	$69,823

33. Depreciation and amortization expenses

	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Depreciation expenses - investment properties	$7,309	$245	$8,523	$289
Depreciation expenses - property and equipment	230,743	7,740	242,415	8,217
Amortization expense - intangibles assets	53,315	1,789	53,089	1,800
Total	$291,367	$9,774	$304,027	$10,306

34. Other general and administrative expenses

	2013.1.1-2013.3.31		2012.1.1-2012.3.31	
	NT$	US$	NT$	US$
Utilities expenses	$50,110	$1,681	$41,090	$1,393
Rental expenses	305,318	10,242	290,403	9,844
Business promotion expenses	190,657	6,396	213,807	7,248
Product promotion expenses	243,528	8,169	327,817	11,112
Cash delivery expenses	70,432	2,362	78,617	2,665
Insurance expenses	143,258	4,806	136,203	4,617
Others	1,004,328	33,691	1,027,200	34,820
Total	$2,007,631	$67,347	$2,115,137	$71,699

35. Components of other comprehensive income

2013.1.1-2013.3.31

	Arsing during the period		Income tax relating to components of other comprehensive income		Other comprehensive income, net of tax	
	NT$	US$	NT$	US$	NT$	US$
Exchange differences resulting from translating the financial statements of a foreign operation	$377,871	$12,676	$(51,491)	$(1,727)	$326,380	$10,949
Unrealized gains (losses) from available-for-sale financial assets	(200,579)	(6,729)	10,555	354	(190,024)	(6,375)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	9,740	327	-	-	9,740	327
Total of other comprehensive income	$187,032	$6,274	$(40,936)	$(1,373)	$146,096	$4,901

2012.1.1- 2012.3.31

	Arsing during the period		Income tax relating to components of other comprehensive income		Other comprehensive income, net of tax	
	NT$	US$	NT$	US$	NT$	US$
Exchange differences resulting from translating the financial statements of a foreign operation	$(574,277)	$(19,467)	$84,116	$2,851	$(490,161)	$(16,616)
Unrealized gains (losses) from available-for-sale financial assets	(392,655)	(13,310)	(8,523)	(289)	(401,178)	(13,599)
Total of other comprehensive income	$(966,932)	$(32,777)	$75,593	$2,562	$(891,339)	$(30,215)

36. Income tax

(1) Under a directive issued by the Ministry of Finance (MOF), a financial holding company and its domestic subsidiaries that hold over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the consolidated income tax return for income tax filings. Additional tax and tax receivable resulting from the consolidated income tax return are recorded in the account of consolidated income tax return payable or receivable.

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

Income tax expense (income) recognized in profit or loss

	2013.1.1- 2013.3.31		2012.1.1- 2012.3.31	
	NT$	US$	NT$	US$
Current income tax expense (income):				
Current income tax charge	$(718,159)	$(24,091)	$(453,684)	$(15,379)
Adjustments in respect of current income tax of prior periods	(41,426)	(1,390)	-	-
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	258,585	8,675	(8,316)	(282)
Income tax of overseas subsidiaries	(89,579)	(3,005)	(54,632)	(1,852)
Income tax expense	$(590,579)	$(19,811)	$(516,632)	$(17,513)

Income tax relating to components of other comprehensive income

	2013.1.1- 2013.3.31		2012.1.1- 2012.3.31	
	NT$	US$	NT$	US$
Deferred tax (expense) income:				
Exchange differences resulting from translating the financial statements of a foreign operation	$(51,491)	$(1,727)	$84,116	$2,851
Unrealized gains (losses) from available-for-sale financial assets	10,555	354	(8,523)	(289)
Income tax relating to components of other comprehensive income	$(40,936)	$(1,373)	$75,593	$2,562

(3) The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2013.1.1- 2013.3.31		2012.1.1- 2012.3.31	
	NT$	US$	NT$	US$
Accounting profit (loss) before tax from continuing operations	$4,254,067	$142,706	$4,051,092	$137,325
At the Bank's statutory income tax rate of 17%	$(696,472)	$(23,364)	$(665,840)	$(22,571)
Tax effect of revenues exempt from taxation	247,092	8,289	222,909	7,556
Tax effect of expenses not deductible for tax purposes	(1,700)	(57)	(1,700)	(57)
Tax effect of deferred tax assets/liabilities	(35,003)	(1,174)	(23,899)	(810)
Income tax of overseas subsidiaries	(89,579)	(3,005)	(54,632)	(1,852)
Income tax of overseas branches	26,509	890	6,530	221
Adjustments in respect of current income tax of prior periods	(41,426)	(1,390)	-	-
Total income tax expense recognized in profit or loss	$(590,579)	$(19,811)	$(516,632)	$(17,513)

(4) Deferred tax assets (liabilities) relating to the following:

2013.1.1- 2013.3.31

	2013.1.1		Deferred tax income (expense) recognized in profit or loss		Deferred tax income (expense) recognized in other comprehensive income		2013.3.31	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Temporary differences								
Allowance for bad debt	$631,710	$21,191	$190,209	$6,381	$-	$-	$821,919	$27,572
Impairment on foreclosed properties	4,983	167	-	-	-	-	4,983	167
Revaluations of financial assets at fair value through profit or loss	(14,755)	(495)	9,217	309	-	-	(5,538)	(186)
Revaluations of available-for-sale investments to fair value	(11,587)	(389)	-	-	10,555	354	(1,032)	(35)
Impairment on property and equipment	5,459	183	-	-	-	-	5,459	183
Investments accounted for using the equity method	(77,649)	(2,605)	(11,409)	(383)	-	-	(89,058)	(2,988)
Fair value adjustments arising in business combinations	(261,404)	(8,769)	(15,205)	(510)	-	-	(276,609)	(9,279)
Reserve for land value increment tax	(37,163)	(1,246)	-	-	-	-	(37,163)	(1,246)
Pensions	230,214	7,723	(1,898)	(64)	-	-	228,316	7,659
Preferential interest rate deposits	107,150	3,594	4	-	-	-	107,154	3,594
Exchange differences resulting from translating the financial statements of a foreign operation	123,147	4,131	-	-	(51,491)	(1,727)	71,656	2,404
Deferred income on customer loyalty programmes	102,821	3,449	88,456	2,968	-	-	191,277	6,417
Others	6,766	227	(789)	(26)	-	-	5,977	201
Deferred tax expense / (income)			$258,585	$8,675	$(40,936)	$(1,373)		
Net deferred tax assets/(liabilities)	$809,692	$27,161					$1,027,341	$34,463
Net deferred income tax assets / (liabilities) of overseas branches	$119,661	$4,014					$69,503	$2,332
Net deferred income tax assets / (liabilities) of overseas subsidiaries	$(4,179)	$(140)					$(6,543)	$(220)
Reflected in balance sheet as follows:								
Deferred tax assets	$1,463,224	$49,085					$1,541,078	$51,697
Deferred tax liabilities	$(538,050)	$(18,050)					$(450,777)	$(15,122)

2012.1.1 - 2012.3.31

	2012.1.1		Deferred tax income (expense) recognized in profit or loss		Deferred tax income (expense) recognized in other comprehensive income		2012.3.31	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Temporary differences								
Allowance for bad debt	$178,983	$6,067	$50,562	$1,714	$-	$-	$229,545	$7,781
Impairment on foreclosed properties	5,979	201	-	-	-	-	5,979	201
Revaluations of financial assets at fair value through profit or loss	(15,064)	(510)	(21,673)	(735)	-	-	(36,737)	(1,245)
Revaluations of available-for-sale investments to fair value	(26,442)	(896)	-	-	(8,523)	(289)	(34,965)	(1,185)
Impairment on property and equipment	4,770	162	-	-	-	-	4,770	162
Investments accounted for using the equity method	(113,464)	(3,846)	(12,662)	(429)	-	-	(126,126)	(4,275)
Fair value adjustments arising in business combinations	(200,584)	(6,800)	(15,205)	(515)	-	-	(215,789)	(7,315)
Reserve for land value increment tax	(37,986)	(1,288)	-	-	-	-	(37,986)	(1,288)
Pensions	244,085	8,274	(3,611)	(122)	-	-	240,474	8,152
Preferential interest rate deposits	104,570	3,545	(3,736)	(127)	-	-	100,834	3,418
Exchange differences resulting from translating the financial statements of a foreign operation	10,491	356	-	-	84,116	2,851	94,607	3,207
Deferred income on customer loyalty programmes	100,827	3,418	1,039	35	-	-	101,866	3,453
Others	29,989	1,017	(3,030)	(103)	-	-	26,959	914
Deferred tax expense / (income)			$(8,316)	$(282)	$75,593	$2,562		
Net deferred tax assets/(liabilities)	$286,154	$9,700					$353,431	$11,980
Net deferred income tax assets / (liabilities) of overseas branches	$102,545	$3,476					$102,192	$3,464
Net deferred income tax assets / (liabilities) of overseas subsidiaries	$12,048	$408					$550	$19
Reflected in balance sheet as follows:								
Deferred tax assets	$914,712	$31,007					$1,037,562	$35,171
Deferred tax liabilities	$(513,965)	$(17,423)					$(581,389)	$(19,708)

(5) Unrecognized deferred tax assets

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to NT$197,531 (US$6,626), NT$162,526 (US$5,595), NT$69,055 (US$2,341), NT$45,156 (US$1,492), respectively.

(6) Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Bank did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Bank's overseas subsidiaries.

(7) Imputation credit information

	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Balances of imputation credit amount	$111,955	$3,756	$111,496	$3,838

	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Balances of imputation credit amount	$149,097	$5,054	$146,413	$4,837

The expected creditable ratio for 2012 and the actual creditable ratio for 2011 were both 1.33%.

The Bank's earnings generated in the year ended 31 December 1997 and prior years have been fully appropriated. As of 31 March 2013, the undistributed earnings amounted to NT$14,506,805 (US$486,642) arose from earnings in 1998 and thereafter.

(8) The Bank's income tax returns for the years prior to 2007 have been assessed by the tax authority.

37. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

	2013.1.1- 2013.3.31		2012.1.1- 2012.3.31	
	NT$	US$	NT$	US$
Profit attributable ordinary to equity holders of the parent (in thousands dollars)	$3,595,891	$120,627	$3,459,976	$117,287

	2013.3.31	2012.3.31
Weight-average shares outstanding	5,227,703	5,227,703

	2013.1.1- 2013.3.31		2012.1.1- 2012.3.31	
	NT$	US$	NT$	US$
Earnings per share (in dollar)	$0.69	$0.023	$0.66	$0.022

38. Business Combinations

The Bank acquired 70% of the voting shares of SBC Bank on 13 December 2012. SBC Bank was incorporated in Cambodia, mainly engaged in wholesale banking business.

The Bank has elected to measure the non-controlling interest in SBC Bank at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

VII. Related parties transactions

Significant transactions with the related parties are summarized as follows:

1. Loans and Deposits

	2013.3.31 Account balance			2013.1.1 - 2013.3.31 Interest income (expense)	
Accounts/Related parties	NT$	US$	% of Account	NT$	US$
Loans					
Associates					
Taiwan Real-estate Management Corp.	$60,000	$2,013	0.01%	$307	$11
Other related parties					
Cathay Real Estate Development Co., Ltd.	970,000	32,539	0.10%	861	29
Cathay General Hospital	103,000	3,455	0.01%	749	25
Others	862,333	28,928	0.08%	4,300	144
Subtotal	1,935,333	64,922	0.19%	5,910	198
Total	$1,995,333	$66,935	0.20%	$6,217	$209
Deposits					
Parent company					
Cathay Financial Holding Co., Ltd.	$144,385	$4,843	0.01%	$(237)	$(8)
Other related parties					
Cathay Life Insurance Co., Ltd.	71,686,465	2,404,779	4.63%	(127,954)	(4,292)
Cathay Century Insurance Co., Ltd.	1,268,780	42,562	0.08%	(2,334)	(78)
Cathay Securities Corp.	1,397,879	46,893	0.09%	(2,394)	(80)
Cathay Futures Corp.	2,582,526	86,633	0.17%	(6,431)	(216)
Cathay Pacific Venture Capital Co., Ltd.	59,900	2,009	0.01%	(163)	(6)
Cathay Securities Investment Trust Co., Ltd.	1,670,277	56,031	0.11%	(2,433)	(82)
Cathay Real Estate Development Co., Ltd.	428,420	14,372	0.03%	(59)	(2)
Cathay Life Insurance (Vietnam) Co., Ltd.	616,715	20,688	0.04%	(1,474)	(49)
Cathay Century Insurance (Vietnam) Co., Ltd.	356,687	11,965	0.02%	(8,953)	(300)
Cathay Dragon Fund etc.	1,824,901	61,218	0.12%	(4,002)	(134)
Others	8,864,377	297,363	0.57%	(26,907)	(903)
Subtotal	90,756,927	3,044,513	5.87%	(183,104)	(6,142)
Total	$90,901,312	$3,049,356	5.88%	$(183,341)	$(6,150)

	2012.3.31			2012.1.1 - 2012.3.31	
	Account balance			Interest income (expense)	
Accounts/Related parties	NT$	US$	% of Account	NT$	US$
Loans					
Associates					
Taiwan Real-estate Management Corp.	$75,000	$2,542	0.01%	$392	$13
Other related parties					
Cathay Real Estate Development Co., Ltd.	50,000	1,695	-	82	3
Cathay General Hospital	103,000	3,492	0.01%	757	26
Others	316,721	10,736	0.03%	1,780	60
Subtotal	469,721	15,923	0.04%	2,619	89
Total	$544,721	$18,465	0.05%	$3,011	$102
Deposits					
Parent company					
Cathay Financial Holding Co., Ltd.	$13,133	$445	-	$(8)	$-
Other related parties					
Cathay Life Insurance Co., Ltd.	65,477,898	2,219,590	4.32%	(113,318)	(3,841)
Cathay Century Insurance Co., Ltd.	1,363,360	46,216	0.09%	(2,986)	(101)
Cathay Securities Corp.	638,603	21,648	0.04%	(1,403)	(48)
Cathay Futures Corp.	1,572,657	53,310	0.10%	(4,157)	(141)
Cathay Pacific Venture Capital Co., Ltd.	6,238	211	-	-	-
Cathay Securities Investment Trust Co., Ltd.	1,744,465	59,134	0.12%	(3,374)	(115)
Cathay Real Estate Development Co., Ltd.	339,444	11,507	0.02%	(31)	(1)
Cathay Life Insurance (Vietnam) Co., Ltd.	43,727	1,482	0.01%	(861)	(29)
Cathay Century Insurance (Vietnam) Co., Ltd.	327,889	11,115	0.02%	(10,272)	(348)
Cathay Dragon Fund etc.	2,973,708	100,804	0.20%	(7,294)	(247)
Others	7,348,141	249,089	0.49%	(284,650)	(9,649)
Subtotal	81,836,130	2,774,106	5.41%	(428,346)	(14,520)
Total	$81,849,263	$2,774,551	5.41%	$(428,354)	$(14,520)

	2013.1.1 - 2013.3.31 Maximum balance		2013.3.31 Account balance		2013.1.1 - 2013.3.31 Interest income (expense)		Interest
Accounts / Related parties	NT$	US$	NT$	US$	NT$	US$	Rate (%)
Call loans to banks							
Other related parties							
Vietinbank	$5,862,632	$196,667	$5,862,632	$196,667	$65,034	$2,182	1.90%-9.50%
Due from commercial banks							
Other related parties							
Vietinbank	9,300	312	9,300	312	-	-	-
Call loans from banks							
Other related parties							
Vietinbank	3,585,918	120,292	3,585,918	120,292	(63,740)	(2,138)	3.35%-9.50%
Due to commercial banks							
Other related parties							
Vietinbank	13,397	449	8,195	275	-	-	-

	2012.1.1 - 2012.3.31 Maximum balance		2012.3.31 Account balance		2012.1.1 - 2012.3.31 Interest income (expense)		Interest
Accounts / Related parties	NT$	US$	NT$	US$	NT$	US$	Rate (%)
Call loans to banks							
Vietinbank	$4,972,694	$168,566	$1,476,500	$50,051	$88,225	$2,991	7%-16%
Due from commercial banks							
Vietinbank	3,841	130	3,841	130	4	-	-
Call loans from banks							
Vietinbank	3,969,848	134,571	-	-	(73,046)	(2,476)	16%
Due to commercial banks							
Vietinbank	11,801	400	11,801	400	-	-	-

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

(2) Guarantees and transactions of derivative financial instruments

Guarantees

	2013.1.1 - 2013.3.31 Maximum balance		2013.3.31 Account balance		2013.1.1 - 2013.3.31 Service fees	
Related parties	NT$	US$	NT$	US$	NT$	US$
Cathay Hospitality Management Co., Ltd.	$21,816	$732	$21,816	$732	$-	$-

Transactions of derivative financial instruments

Related parties	Category of agreements	Term of agreements	Notional amount NT$	Notional amount US$	Valuation gains (losses) NT$	Valuation gains (losses) US$
2013.3.31						
Cathay Life Insurance Co., Ltd.	Currency swap	2012.04.27-2015.03.06	$36,895,625	$1,237,693	$789,343	$26,479
Cathay Century Insurance Co., Ltd.	Currency swap	2012.04.11-2014.03.12	2,636,469	88,442	31,076	1,042
	Interest rate swap	2007.09.27-2015.04.30	400,000	13,418	(17,156)	(576)
Cathay Dragon fund etc.	Currency swap	-	-	-	3,672	123
2012.3.31						
Cathay Life Insurance Co., Ltd.	Currency swap	2011.06.03-2012.09.28	55,132,510	1,868,899	(636,225)	(21,567)
Cathay Century Insurance Co., Ltd.	Currency swap	2011.04.13-2013.01.22	1,300,797	44,095	481	16
	Interest rate swap	2007.09.27-2015.04.30	600,000	20,339	(26,904)	(912)

(3) Transactions under resale and repurchase agreements

Accounts/Related parties	2013.3.31 Account balance NT$	2013.3.31 Account balance US$	2013.1.1 - 2013.3.31 Interest expense NT$	2013.1.1 - 2013.3.31 Interest expense US$
Securities sold under agreements to repurchase				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	$45,005	$1,510	$(65)	$(2)
Others	60,141	2,017	(90)	(3)
Total	$105,146	$3,527	$(155)	$(5)

Accounts/Related parties	2012.3.31 Account balance NT$	2012.3.31 Account balance US$	2012.1.1 - 2012.3.31 Interest expense NT$	2012.1.1 - 2012.3.31 Interest expense US$
Securities sold under agreements to repurchase				
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	$60,000	$2,034	$(79)	$(3)
Others	100,120	3,394	(138)	(4)
Total	$160,120	$5,428	$(217)	$(7)

(4) Lease

Accounts/Related parties	2013.1.1 - 2013.3.31 NT$	2013.1.1 - 2013.3.31 US$	2012.1.1 - 2012.3.31 NT$	2012.1.1 - 2012.3.31 US$	Payment term
Rental income					
Other related parties					
Cathay Life Insurance Co., Ltd.	$12,258	$411	$9,320	$316	Monthly
Cathay Century Insurance Co., Ltd.	2,098	70	1,670	57	Monthly
Cathay Securities Corp.	2,091	70	1,967	67	Monthly
Culture and Charity Foundation of Cathay United Bank	1,238	42	167	6	Monthly
Rental expense					
Other related parties					
Cathay Life Insurance Co., Ltd.	95,302	3,197	87,622	2,970	Monthly
Cathay Real Estate Development Co., Ltd.	17,395	584	6,481	220	Monthly

Accounts/Related parties	2013.3.31 NT$	2013.3.31 US$	2012.12.31 NT$	2012.12.31 US$
Refundable deposits				
Other related parties				
Cathay Life Insurance Co., Ltd.	$85,466	$2,867	$85,466	$2,942
Cathay Real Estate Development Co., Ltd.	13,932	467	13,932	480

Accounts/Related parties	2012.3.31 NT$	2012.3.31 US$	2012.1.1 NT$	2012.1.1 US$
Refundable deposits				
Other related parties				
Cathay Life Insurance Co., Ltd.	$71,897	$2,437	$71,365	$2,358
Cathay Real Estate Development Co., Ltd.	3,786	128	3,786	125

Accounts/Related parties	2013.3.31 NT$	2013.3.31 US$	2012.12.31 NT$	2012.12.31 US$
Guarantee deposit received				
Other related parties				
Cathay Life Insurance Co., Ltd.	$14,790	496	$14,790	$509
Cathay Securities Corp.	2,536	85	2,536	87
Cathay Century Insurance Co., Ltd.	2,085	70	2,085	72

Accounts/Related parties	2012.3.31 NT$	2012.3.31 US$	2012.1.1 NT$	2012.1.1 US$
Guarantee deposit received				
Other related parties				
Cathay Life Insurance Co., Ltd.	$8,921	302	$8,921	$295
Cathay Securities Corp.	2,491	84	2,299	76
Cathay Century Insurance Co., Ltd.	1,661	56	1,661	55

Accounts/Related parties	2013.1.1 - 2013.3.31 NT$	2013.1.1 - 2013.3.31 US$	2012.1.1 - 2012.3.31 NT$	2012.1.1 - 2012.3.31 US$
(5) Commissions and handling fees income				
Other related parties				
Cathay Life Insurance Co., Ltd.	$543,557	$18,234	$538,300	$18,247
Cathay Century Insurance Co., Ltd.	17,742	595	18,143	615
Cathay Securities Corp.	3,053	102	1,310	44
Cathay Securities Investment Trust Co., Ltd.	6,643	223	6,855	232
Cathay Securities Investment Consulting Co., Ltd.	5,421	182	1,051	36
(6) Other operating income				
Other related parties				
Cathay Century Insurance Co., Ltd.	16	1	2,588	88
(7) Operating expenses				
Subsidiaries				
Seaward Card Co., Ltd.	70,571	2,367	63,755	2,161
Other related parties				
Cathay Life Insurance Co., Ltd.	21,698	728	20,269	687
Cathay Securities Corp.	600	20	600	20
Symphox Information Co., Ltd.	106,807	3,583	110,904	3,759
Cathay Real Estate Development Co., Ltd.	1,325	44	1,519	51
Cathay General Hospital	1,875	63	476	16
Lin Yuan Property Management and Maintenance Co., Ltd.	1,668	56	1,953	66
Cathay Healthcare Inc.	1,676	56	-	-

Accounts/Related parties	2013.1.1 - 2013.3.31 NT$	2013.1.1 - 2013.3.31 US$	2012.1.1 - 2012.3.31 NT$	2012.1.1 - 2012.3.31 US$
(8) Insurance expenses paid				
Other related parties				
Cathay Life Insurance Co., Ltd.	$170,640	$5,724	$160,037	$5,425
Cathay Century Insurance Co., Ltd.	17,315	581	16,270	552

Accounts/Related parties	2013.3.31 NT$	2013.3.31 US$	2012.12.31 NT$	2012.12.31 US$
(9) Related party receivables for allocation of linked-tax system				
Parent company				
Cathay Financial Holdings Co., Ltd.	$-	$-	$246,573	$8,488

	2012.3.31 NT$	2012.3.31 US$	2012.1.1 NT$	2012.1.1 US$
Parent company				
Cathay Financial Holdings Co., Ltd.	$264,756	$8,975	$554,163	$18,307

Accounts/Related parties	2013.3.31 NT$	2013.3.31 US$	2012.12.31 NT$	2012.12.31 US$
(10) Refundable deposit				
Other related parties				
Cathay Futures Corp.	$64,345	$2,159	$64,345	$2,215

	2012.3.31 NT$	2012.3.31 US$	2012.1.1 NT$	2012.1.1 US$
Other related parties				
Cathay Futures Corp.	$64,345	$2,181	$72,544	$2,397

Accounts/Related parties	2013.3.31 NT$	2013.3.31 US$	2012.12.31 NT$	2012.12.31 US$
(11) Dividends payable				
Other related parties				
Vietinbank	$418,250	$14,031	$407,904	$14,041

Accounts/Related parties	2013.3.31 NT$	2013.3.31 US$	2012.12.31 NT$	2012.12.31 US$
(12) Accrued expenses				
Subsidiaries				
Seaward Card Co., Ltd.	$26,207	$879	$26,131	$900

	2012.3.31 NT$	2012.3.31 US$	2012.1.1 NT$	2012.1.1 US$
Subsidiaries				
Seaward Card Co., Ltd.	$26,548	$900	$27,223	$899

Accounts/Related parties	2013.3.31 NT$	2013.3.31 US$	2012.12.31 NT$	2012.12.31 US$
(13) Related party payable for allocation of linked-tax system				
Parent company				
Cathay Financial Holdings Co., Ltd.	$299,167	$10,036	$-	$-

Accounts/Related parties	2013.3.31 NT$	2013.3.31 US$	2012.12.31 NT$	2012.12.31 US$
(14) Accounts payable				
Other related parties				
Cathay Century Insurance Co., Ltd	$11,393	$382	$4,855	$167
Symphox Information Co., Ltd.	16,382	550	12,396	427

	2012.3.31 NT$	2012.3.31 US$	2012.1.1 NT$	2012.1.1 US$
Other related parties				
Cathay Century Insurance Co., Ltd	$10,484	$355	$44,226	$1,461
Symphox Information Co., Ltd.	14,163	480	10,272	339

Accounts/Related parties	2013.1.1 - 2013.3.31 NT$	2013.1.1 - 2013.3.31 US$	2012.1.1 - 2012.3.31 NT$	2012.1.1 - 2012.3.31 US$
(15) Key management personnel compensation				
Short-term employee benefits	$29,851	$1,001	$12,588	$427
Post-employment benefits	1,780	60	1,048	35
Total	$31,631	$1,061	$13,636	$462

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

Refers to the Bank’s annual report for information relating to the above compensation of the key management personnel.

(16) Others

a. The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of NT$594 (US$20) and NT$1,566 (US$53) during the three-month periods ended 31 March 2013 and 2012, respectively.

b. The Bank purchased bonus points in exchange for merchandise for the Bank's customer from Symphox Information Co., Ltd. As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the unconverted bonus points amounted to NT$25,180 (US$845), NT$26,517 (US$913), NT$30,258 (US$1,026) and NT$32,817 (US$1,084), respectively.

The terms of the foregoing transactions with related parties are similar to those with third parties.

Combined disclosures have been made for transactions with related parties that are under a certain percentage of the total amount of all transactions with related parties and non-related parties.

VIII. Assets pledged as security

See Notes VI.

IX. Commitments and contingencies

As of 31 March 2013, the Bank and its subsidiaries had the following commitments and contingent liabilities, which are not reflected in the consolidated financial statements:

1. The Bank

	NT$	US$
(1) Entrusted Items and Guarantees:		
Trust and security held for safekeeping	$367,756,562	$12,336,684
Travelers checks for sale	485,254	16,278
Bills for collection	42,528,398	1,426,649
Book-entry for government bonds and depository for short-term marketable securities under management	569,106,000	19,091,110
Entrusted financial management business	4,210,142	141,233
Guarantees on duties and contracts	11,680,203	391,822
Unused commercial letters of credit	4,821,034	161,725
Irrevocable loan commitments	63,763,068	2,138,982
Credit card lines commitments	300,553,885	10,082,318
Stamp tax, securities and memorial currency consignments	1,006	34

(2) As of 31 March 2013, the Bank's significant lawsuits and proceedings are as follows:

Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taiwan Taipei District Court and alleged that the Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by Eddie Liu, a former employee of Lee and Li Attorneys-at-Law on October 2003. Both plaintiffs claimed indemnities amounted to NT$0.99 billion (US$33 million) and NT$3.09 billion (US$104 million), respectively. The lawsuit was in the litigation procedures in July 2007 and is still under trial by Taipei District Court. The Bank is in mediation procedure with SanDisk Corporation. The Bank has been advised by its legal advisor that it is possible, but not probable, that the action will be resolved in the Bank's favor and accordingly no provision for such claims has been made in these financial statements.

(3) According to the operating leases agreement, rentals for lease that should be paid in the future are listed as follows:

Periods	NT$	US$
Not later than one year	$475,852	$15,963
Later than one year and not later than five year	450,197	15,102
Later than five years	72,989	2,448

2. Indovina Bank

(1) Entrusted Item and Guarantees:

	NT$	US$
Financial guarantees contracts	$743,763	$24,950
Unused commercial letters of credit	1,202,542	40,340

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

Periods	NT$	US$
Not later than one year	$34,741	$1,165
Later than one year and not later than five year	53,749	1,803
Later than five years	8,894	298

X. Losses due to major disasters

None.

XI. Significant subsequent events

None.

XII. Other

1. Disclosure of financial instruments information

(1) Information of fair value

	2013.3.31			
	Carrying value		Fair value	
	NT$	US$	NT$	US$
Financial assets				
Financial assets at fair value through profit or loss	$103,467,550	$3,470,901	$103,467,550	$3,470,901
Available-for-sale financial assets	82,506,589	2,767,749	82,506,589	2,767,749
Derivatives financial assets for hedging	1,233,116	41,366	1,233,116	41,366
Held-to-maturity financial assets	49,225,630	1,651,313	49,296,134	1,653,678
Investment in debt securities with no active market	401,487,143	13,468,203	401,487,143	13,468,203
Others	1,183,688,914	39,707,779	1,183,688,914	39,707,779
Financial liabilities				
Financial liabilities at fair value through profit or loss	5,906,954	198,153	5,906,954	198,153
Financial debentures payable	42,682,909	1,431,832	42,682,909	1,431,832
Others	1,697,964,420	56,959,558	1,697,964,420	56,959,558

	2012.12.31			
	Carrying value		Fair value	
	NT$	US$	NT$	US$
Financial assets				
Financial assets at fair value through profit or loss	$67,937,886	$2,338,654	$67,937,886	$2,338,654
Available-for-sale financial assets	63,955,328	2,201,560	63,955,328	2,201,560
Derivatives financial assets for hedging	1,203,138	41,416	1,203,138	41,416
Held-to-maturity financial assets	21,668,974	745,920	21,755,110	748,885
Investment in debt securities with no active market	424,043,663	14,597,028	424,043,663	14,597,028
Others	1,199,230,908	41,281,615	1,199,230,908	41,281,615
Financial liabilities				
Financial liabilities at fair value through profit or loss	4,967,738	171,006	4,967,738	171,006
Financial debentures payable	42,518,631	1,463,636	42,518,631	1,463,636
Others	1,659,389,772	57,121,851	1,659,389,772	57,121,851

	2012.3.31			
	Carrying value		Fair value	
	NT$	US$	NT$	US$
Financial assets				
Financial assets at fair value through profit or loss	$19,520,559	$661,714	$19,520,559	$661,714
Available-for-sale financial assets	63,783,975	2,162,168	63,783,975	2,162,168
Derivatives financial assets for hedging	1,476,373	50,047	1,476,373	50,047
Held-to-maturity financial asset	21,048,481	713,508	21,128,661	716,226
Investment in debt securities with no active market	439,377,835	14,894,164	439,377,835	14,894,164
Others	1,205,075,800	40,850,027	1,205,075,800	40,850,027
Financial liabilities				
Financial liabilities at fair value through profit or loss	3,999,420	135,574	3,999,420	135,574
Financial debentures payable	35,646,552	1,208,358	35,646,552	1,208,358
Others	1,645,056,588	55,764,630	1,645,056,588	55,764,630

	2012.1.1			
	Carrying value		Fair value	
	NT$	US$	NT$	US$
Financial assets				
Financial assets at fair value through profit or loss	$21,914,109	$723,955	$21,914,109	$723,955
Available-for-sale financial assets	47,839,435	1,580,424	47,839,435	1,580,424
Derivatives financial assets for heading	1,438,773	47,531	1,438,773	47,531
Held-to-maturity financial asset	19,346,851	639,143	19,426,617	641,778
Investment in debt securities with no active market	425,140,266	14,044,938	425,140,266	14,044,938
Others	1,181,369,783	39,027,743	1,181,369,783	39,027,743
Financial liabilities				
Financial liabilities at fair value through profit or loss	4,835,152	159,734	4,835,152	159,734
Financial debentures payable	36,023,825	1,190,083	36,023,825	1,190,083
Others	1,593,398,568	52,639,530	1,593,398,568	52,639,530

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

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

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

C. Discounts and loans, deposits and principals received from the sale of structured products are classified as interest-bearing financial instruments. Thus, their carrying value is equivalent to their fair value.

The face value of delinquent accounts deducted from allowance for doubtful accounts is adopted as fair value.

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

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

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

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

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

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

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

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

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

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

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

	2013.3.31							
	Total		1st Level		2nd Level		3rd Level	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Non-derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Bonds	$9,861,837	$330,823	$9,861,837	$330,823	$-	$-	$-	$-
Others	86,017,854	2,885,537	111,853	3,752	85,906,001	2,881,785	-	-
Available-for-sale financial assets								
Stocks	12,451,509	417,696	8,537,091	286,384	3,914,418	131,312	-	-
Bonds	66,243,758	2,222,199	27,845,957	934,115	38,397,801	1,288,084	-	-
Others	1,919,728	64,399	1,919,728	64,399	-	-	-	-
Derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss	7,445,041	249,750	43	2	7,444,998	249,748	-	-
Derivative financial assets for hedging	1,233,116	41,366	-	-	1,233,116	41,366	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	5,906,954	198,153	-	-	5,906,954	198,153	-	-

	2012.12.31							
	Total		1st Level		2nd Level		3rd Level	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Non-derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Bonds	$4,030,538	$138,745	$824,388	$28,378	$3,206,150	$110,367	$-	$-
Others	59,110,475	2,034,784	-	-	59,110,475	2,034,784	-	-
Available-for-sale financial assets								
Stocks	11,251,569	387,318	7,348,855	252,973	3,902,714	134,345	-	-
Bonds	50,164,514	1,726,833	15,861,748	546,015	34,302,766	1,180,818	-	-
Others	1,770,324	60,940	1,770,324	60,940	-	-	-	-
Derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss	4,655,954	160,274	61	2	4,655,893	160,272	-	-
Derivative financial assets for hedging	1,203,138	41,416	-		1,203,138	41,416	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	4,967,738	171,006	-	-	4,967,738	171,006	-	-

	2012.3.31							
	Total		1st Level		2nd Level		3rd Level	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Non-derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Bonds	$771,390	$26,149	$627,594	$21,274	$143,796	$4,875	$-	$-
Others	14,860,768	503,755	-	-	14,860,768	503,755	-	-
Available-for-sale financial assets								
Stocks	6,191,620	209,885	6,191,620	209,885	-	-	-	-
Bonds	55,890,795	1,894,603	23,920,029	810,848	31,970,766	1,083,755	-	-
Others	1,197,753	40,602	1,197,753	40,602	-	-	-	-
Derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss	3,753,215	127,227	-	-	3,753,215	127,227	-	-
Derivative financial assets for hedging	1,476,373	50,047	-	-	1,476,373	50,047	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	3,999,420	135,574	-	-	3,999,420	135,574	-	-

Item	2012.1.1 Total NT$	Total US$	1st Level NT$	1st Level US$	2nd Level NT$	2nd Level US$	3rd Level NT$	3rd Level US$
Non-derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Bonds	$1,646,923	$54,408	$1,500,970	$49,586	$145,953	$4,822	$-	$-
Others	14,865,231	491,088	-	-	14,865,231	491,088	-	-
Available-for-sale financial assets								
Stocks	6,765,923	223,519	6,765,923	223,519	-	-	-	-
Bonds	39,032,580	1,289,481	8,243,897	272,346	30,788,683	1,017,135	-	-
Others	1,524,130	50,351	1,524,130	50,351	-	-	-	-
Derivative financial instruments								
Assets								
Financial assets at fair value through profit or loss	5,287,567	174,680	59,156	1,954	5,228,411	172,726	-	-
Derivative financial assets for hedging	1,438,773	47,531	-	-	1,438,773	47,531	-	-
Liabilities								
Financial liabilities at fair value through profit or loss	4,835,152	159,734	-	-	4,835,152	159,734	-	-

2. Financial risk management

Risk control and hedging strategy

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

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

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

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

3. Market risk

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

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

Market risk management process

(1) Identification and measurement

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

(2) Monitoring and reporting

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

Risk management policy of the trading book

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

(1) Strategy

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

(2) Policy and procedure

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

(3) Valuation policy

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

(4) Method of measurement

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

Interest risk management of trading book

(1) Definition of interest risk

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

(2) Interest risk management procedure of trading book

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

(3) Method of measurement

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

Interest risk management of banking book

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

(1) Strategy

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

(2) Management procedure

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

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

(3) Method of measurement

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

Foreign exchange risk management

(1) Definition of foreign exchange risk

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

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

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

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

Risk management of equity price

(1) Definition of risk of equity price

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

(2) Purpose of risk management in equity prices

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

(3) Procedure of risk management of equity prices

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

(4) Measured methodology

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

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

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

2013.3.31						
	Average balance		Maximum balance		Minimum balance	
Factors of market risk	NT$	US$	NT$	US$	NT$	US$
Interest rate	$603,777	$20,254	$876,417	$29,400	$457,036	$15,332
Foreign exchange	152,819	5,126	162,367	5,447	146,608	4,918
Equity Securities price	148,642	4,986	196,839	6,603	97,710	3,278

2012.12.31						
	Average balance		Maximum balance		Minimum balance	
Factors of market risk	NT$	US$	NT$	US$	NT$	US$
Interest rate	$611,347	$21,045	$876,417	$30,169	$457,036	$15,733
Foreign exchange	156,656	5,393	162,280	5,586	146,608	5,047
Equity Securities price	124,933	4,301	165,277	5,689	60,704	2,090

2012.3.31						
	Average balance		Maximum balance		Minimum balance	
Factors of market risk	NT$	US$	NT$	US$	NT$	US$
Interest rate	$425,818	$14,435	$628,526	$21,306	$258,043	$8,747
Foreign exchange	149,576	5,070	177,844	6,029	92,593	3,139
Equity Securities price	127,989	4,339	207,076	7,020	60,704	2,058

2012.1.1						
	Average balance		Maximum balance		Minimum balance	
Factors of market risk	NT$	US$	NT$	US$	NT$	US$
Interest rate	$358,300	$11,837	$590,383	$19,504	$258,043	$8,525
Foreign exchange	133,656	4,415	177,844	5,875	92,593	3,059
Equity Securities price	138,602	4,579	207,076	6,841	100,824	3,331

The Bank enters into a variety of derivatives transactions for both trading and nontrading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage the Bank's exposure to risks and to generate revenues through trading activities. The Bank trades derivative instruments on behalf of customers and for its own positions. The Bank provides derivative contracts to address customers' demands for customized derivatives and also takes proprietary positions for its own accounts.

Stress testing

The stress testing is used to measure the maximum losses of risk asset portfolio under the worst scenario. The Bank's stress testing considers various types of risk factors and reporting the results to the executive management.

Stress Test					
Market/ Product	Scenarios	2013.3.31		2012.12.31	
		NT$	US$	NT$	US$
Stock Market	Major Stock Exchanges + 15%	$1,144,942	$38,408	$1,025,960	$35,317
	Major Stock Exchanges - 15%	(1,144,942)	(38,408)	(1,025,960)	(35,317)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,612,589)	(154,733)	(2,812,676)	(96,822)
	Major Interest Rate - 100bp	3,740,131	125,466	2,496,083	85,924
Foreign Exchange Market	Major Currencies + 3%	2,663,693	89,356	1,450,437	49,929
	Major Currencies - 3%	(2,508,526)	(84,150)	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15% Major Interest Rate + 100bp Major Currencies +3%	(3,093,838)	(103,785)	(2,397,199)	(82,520)

Stress Test					
Market/ Product	Scenarios	2012.3.31		2012.1.1	
		NT$	US$	NT$	US$
Stock Market	Major Stock Exchanges +15%	$635,695	$21,549	$656,831	$21,699
	Major Stock Exchanges -15%	(635,695)	(21,549)	(656,831)	(21,699)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(2,681,169)	(90,887)	(2,034,384)	(67,208)
	Major Interest Rate - 100bp	2,479,785	84,061	2,018,467	66,682
Foreign Exchange Market	Major Currencies +3%	1,611,429	54,625	1,331,737	43,995
	Major Currencies -3%	(1,522,797)	(51,620)	(1,254,207)	(41,434)
Composite	Major Stock Exchanges -15% Major Interest Rate + 100bp Major Currencies +3%	(1,705,435)	(57,811)	(1,359,477)	(44,912)

Sensitivity analysis

A. Interest rate risk

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

B. Foreign exchange risk

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

C. Equity price risk

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

Market risk factor sensitivity of the Bank

	2013.3.31			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT$	US$	NT$	US$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	$471,142	$15,805	$3,841	$129
HKD+1%	22,695	761	98,669	3,310
JPY+1%	-	-	995	33
NTD+1%	(595,272)	(19,969)	(15,582)	(523)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(156)	(5)	(15,109)	(507)
Yield curves (HKD) parallel shift+1bp	-	-	(1)	-
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(349)	(12)	(1,522)	(51)
Equity securities price factor sensitivity (Equity Delta)	808	27	75,522	2,533

	2012.12.31			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT$	US$	NT$	US$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	$411,904	$14,179	$5,220	$180
HKD+1%	3,042	105	-	-
JPY+1%	1	-	-	-
NTD+1%	(458,563)	(15,785)	(5,769)	(199)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(349)	(12)	(18,027)	(621)
Yield curves (HKD) parallel shift+1bp	-	-	(30)	(1)
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(771)	(27)	(8,373)	(288)
Equity securities price factor sensitivity (Equity Delta)	-	-	68,397	2,354

	2012.3.31			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT$	US$	NT$	US$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	$477,342	$16,181	$3,601	$122
HKD+1%	6,907	234	-	-
JPY+1%	5,435	184	-	-
NTD+1%	(512,900)	(17,386)	(3,803)	(129)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(220)	(7)	(19,779)	(670)
Yield curves (HKD) parallel shift+1bp	-	-	(53)	(2)
Yield curves (JPY) parallel shift+1bp	-	-	(8)	-
Yield curves (NTD) parallel shift+1bp	(38)	(1)	(6,577)	(223)
Equity securities price factor sensitivity (Equity Delta)	-	-	42,380	1,437

	2012.1.1			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT$	US$	NT$	US$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	$412,143	$13,616	$3,791	$125
HKD+1%	5,454	180	-	-
JPY+1%	3,944	130	-	-
NTD+1%	(422,515)	(13,958)	(3,817)	(126)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(158)	(5)	(15,172)	(501)
Yield curves (HKD) parallel shift+1bp	-	-	-	-
Yield curves (JPY) parallel shift+1bp	-	-	(8)	-
Yield curves (NTD) parallel shift+1bp	(210)	(7)	(5,390)	(178)
Equity securities price factor sensitivity (Equity Delta)	-	-	43,789	1,447

4. Credit risk

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

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

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

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

Credit business (including the loan commitments and guarantees)

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

(1) Category of credit risk

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

(2) Grade of credit quality

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

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

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

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

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

Due from and call loans to other banks

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

(3) Hedge of credit risk and easing policy

A. Collateral

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

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

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

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

C. Net settlement agreement

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

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

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

Off balance sheet items	Maximum exposure to credit risk			
	2013.3.31		2012.12.31	
	NT$	US$	NT$	US$
Irrevocable loan commitments	$63,763,068	$2,138,982	$34,415,264	$1,184,691
Credit card commitments	331,652,393	11,125,542	328,719,949	11,315,661
Unused commercial letters of credit	4,821,034	161,725	4,281,218	147,374
Guarantees on duties and contracts	11,680,203	391,822	12,081,454	415,885
Total	$411,916,698	$13,818,071	$379,497,885	$13,063,611

Off balance sheet items	Maximum exposure to credit risk			
	2012.3.31		2012.1.1	
	NT$	US$	NT$	US$
Irrevocable loan commitments	$52,057,334	$ 1,764,655	$51,897,159	$1,714,475
Credit card commitments	317,808,352	10,773,165	316,507,785	10,456,154
Unused commercial letters of credit	5,178,705	175,549	4,308,561	142,338
Guarantees on duties and contracts	13,684,917	463,896	13,245,165	437,567
Total	$388,729,308	$13,177,265	$385,958,670	$12,750,534

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

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

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

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

	2013.3.31			2012.12.31		
Item	NT$	US$	%	NT$	US$	%
Industry type						
Manufacturing	$135,506,135	$4,545,660	13.21	$125,610,955	$4,323,957	12.20
Financial institutions and insurance	33,071,723	1,109,417	3.22	29,912,516	1,029,691	2.90
Leasing and real estate	86,170,070	2,890,643	8.40	83,834,530	2,885,870	8.14
Individuals	485,560,824	16,288,522	47.34	492,107,196	16,940,007	47.77
Others	285,435,075	9,575,145	27.83	298,671,240	10,281,282	28.99
Total	$1,025,743,827	$34,409,387	100.00	$1,030,136,437	$35,460,807	100.00

	2012.3.31			2012.1.1		
Item	NT$	US$	%	NT$	US$	%
Industry type						
Manufacturing	$63,120,303	$2,139,671	6.11	$138,134,019	$4,563,397	13.47
Financial institutions and insurance	36,090,133	1,223,394	3.49	31,290,029	1,033,698	3.05
Leasing and real estate	93,346,085	3,164,274	9.03	90,742,485	2,997,769	8.85
Individuals	480,845,418	16,299,845	46.52	484,825,562	16,016,702	47.26
Others	360,136,411	12,208,014	34.85	280,810,821	9,276,869	27.37
Total	$1,033,538,350	$35,035,198	100.00	$1,025,802,916	$33,888,435	100.00

	2013.3.31			2012.12.31		
Item	NT$	US$	%	NT$	US$	%
Geographic Region						
Domestic	$853,656,597	$28,636,585	83.22	$876,857,476	$30,184,423	85.12
Asia	85,280,568	2,860,804	8.31	69,497,214	2,392,331	6.75
America	23,244,096	779,742	2.27	22,560,687	776,616	2.19
Others	63,562,566	2,132,256	6.20	61,221,060	2,107,437	5.94
Total	$1,025,743,827	$34,409,387	100.00	$1,030,136,437	$35,460,807	100.00

Item	2012.3.31 NT$	2012.3.31 US$	2012.3.31 %	2012.1.1 NT$	2012.1.1 US$	2012.1.1 %
Geographic Region						
Domestic	$887,896,376	$30,098,182	85.91	$891,970,478	$29,467,145	86.95
Asia	60,561,604	2,052,936	5.86	44,761,460	1,478,740	4.37
America	22,533,783	763,857	2.18	15,206,114	502,350	1.48
Others	62,546,587	2,120,223	6.05	73,864,864	2,440,200	7.20
Total	$1,033,538,350	$35,035,198	100.00	$1,025,802,916	$33,888,435	100.00

(6) Credit quality analysis of the financial assets

Some of the financial assets held by the Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit and loss, securities purchased under agreements to resell, refundable deposits, operating deposits and settlement fund, are excluded from this analysis since the counterparty is normally with good credit quality and is considered as low credit risk.

In addition to all of the above, the credit quality analysis of the financial assets was shown as follows:

A. Credit quality analysis to loans and receivables of the Bank

2013.3.31 (NT$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	$26,316,036	$5,303,907	$2,755,303	$34,375,246	$125,560	$139,092	$34,639,898	$115,649	$1,653,373	$32,870,876
Others	35,259,486	2,501,348	29,335	37,790,169	3,343	63,160	37,856,672	11,852	157,493	37,687,327
Discounts and loans	659,000,267	269,563,077	35,867,119	964,430,463	468,821	31,074,794	995,974,078	4,404,817	9,158,968	982,410,293

2013.3.31 (US$)	Neither past due nor impaired							Impairment allowances (D)		
	Excellent	Good	Average	Subtotal (A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	With objective evidence of impairment individual	Without objective evidence of impairment individual	Net balance (A)+(B)+(C)-(D)
Receivables										
Credit card business	$882,792	$177,924	$92,429	$1,153,145	$4,212	$4,666	$1,162,023	$3,879	$55,464	$1,102,680
Others	1,182,807	83,910	984	1,267,701	112	2,119	1,269,932	398	5,283	1,264,251
Discounts and loans	22,106,685	9,042,706	1,203,191	32,352,582	15,727	1,042,429	33,410,738	147,763	307,245	32,955,730

2012.12.31 (NT$)	Neither past due nor impaired							Impairment allowances (D)		
	Excellent	Good	Average	Subtotal (A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	With objective evidence of impairment individual	Without objective evidence of impairment individual	Net balance (A)+(B)+(C)-(D)
Receivables										
Credit card business	$26,857,133	$6,221,934	$2,874,072	$35,953,139	$111,701	$127,992	$36,192,832	$108,337	$1,798,623	$34,285,872
Others	15,398,473	1,046,175	47,366	16,492,014	5,871	49,694	16,547,579	7,801	91,694	16,448,084
Discounts and loans	670,693,846	255,821,555	44,369,776	970,885,177	816,751	26,753,925	998,455,853	3,838,785	9,198,147	985,418,921

2012.12.31 (US$)	Neither past due nor impaired							Impairment allowances (D)		
	Excellent	Good	Average	Subtotal (A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	With objective evidence of impairment individual	Without objective evidence of impairment individual	Net balance (A)+(B)+(C)-(D)
Receivables										
Credit card business	$924,514	$214,180	$98,936	$1,237,630	$3,845	$4,406	$1,245,881	$3,729	$61,915	$1,180,237
Others	530,068	36,013	1,630	567,711	202	1,711	569,624	269	3,156	566,199
Discounts and loans	23,087,568	8,806,250	1,527,359	33,421,177	28,115	920,961	34,370,253	132,144	316,632	33,921,477

2012.3.31 (NT$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	$24,405,851	$5,720,718	$2,942,824	$33,069,393	$100,635	$130,833	$33,300,861	$110,745	$1,815,096	$31,375,020
Others	9,489,214	1,583,944	51,307	11,124,465	6,092	51,880	11,182,437	8,253	66,075	11,108,109
Discounts and loans	697,836,923	236,260,080	41,682,481	975,779,484	1,044,808	25,489,042	1,002,313,334	3,534,183	6,852,126	991,927,025

2012.3.31 (US$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	$827,317	$193,923	$99,757	$1,120,997	$3,411	$4,435	$1,128,843	$3,754	$61,529	$1,063,560
Others	321,668	53,693	1,739	377,100	207	1,759	379,066	280	2,240	376,546
Discounts and loans	23,655,489	8,008,816	1,412,966	33,077,271	35,417	864,035	33,976,723	119,803	232,275	33,624,645

2012.1.1 (NT$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	$24,972,407	$6,686,738	$3,229,365	$34,888,510	$111,061	$140,798	$35,140,369	$122,260	$2,538,626	$32,479,483
Others	10,926,714	2,128,310	97,277	13,152,301	6,987	35,839	13,195,127	7,600	86,025	13,101,502
Discounts and loans	683,187,435	234,443,058	58,306,958	975,937,451	976,060	15,628,820	992,542,331	3,059,807	6,247,744	983,234,780

2012.1.1 (US$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	$824,989	$220,903	$106,685	$1,152,577	$3,669	$4,652	$1,160,898	$4,039	$83,866	$1,072,993
Others	360,975	70,311	3,214	434,500	231	1,184	435,915	251	2,842	432,822
Discounts and loans	22,569,787	7,745,063	1,926,229	32,241,079	32,245	516,314	32,789,638	101,084	206,401	32,482,153

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

	Excellent		Good		Average		Total	
2013.3.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Consumer banking								
Residential mortgage loans	$219,733,198	$7,371,124	$43,881,144	$1,472,027	$7,540,145	$252,940	$271,154,487	$9,096,091
Unsecured personal loans	5,853,661	196,366	2,201,066	73,836	922,490	30,946	8,977,217	301,148
Other	138,040,632	4,630,682	30,429,800	1,020,792	5,450,737	182,849	173,921,169	5,834,323
Corporate banking								
Secured	109,816,242	3,683,873	101,209,634	3,395,157	14,825,665	497,339	225,851,541	7,576,369
Unsecured	185,556,534	6,224,640	91,841,433	3,080,894	7,128,082	239,117	284,526,049	9,544,651
Total	$659,000,267	$22,106,685	$269,563,077	$9,042,706	$35,867,119	$1,203,191	$964,430,463	$32,352,582

	Excellent		Good		Average		Total	
2012.12.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Consumer banking								
Residential mortgage loans	$210,365,875	$7,241,510	$57,522,974	$1,980,137	$11,752,064	$404,546	$279,640,913	$9,626,193
Unsecured personal loans	5,023,910	172,940	2,625,973	90,395	1,097,468	37,779	8,747,351	301,114
Other	142,126,809	4,892,489	38,303,966	1,318,553	7,442,926	256,211	187,873,701	6,467,253
Corporate banking								
Secured	119,997,846	4,130,735	78,926,054	2,716,904	17,549,751	604,122	216,473,651	7,451,761
Unsecured	193,179,406	6,649,894	78,442,588	2,700,261	6,527,567	224,701	278,149,561	9,574,856
Total	$670,693,846	$23,087,568	$255,821,555	$8,806,250	$44,369,776	$1,527,359	$970,885,177	$33,421,177

	Excellent		Good		Average		Total	
2012.3.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Consumer banking								
Residential mortgage loans	$211,103,772	$7,156,060	$57,760,582	$1,957,986	$11,554,500	$391,678	$280,418,854	$9,505,724
Unsecured personal loans	4,281,724	145,143	1,819,413	61,675	997,254	33,805	7,098,391	240,623
Other	115,512,409	3,915,675	34,523,669	1,170,293	6,559,786	222,366	156,595,864	5,308,334
Corporate banking								
Secured	134,958,537	4,574,866	63,256,377	2,144,284	11,060,401	374,929	209,275,315	7,094,079
Unsecured	231,980,481	7,863,745	78,900,039	2,674,578	11,510,540	390,188	322,391,060	10,928,511
Total	$697,836,923	$23,655,489	$236,260,080	$8,008,816	$41,682,481	$1,412,966	$975,779,484	$33,077,271

	Excellent		Good		Average		Total	
2012.1.1	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Consumer banking								
Residential mortgage loans	$207,094,380	$6,841,572	$66,179,715	$2,186,313	$15,177,100	$501,391	$288,451,195	$9,529,276
Unsecured personal loans	3,394,782	112,150	2,455,049	81,105	1,076,075	35,549	6,925,906	228,804
Other	106,414,451	3,515,509	35,962,558	1,188,060	8,015,814	264,810	150,392,823	4,968,379
Corporate banking								
Secured	139,020,781	4,592,692	58,924,067	1,946,616	22,981,734	759,225	220,926,582	7,298,533
Unsecured	227,263,041	7,507,864	70,921,669	2,342,969	11,056,235	365,254	309,240,945	10,216,087
Total	$683,187,435	$22,569,787	$234,443,058	$7,745,063	$58,306,958	$1,926,229	$975,937,451	$32,241,079

C. Credit quality analysis on securities investment

2013.3.31 (NT$)	Neither past due nor impaired							
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
Available-for-sale financial assets								
Bonds	$64,095,827	$2,147,931	$66,243,758	$-	$-	$66,243,758	$-	$66,243,758
Stocks	4,258,719	8,192,790	12,451,509	-	438,941	12,890,450	438,941	12,451,509
Others	-	1,919,728	1,919,728	-	-	1,919,728	-	1,919,728
Held-to-maturity financial assets								
Bonds	47,419,885	592,363	48,012,248	-	-	48,012,248	-	48,012,248
Investments in debt securities with no active market								
Bonds	10,883,711	753,612	11,637,323	-	1,213,681	12,851,004	1,213,591	11,637,413
Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	389,300,000	-	389,300,000	-	-	389,300,000	-	389,300,000

2013.3.31 (US$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	$2,150,145	$72,054	$2,222,199	$-	$-	$2,222,199	$-	$2,222,199
Stocks	142,862	274,834	417,696	-	14,724	432,420	14,724	417,696
Others	-	64,399	64,399	-	-	64,399	-	64,399
Held-to-maturity financial assets								
Bonds	1,590,738	19,871	1,610,609	-	-	1,610,609	-	1,610,609
Investments in debt securities with no active market								
Bonds	365,103	25,280	390,383	-	40,714	431,097	40,711	390,386
Stocks	-	18,441	18,441	-	-	18,441	-	18,441
Others	13,059,376	-	13,059,376	-	-	13,059,376	-	13,059,376

2012.12.31 (NT$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	$48,134,737	$2,029,777	$50,164,514	$-	$-	$50,164,514	$-	$50,164,514
Stocks	4,542,271	6,709,298	11,251,569	-	438,311	11,689,880	438,311	11,251,569
Others	-	1,770,324	1,770,324	-	-	1,770,324	-	1,770,324
Held-to-maturity financial assets								
Bonds	19,965,414	577,456	20,542,870	-	-	20,542,870	-	20,542,870
Investments in debt securities with no active market								
Bonds	12,637,782	756,057	13,393,839	-	1,273,827	14,667,666	1,273,733	13,393,933
Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	410,100,000	-	410,100,000	-	-	410,100,000	-	410,100,000

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2012.12.31 (US$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	$1,656,962	$69,872	$1,726,834	$-	$-	$1,726,834	$-	$1,726,834
Stocks	156,360	230,957	387,317	-	15,088	402,405	15,088	387,317
Others	-	60,941	60,941	-	-	60,941	-	60,941
Held-to-maturity financial assets								
Bonds	687,278	19,878	707,156	-	-	707,156	-	707,156
Investments in debt securities with no active market								
Bonds	435,036	26,026	461,062	-	43,849	504,911	43,846	461,065
Stocks	-	18,923	18,923	-	-	18,923	-	18,923
Others	14,117,040	-	14,117,040	-	-	14,117,040	-	14,117,040

2012.3.31 (NT$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	$54,458,785	$1,432,010	$55,890,795	$-	$-	$55,890,795	$-	$55,890,795
Stocks	5,253,953	937,667	6,191,620	-	-	6,191,620	-	6,191,620
Others	-	1,197,753	1,197,753	-	-	1,197,753	-	1,197,753
Held-to-maturity financial assets								
Bonds	19,907,149	-	19,907,149	-	-	19,907,149	-	19,907,149
Investments in debt securities with no active market								
Bonds	22,645,384	932,504	23,577,888	-	1,510,480	25,088,368	1,510,263	23,578,105
Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	415,250,000	-	415,250,000	-	-	415,250,000	-	415,250,000

2012.3.31 (US$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	$1,846,060	$48,543	$1,894,603	$-	$-	$1,894,604	$-	$1,894,604
Stocks	178,100	31,785	209,885	-	-	209,885	-	209,885
Others	-	40,602	40,602	-	-	40,602	-	40,602
Held-to-maturity financial assets								
Bonds	674,819	-	674,819	-	-	674,819	-	674,819
Investments in debt securities with no active market								
Bonds	767,640	31,610	799,250	-	51,203	850,453	51,195	799,258
Stocks	-	18,635	18,635	-	-	18,635	-	18,635
Others	14,076,271	-	14,076,271	-	-	14,076,271	-	14,076,271

2012.1.1 (NT$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	$37,471,680	$1,560,900	$39,032,580	$-	$-	$39,032,580	$-	$39,032,580
Stocks	6,765,923	-	6,765,923	-	-	6,765,923	-	6,765,923
Others	-	1,524,130	1,524,130	-	-	1,524,130	-	1,524,130
Held-to-maturity financial assets								
Bonds	18,176,146	-	18,176,146	-	-	18,176,146	-	18,176,146
Investments in debt securities with no active market								
Bonds	15,874,513	1,365,792	17,240,305	-	1,547,815	18,788,120	1,547,584	17,240,536
Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	407,350,000	-	407,350,000	-	-	407,350,000	-	407,350,000

2012.1.1 (US$)	Neither past due nor impaired: Investment grade	Neither past due nor impaired: Non-investment grade and non-credit rating	Neither past due nor impaired: Subtotal(A)	Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
Available-for-sale financial assets								
Bonds	$1,237,915	$51,566	$1,289,481	$-	$-	$1,289,481	$-	$1,289,481
Stocks	223,519	-	223,519	-	-	223,519	-	223,519
Others	-	50,351	50,351	-	-	50,351	-	50,351
Held-to-maturity financial assets								
Bonds	600,467	-	600,467	-	-	600,467	-	600,467
Investments in debt securities with no active market								
Bonds	524,431	45,120	569,551	-	51,134	620,685	51,126	569,559
Stocks	-	18,161	18,161	-	-	18,161	-	18,161
Others	13,457,218	-	13,457,218	-	-	13,457,218	-	13,457,218

D. Aging analysis on past due but not impaired financial assets of the Bank

Past due but not impaired loans might result from some temporary administration reasons so the customers is in the early stages of delinquency but no actual impairment has occurred yet. Unless there is other objective evidence shown otherwise, according to internal credit risk assets impairment evaluation guideline, a loan that is past due for no more than 30 days is typically not to be treated as impairment.

	Less than 30 days		31 - 60 days		Total	
2013.3.31	NT$	US$	NT$	US$	NT$	US$
Receivables						
Credit card business	$71,027	$2,383	$54,533	$1,829	$125,560	$4,212
Others	2,298	77	1,045	35	3,343	112
Discounts and loans						
Consumer banking						
Residential mortgage loans	205,834	6,905	49,765	1,669	255,599	8,574
Unsecured personal loans	5,806	195	3,022	101	8,828	296
Others	142,643	4,785	61,751	2,072	204,394	6,857

	Less than 30 days		31 - 60 days		Total	
2012.12.31	NT$	US$	NT$	US$	NT$	US$
Receivables						
Credit card business	$67,641	$2,328	$44,060	$1,517	$111,701	$3,845
Others	4,123	142	1,748	60	5,871	202
Discounts and loans						
Consumer banking						
Residential mortgage loans	375,157	12,914	92,963	3,200	468,120	16,114
Unsecured personal loans	6,895	237	3,132	108	10,027	345
Others	239,662	8,250	94,270	3,245	333,932	11,495
Corporate banking						
Secured	3,216	111	-	-	3,216	111
Unsecured	1,456	50	-	-	1,456	50

	Less than 30 days		31 - 60 days		Total	
2012.3.31	NT$	US$	NT$	US$	NT$	US$
Receivables						
Credit card business	$63,217	$2,143	$37,418	$1,268	$100,635	$3,411
Others	4,302	146	1,790	61	6,092	207
Discounts and loans						
Consumer banking						
Residential mortgage loans	382,412	12,963	94,215	3,194	476,627	16,157
Unsecured personal loans	5,111	173	2,606	88	7,717	261
Others	268,592	9,105	110,111	3,732	378,703	12,837
Corporate banking						
Secured	3,239	110	-	-	3,239	110
Unsecured	178,522	6,052	-	-	178,522	6,052

	Less than 30 days		31 - 60 days		Total	
2012.1.1	NT$	US$	NT$	US$	NT$	US$
Receivables						
Credit card business	$68,540	$2,264	$42,521	$1,405	$111,061	$3,669
Others	4,788	158	2,199	73	6,987	231
Discounts and loans						
Consumer banking						
Residential mortgage loans	400,535	13,232	141,421	4,672	541,956	17,904
Unsecured personal loans	5,005	165	2,366	78	7,371	243
Others	335,722	11,091	87,666	2,896	423,388	13,987
Corporate banking						
Secured	3,345	111	-	-	3,345	111

(7) Impairment analysis of the financial assets

A. The Bank has recognized accumulated impairment loss for available-for-sale financial assets in the amount of NT$438,941 (US$14,724) and NT$438,311 (US$15,088) as of 31 March 2013 and 31 December 2012, respectively, due to the existence of objective impairment evidence.

B. The Bank has recognized accumulated impairment loss for investments in debt securities with no active market in the amount of NT$1,107,748 (US$37,160), NT$1,167,518 (US$40,190), NT$1,390,016 (US$47,119) and NT$1,425,790 (US$47,102) as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively, due to credit deterioration of securitization products and financial debentures.

The Bank has recognized accumulated impairment loss for investments in debt securities with no active market in the amount of NT$105,843 (US$3,551), NT$106,215 (US$3,656), NT$120,247 (US$4,076), and NT$121,794 (US$4,024) as of 31 March 2013, 31 December 2012, 31 March 2012, 1 January 2012, respectively, due to the default on the convertible bonds.

C. The Bank's impairment assessment of discounts and loans and receivables, please refer to Notes VI.5 and Notes VI.6.

D. Foreclosed properties management policy

Foreclosed properties of the Bank were land and buildings. As of 31 March 2013, 31 December 2012, 31 March 2012 and January 1 2012, the carrying amounts were NT$29,311 (US$983), NT$29,311 (US$1,009), NT$35,170 (US$1,192) and NT$35,170 (US$1,162), respectively, and were made provisioning for impairment at the end of financial reporting period.

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

5. Liquidity risk

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

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

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

A. Financial assets were held to manage liquidity risk

The Bank holds highly marketable and diverse financial assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets were held to manage liquidity risk including cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit and loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets and investments in debt securities with no active market.

B. Maturity analysis of non-derivative financial liabilities

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on time remaining until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

2013.3.31 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	$15,644,854	$11,184,268	$41,553,612	$243,130	$68,625,864
Funds borrowed from Central Bank and other banks	-	1,493,750	-	-	1,493,750
Securities sold under agreements to repurchase	32,636,357	2,063,709	-	-	34,700,066
Payables	14,828,292	1,137,405	2,871,935	2,422,845	21,260,477
Deposits and remittances	323,681,516	612,269,893	533,821,699	56,348,186	1,526,121,294
Financial debentures payable	-	-	-	42,705,232	42,705,232
Other cash outflow at maturity	9,892,458	2,369,758	1,222,791	4,758,667	18,243,674

2013.3.31 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	$524,819	$375,185	$1,393,949	$8,156	$2,302,109
Funds borrowed from Central Bank and other banks	-	50,109	-	-	50,109
Securities sold under agreements to repurchase	1,094,812	69,229	-	-	1,164,041
Payables	497,427	38,155	96,341	81,276	713,199
Deposits and remittances	10,858,152	20,539,077	17,907,471	1,890,244	51,194,944
Financial debentures payable	-	-	-	1,432,581	1,432,581
Other cash outflow at maturity	331,850	79,496	41,020	159,633	611,999

2012.12.31 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	$8,312,357	$20,691,829	$22,704,113	$182,804	$51,891,103
Funds borrowed from Central Bank and other banks	-	1,456,800	-	-	1,456,800
Securities sold under agreements to repurchase	17,592,340	2,776,909	-	-	20,369,249
Payables	18,220,419	744,674	753,845	1,506,411	21,225,349
Deposits and remittances	359,588,433	589,341,071	515,137,208	56,668,654	1,520,735,366
Financial debentures payable	-	-	-	42,542,297	42,542,297
Other cash outflow at maturity	3,716,808	4,330,286	-	9,379,097	17,426,191

2012.12.31 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	$286,140	$712,283	$781,553	$6,293	$1,786,269
Funds borrowed from Central Bank and other banks	-	50,148	-	-	50,148
Securities sold under agreements to repurchase	605,588	95,591	-	-	701,179
Payables	627,209	25,634	25,950	51,856	730,649
Deposits and remittances	12,378,260	20,287,128	17,732,778	1,950,728	52,348,894
Financial debentures payable	-	-	-	1,464,451	1,464,451
Other cash outflow at maturity	127,945	149,063	-	322,861	599,869

2012.3.31 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	$17,088,030	$7,616,260	$34,410,391	$170,687	$59,285,368
Funds borrowed from Central Bank and other banks	1,476,500	-	-	-	1,476,500
Securities sold under agreements to repurchase	9,803,339	867,136	-	5,639,461	16,309,936
Payables	29,637,201	1,096,122	1,094,061	2,185,752	34,013,136
Deposits and remittances	358,030,656	620,775,344	470,153,948	51,345,376	1,500,305,324
Financial debentures payable	-	-	-	32,840,518	32,840,518
Other cash outflow at maturity	2,844,780	1,879,153	-	11,684,889	16,408,822

2012.3.31 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	$579,255	$258,178	$1,166,454	$5,786	$2,009,673
Funds borrowed from Central Bank and other banks	50,051	-	-	-	50,051
Securities sold under agreements to repurchase	332,317	29,394	-	191,168	552,879
Payables	1,004,651	37,157	37,087	74,093	1,152,988
Deposits and remittances	12,136,633	21,043,232	15,937,422	1,740,521	50,857,808
Financial debentures payable	-	-	-	1,113,238	1,113,238
Other cash outflow at maturity	96,433	63,700	-	396,098	556,231

2012.1.1 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	$6,939,116	$22,576,575	$24,122,343	$177,870	$53,815,904
Funds borrowed from Central Bank and other banks	1,514,500	-	-	-	1,514,500
Securities sold under agreements to repurchase	1,878,449	11,668,013	-	-	13,546,462
Payables	17,248,617	637,444	636,689	1,272,069	19,794,819
Deposits and remittances	332,992,626	603,411,318	485,958,028	47,125,337	1,469,487,309
Financial debentures payable	-	-	-	33,147,459	33,147,459
Other cash outflow at maturity	3,474,821	1,548,748	-	5,587,504	10,611,073

2012.1.1 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	$229,241	$745,840	$796,906	$5,876	$1,777,863
Funds borrowed from Central Bank and other banks	50,033	-	-	-	50,033
Securities sold under agreements to repurchase	62,056	385,465	-	-	447,521
Payables	569,825	21,059	21,034	42,024	653,942
Deposits and remittances	11,000,747	19,934,302	16,054,114	1,556,833	48,545,996
Financial debentures payable	-	-	-	1,095,060	1,095,060
Other cash outflow at maturity	114,794	51,165	-	184,589	350,548

(2) Maturity analysis of derivative financial liabilities

A. Net settled derivative financial instruments

Net settled derivatives engaged by the Bank include:

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

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

2013.3.31 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	$93,218	$28,849	$25,112	$(8,278)	$138,901
- Interest rate derivative instruments	10,481	35,729	24,426	1,291,229	1,361,865
Total	$103,699	$64,578	$49,538	$1,282,951	$1,500,766

2013.3.31 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	$3,127	$968	$842	$(277)	$4,660
- Interest rate derivative instruments	352	1,199	819	43,315	45,685
Total	$3,479	$2,166	$1,662	$43,038	$50,345

2012.12.31 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	$57,407	$127,037	$103,663	$(1,353)	$286,754
- Interest rate derivative instruments	11,759	50,023	37,435	1,240,323	1,339,540
Total	$69,166	$177,060	$141,098	$1,238,970	$1,626,294

2012.12.31 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	$1,976	$4,373	$3,568	$(46)	$9,871
- Interest rate derivative instruments	405	1,722	1,289	42,696	46,112
Total	$2,381	$6,095	$4,857	$42,650	$55,983

2012.3.31 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	$9,269	$11,808	$11,397	$(64)	$32,410
- Interest rate derivative instruments	6,427	100,244	136,103	1,210,290	1,453,064
Total	$15,696	$112,052	$147,500	$1,210,226	$1,485,474

2012.3.31 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	$314	$400	$387	$(2)	$1,099
- Interest rate derivative instruments	218	3,398	4,613	41,027	49,256
Total	$532	$3,798	$5,000	$41,025	$50,355

2012.1.1 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	$33,407	$52,531	$2,470	$-	$88,408
- Interest rate derivative instruments	4,829	94,881	185,159	1,237,790	1,522,659
Total	$38,236	$147,412	$187,629	$1,237,790	$1,611,067

2012.1.1 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	$1,104	$1,736	$81	$-	$2,921
- Interest rate derivative instruments	159	3,134	6,117	40,892	50,302
Total	$1,263	$4,870	$6,198	$40,892	$53,223

B. Maturity analysis of gross settled derivative financial instruments

Gross settled derivatives engaged by the Bank include:

(a) Foreign exchange derivative instruments: currency futures and swaps;
(b) Interest rate derivative instruments: cross currency swaps;
(c) Credit derivative instruments: all derivatives shown in gross pay a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of such a credit event.

The contract maturity date is the basic element to understand the Bank's gross settled derivative instruments as at balance sheet dates. Maturity analysis of gross settled derivative financial liabilities was as follows:

2013.3.31 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	$(1,155,100)	$(1,635,994)	$(540,442)	$(164,861)	$(3,496,397)
-Cash inflow	114,996	148,071	76,940	101,273	441,280
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(13,292)	(179,927)	(203,086)	(396,305)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,155,100)	(1,649,286)	(720,369)	(367,947)	(3,892,702)
Cash inflow subtotal	114,996	148,071	76,940	101,273	441,280
Net cash flow	$(1,040,104)	$(1,501,215)	$(643,429)	$(266,674)	$(3,451,422)

2013.3.31 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	$(38,749)	$(54,881)	$(18,130)	$(5,530)	$(117,290)
-Cash inflow	3,858	4,967	2,581	3,397	14,803
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(446)	(6,035)	(6,813)	(13,294)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(38,749)	(55,327)	(24,165)	(12,343)	(130,584)
Cash inflow subtotal	3,858	4,967	2,581	3,397	14,803
Net cash flow	$(34,891)	$(50,360)	$(21,584)	$(8,946)	$(115,781)

2012.12.31 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	$(1,029,082)	$(1,271,583)	$(273,293)	$(242,322)	$(2,816,280)
-Cash inflow	77,581	223,841	180,734	19,235	501,391
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(19,228)	(35,377)	(178,560)	(233,165)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,029,082)	(1,290,811)	(308,670)	(420,882)	(3,049,445)
Cash inflow subtotal	77,581	223,841	180,734	19,235	501,391
Net cash flow	$(951,501)	$(1,066,970)	$(127,936)	$(401,647)	$(2,548,054)

2012.12.31 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	$(35,425)	$(43,772)	$(9,407)	$(8,342)	$(96,946)
-Cash inflow	2,671	7,705	6,221	662	17,259
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(662)	(1,218)	(6,146)	(8,026)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(35,425)	(44,434)	(10,625)	(14,488)	(104,972)
Cash inflow subtotal	2,671	7,705	6,221	662	17,259
Net cash flow	$(32,754)	$(36,729)	$(4,404)	$(13,826)	$(87,713)

2012.3.31 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	$(992,922)	$(830,184)	$(34,871)	$(11,883)	$(1,869,860)
-Cash inflow	114,869	39,143	248,658	5,862	408,532
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	-	(192,295)	(192,295)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(992,922)	(830,184)	(34,871)	(204,178)	(2,062,155)
Cash inflow subtotal	114,869	39,143	248,658	5,862	408,532
Net cash flow	$(878,053)	$(791,041)	$213,787	$(198,316)	$(1,653,623)

2012.3.31 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	$(33,658)	$(28,142)	$(1,182)	$(403)	$(63,385)
-Cash inflow	3,894	1,327	8,429	199	13,849
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	-	(6,519)	(6,519)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(33,658)	(28,142)	(1,182)	(6,922)	(69,904)
Cash inflow subtotal	3,894	1,327	8,429	199	13,849
Net cash flow	$(29,764)	$(26,815)	$7,247	$(6,723)	$(56,055)

2012.1.1 (NT$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	$(308,472)	$(562,531)	$(100,903)	$(418)	$(972,324)
-Cash inflow	50,663	8,095	1,886	-	60,644
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	-	(303,957)	(303,957)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(308,472)	(562,531)	(100,903)	(304,375)	(1,276,281)
Cash inflow subtotal	50,663	8,095	1,886	-	60,644
Net cash flow	$(257,809)	$(554,436)	$(99,017)	$(304,375)	$(1,215,637)

2012.1.1 (US$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	$(10,191)	$(18,584)	$(3,333)	$(14)	$(32,122)
-Cash inflow	1,674	267	62	-	2,003
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	-	(10,041)	(10,041)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(10,191)	(18,584)	(3,333)	(10,055)	(42,163)
Cash inflow subtotal	1,674	267	62	-	2,003
Net cash flow	$(8,517)	$(18,317)	$(3,271)	$(10,055)	$(40,160)

(3) Maturity analysis of off-balance sheet items

A. Irrevocable commitments include irrevocable loan commitments and credit card commitments.

B. Financial guarantee contracts: the Bank acts as a guarantor or an issuer of credit line in a financing guarantee agreement.

C. Leasing commitments: the Bank acts as a lessor/lessee in an irrevocable operating lease agreement and the minimum lease payments are shown as follows:

	Not later than 1 year		1~5 year		Later than 5 year		Total	
2013.3.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Irrevocable commitments	$58,041,882	$1,947,061	$139,844,308	$4,691,188	$197,529,271	$6,626,275	$395,415,461	$13,264,524
Financial guarantee contracts	15,773,339	529,129	723,879	24,283	4,019	135	16,501,237	553,547
Leasing commitments								
Non-cancellable operating lease payments	161,242	5,409	732,015	24,556	-	-	893,257	29,965
Non-cancellable operating lease receipts	52,812	1,772	336,054	11,273	-	-	388,866	13,045
Total	$74,029,275	$2,483,371	$141,636,256	$4,751,300	$197,533,290	$6,626,410	$413,198,821	$13,861,081

	Not later than 1 year		1~5 year		Later than 5 year		Total	
2012.12.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Irrevocable commitments	$58,419,184	$2,010,987	$136,578,962	$4,701,514	$168,137,067	$5,787,851	$363,135,213	$12,500,352
Financial guarantee contracts	15,532,327	534,676	821,920	28,293	8,425	290	16,362,672	563,259
Leasing commitments								
Non-cancellable operating lease payments	246,487	8,485	167,652	5,771	-	-	414,139	14,256
Non-cancellable operating lease receipts	16,488	568	378,942	13,044	-	-	395,430	13,612
Total	$74,214,486	$2,554,716	$137,947,476	$4,748,622	$168,145,492	$5,788,141	$380,307,454	$13,091,479

	Not later than 1 year		1~5 year		Later than 5 year		Total	
2012.3.31	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Irrevocable commitments	$75,002,216	$2,542,448	$132,477,787	$4,490,773	$162,385,683	$5,504,599	$369,865,686	$12,537,820
Financial guarantee contracts	17,352,870	588,233	1,225,231	41,533	285,521	9,679	18,863,622	639,445
Leasing commitments								
Non-cancellable operating lease payments	241,638	8,191	364,325	12,350	-	-	605,963	20,541
Non-cancellable operating lease receipts	12,141	412	471,869	15,995	-	-	484,010	16,407
Total	$92,608,865	$3,139,284	$134,539,212	$4,560,651	$162,671,204	$5,514,278	$389,819,281	$13,214,213

	Not later than 1 year		1~5 year		Later than 5 year		Total	
2012.1.1	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Irrevocable commitments	$77,473,704	$2,559,422	$128,265,893	$4,237,393	$162,665,347	$5,373,814	$368,404,944	$12,170,629
Financial guarantee contracts	15,757,476	520,564	1,524,860	50,375	271,390	8,966	17,553,726	579,905
Leasing commitments								
Non-cancellable operating lease payments	22,752	752	705,838	23,318	-	-	728,590	24,070
Non-cancellable operating lease receipts	25,439	840	333,300	11,011	-	-	358,739	11,851
Total	$93,279,371	$3,081,578	$130,829,891	$4,322,097	$162,936,737	$5,382,780	$387,045,999	$12,786,455

6. Capital management

(1) Overview

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

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

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

(2) Capital management procedures

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

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

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

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

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

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

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

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

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

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

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

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

(3) Regulatory capital ratio

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

As of 31 December 2012 and 2011, the ratio of the Bank and its subsidiaries’ eligible capital to its consolidated risk-weighted assets were 12.62% and 12.03%, respectively.

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

The assets and liabilities managed under the Bank's trust were NT$486,754,616 (US$16,328,568), NT$474,721,352 (US$16,341,527), NT$483,024,658 (US$16,373,717) and NT$480,674,739 (US$15,879,575) as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively.

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

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

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

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

	2013.3.31			2012.12.31		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	$5,546,007	29.8750	$165,686,959	$6,041,510	29.1360	$176,025,435
HKD	3,542,623	3.8487	13,634,493	3,600,008	3.7586	13,530,990
CNY	681,347	4.8147	3,280,481	1,304,373	4.6794	6,103,683
Financial liabilities						
Monetary Items						
USD	6,324,769	29.8750	188,952,474	6,740,878	29.1360	196,402,221
CNY	1,901,790	4.8147	9,156,548	1,774,508	4.6794	8,303,633
AUD	175,249	31.1268	5,454,941	183,671	30.2650	5,558,803

	2012.3.31			2012.1.1		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	$6,047,064	29.5300	$178,569,800	$5,841,400	30.2900	$176,936,006
HKD	3,803,204	3.8036	14,465,867	3,476,868	3.8985	13,554,570
CNY	626,532	4.6791	2,931,606	582,973	4.8081	2,802,992
Financial liabilities						
Monetary Items						
USD	5,847,408	29.5300	172,673,958	5,556,337	30.2900	168,301,448
CNY	748,489	4.6791	3,502,255	697,862	4.8081	3,355,390
AUD	172,411	30.6950	5,292,156	161,431	30.7519	4,964,310

XIII. Segment information

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

1. Corporate banking segment - syndication loans, large-sized loans, group loans and general loans, etc.

2. Retail banking segment - deposits and consumer loans, foreign exchange services, endorsement guarantees business, note discounting, disbursements and receipts, safe deposit boxes, credit card-related products, and trust business, etc.

3. Offshore banking segment - international banking department, offshore banking unit, overseas branches and representative office, etc.

4. Other segments - these parts contain the Bank’s assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operating segments.

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

2013.1.1-2013.3.31	Corporate Banking Segment		Retail Banking Segment		Offshore Banking Segment		Other Segment		Consolidated	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Net interest income (from external customer)	$1,650,279	$55,360	$1,078,368	$36,175	$1,825,056	$61,223	$734,270	$24,631	$5,287,973	$177,389
Inter-segment revenues	$(1,006,894)	$(33,777)	$2,174,017	$72,929	$(155,975)	$(5,232)	$(1,011,148)	$(33,920)	$-	$-
Segment net income	$570,623	$19,142	$2,584,186	$86,688	$1,698,951	$56,993	$(599,693)	$(20,117)	$4,254,067	$142,706
Income tax expense									(590,579)	(19,811)
Net income after income taxes									$3,663,488	$122,895

2012.1.1-2012.3.31	Corporate Banking Segment		Retail Banking Segment		Offshore Banking Segment		Other Segment		Consolidated	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Net interest income (from external customer)	$1,860,882	$63,081	$990,732	$33,584	$1,478,648	$50,123	$925,501	$31,373	$5,255,763	$178,161
Inter-segment revenues	$(956,484)	$(32,423)	$2,125,627	$72,055	$(175,058)	$(5,934)	$(994,085)	$(33,698)	$-	$-
Segment net income	$923,354	$31,300	$3,280,561	$111,206	$1,541,682	$52,260	$(1,694,505)	$(57,441)	$4,051,092	$137,325
Income tax expense									(516,632)	(17,513)
Net income after income taxes									$3,534,460	$119,812

Note:

1. No revenue from transactions with a single external customer amounted to 10% or more of the Bank and its subsidiaries' total revenue during the three-month periods ended 31 March 2013 and 2012.

2. Operating segments' profit are measured at pre-tax income basis, the income taxes are not allocated to reporting segments for the purpose of making decisions about resource allocation and performance assessment.

3. The Bank and its subsidiaries provide the average of deposits and loans to assess the performance, the disclosed measure amounts of assets and liabilities are zero.

XIV. First-time adoption of TIFRS

For all periods up to and including the year ended 31 December 2012, the Group prepared its financial statements in accordance with the generally accepted accounting principles in R.O.C. (R.O.C. GAAP). The consolidated financial statements for the three-month period ended 31 March 2013 are the first the Group has prepared in accordance with TIFRS.

Accordingly, the Group has prepared financial statements which comply with TIFRS and the Regulations Governing the Preparation of Financial Reports by Public Bank for periods beginning 1 January 2013 as described in the accounting policies under Notes IV. Furthermore, the first interim financial statements prepared under TIFRS also comply with the requirements under IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The Group's opening balance sheet was prepared as at 1 January 2012, the Group's date of transition to TIFRS.

Exemptions applied in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS 1 *First-time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Group has applied the following exemptions:

1. IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 January 2012. By applying this exemption, immediately after the business combination, the carrying amount in accordance with R.O.C. GAAP of assets acquired and liabilities assumed in that business combination, shall be their deemed costs in accordance with TIFRS at that date. The subsequent measurement of these assets and liabilities will be in accordance with TIFRS. Under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the carrying amount of goodwill in the opening balance sheet shall be its carrying amount in accordance with R.O.C. GAAP at 31 December 2011, after testing for impairment and reclassifying amounts to intangible assets that are required to be recognized. The Bank has performed goodwill impairment testing as at the date of transition to TIFRS and no impairment loss has been recognized as at that date.

2. The Bank has not elected to use previous GAAP revaluation of certain land and buildings under property and equipment as their deemed costs at the date of the revaluation.

3. IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. The Group needs not comply with these requirements for changes in such liabilities that occurred before the date of transition to TIFRS by adopting the first-time adoption exemption.

4. The Bank has recognized all cumulative actuarial gains and losses on pensions as at the date of transition to TIFRS directly in retained earnings.

5. The Bank has elected to disclose amounts required by Paragraph 120A (p) of IAS 19 prospectively from the date of transition to TIFRS.

6. Accumulative balance of exchange differences resulting from translating the financial statements of a foreign operation is not deemed to be zero as at the date of transition to TIFRS.

Impacts of transitioning to TIFRS

The following tables contain reconciliation of balance sheets as at 1 January 2012 (the date of transition to TIFRS), 31 March 2012 and 31 December 2012 and statements of comprehensive income for the three-month period ended 31 March 2012 and the year ended 31 December 2012:

1. Reconciliation of consolidated balance sheet items as at 1 January 2012 (NT$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	$30,125,121	$-	$-	$30,125,121	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	100,101,541	-	-	100,101,541	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	21,914,109	-	-	21,914,109	Financial assets at fair value through profit or loss	
	-	-	1,438,773	1,438,773	Derivative financial assets for hedging	7.(5)
Securities purchased under agreements to resell	2,308,788	-	-	2,308,788	Securities purchased under agreements to resell	
Receivables, net	46,032,043	-	(121,290)	45,910,753	Receivables, net	7.(12)
Discounts and loans, net	1,001,925,794	-	-	1,001,925,794	Discounts and loans, net	
Available-for-sale financial assets, net	47,839,435	-	-	47,839,435	Available-for-sale financial assets	
Held-to-maturity financial assets, net	19,346,851	-	-	19,346,851	Held-to-maturity financial assets	
Investments accounted for using equity method, net	1,547,828	-	-	1,547,828	Investments accounted for using equity method, net	
Other financial assets, net	4,840,800	-	(1,438,773)	3,402,027	Other financial assets, net	7.(5)
Investments in debt securities with no active market, net	425,140,266	-	-	425,140,266	Investments in debt securities with no active market, net	
Premises and equipment, net	24,925,909	-	(1,466,556)	23,459,353	Property and equipment, net	7.(4)
	-	-	3,178,706	3,178,706	Investment property, net	7.(4)
Intangible assets, net	7,648,038	-	(355,390)	7,292,648	Intangible assets, net	7.(7)
	-	536,567	378,145	914,712	Deferred tax assets	7.(11)
Other assets, net	4,428,749	(44,802)	(1,247,519)	3,136,428	Other assets, net	7.(4),7.(7), 7.(8),7.(12)
Total assets	$1,738,125,272	$491,765	$366,096	$1,738,983,133	Total assets	
Liability						
Due to the Central Bank and call loans from banks	$62,275,073	$-	$-	$62,275,073	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	1,514,500	-	-	1,514,500	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	4,835,152	-	-	4,835,152	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	13,546,462	-	-	13,546,462	Securities sold under agreements to repurchase	
Payables	21,149,593	(512,271)	(259,377)	20,377,945	Payables	7.(2),7.(12)
Deposits and remittances	1,484,029,187	-	-	1,484,029,187	Deposits and remittances	
Financial debentures payable	36,023,825	-	-	36,023,825	Financial debentures payable	
Other financial liabilities	10,611,073	-	-	10,611,073	Other financial liabilities	
	-	1,204,956	870,846	2,075,802	Provisions	7.(3),7.(6),7.(8)
	-	87,086	426,879	513,965	Deferred tax liabilities	7.(11)
Other liabilities	2,813,133	1,105,371	(672,252)	3,246,252	Other liabilities	7.(2),7.(6), 7.(11),7.(12)
Total liabilities	1,636,797,998	1,885,142	366,096	1,639,049,236	Total liabilities	
Equity attribute to equity holders of parent					Equity attribute to equity holders of parent	
Capital stock	52,277,026	-	-	52,277,026	Capital stock	
Capital reserves	15,213,292	-	-	15,213,292	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	19,009,053	-	-	19,009,053	Legal reserves	
Special reserves	271,009	-	-	271,009	Special reserves	
Undistributed earnings	11,171,996	(2,194,528)	-	8,977,468	Undistributed earnings	7.(2),7.(3), 7.(8),7.(11)
Other equity					Other equity	
Foreign currency translation adjustment	(51,219)	-	-	(51,219)	Foreign currency translation adjustment	
Unrealized gains or losses on financial instruments	1,089,282	-	-	1,089,282	Unrealized gains or losses on available-for-sale financial assets	
Net loss not recognized as net pension costs	(802,336)	801,151	-	(1,185)	Others	7.(8)
Minority interests	3,149,171	-	-	3,149,171	Non-controlling interests	
Total shareholders’ equity	101,327,274	(1,393,377)	-	99,933,897	Total equity	
Total liabilities and shareholders’ equity	$1,738,125,272	$491,765	$366,096	$1,738,983,133	Total liabilities and equity	

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1. Reconciliation of consolidated balance sheet items as at 1 January 2012 (US$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	$995,214	$-	$-	$995,214	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	3,306,955	-	-	3,306,955	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	723,955	-	-	723,955	Financial assets at fair value through profit or loss	
	-	-	47,531	47,531	Derivative financial assets for hedging	7.(5)
Securities purchased under agreements to resell	76,273	-	-	76,273	Securities purchased under agreements to resell	
Receivables, net	1,520,715	-	(4,007)	1,516,708	Receivables, net	7.(12)
Discounts and loans, net	33,099,630	-	-	33,099,630	Discounts and loans, net	
Available-for-sale financial assets, net	1,580,424	-	-	1,580,424	Available-for-sale financial assets	
Held-to-maturity financial assets, net	639,143	-	-	639,143	Held-to-maturity financial assets	
Investments accounted for using equity method, net	51,134	-	-	51,134	Investments accounted for using equity method, net	
Other financial assets, net	159,921	-	(47,532)	112,389	Other financial assets, net	7.(5)
Investments in debt securities with no active market, net	14,044,938	-	-	14,044,938	Investments in debt securities with no active market, net	
Premises and equipment, net	823,452	-	(48,449)	775,003	Property and equipment, net	7.(4)
	-	-	105,012	105,012	Investment property, net	7.(4)
Intangible assets, net	252,661	-	(11,741)	240,920	Intangible assets, net	7.(7)
	-	17,726	12,493	30,219	Deferred tax assets	7.(11)
Other assets, net	146,308	(1,480)	(41,213)	103,615	Other assets, net	7.(4),7.(7), 7.(8),7.(12)
Total assets	$57,420,723	$16,246	$12,094	$57,449,063	Total assets	
Liability						
Due to the Central Bank and call loans from banks	$2,057,320	$-	$-	$2,057,320	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	50,033	-	-	50,033	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	159,734	-	-	159,734	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	447,521	-	-	447,521	Securities sold under agreements to repurchase	
Payables	698,698	(16,923)	(8,569)	673,206	Payables	7.(2),7.(12)
Deposits and remittances	49,026,402	-	-	49,026,402	Deposits and remittances	
Financial debentures payable	1,190,083	-	-	1,190,083	Financial debentures payable	
Other financial liabilities	350,548	-	-	350,548	Other financial liabilities	
	-	39,807	28,769	68,576	Provisions	7.(3),7.(6),7.(8)
	-	2,877	14,103	16,980	Deferred tax liabilities	7.(11)
Other liabilities	92,935	36,517	(22,209)	107,243	Other liabilities	7.(2),7.(6), 7.(11),7.(12)
Total liabilities	54,073,274	62,278	12,094	54,147,646	Total liabilities	
Equity attribute to equity holders of parent					Equity attribute to equity holders of parent	
Capital stock	1,727,025	-	-	1,727,025	Capital stock	
Capital reserves	502,586	-	-	502,586	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	627,983	-	-	627,983	Legal reserves	
Special reserves	8,953	-	-	8,953	Special reserves	
Undistributed earnings	369,078	(72,498)	-	296,580	Undistributed earnings	7.(2),7.(3), 7.(8),7.(11)
Other equity					Other equity	
Foreign currency translation adjustment	(1,692)	-	-	(1,692)	Foreign currency translation adjustment	
Unrealized gains or losses on financial instruments	35,986	-	-	35,986	Unrealized gains or losses on available-for-sale financial assets	
Net loss not recognized as net pension costs	(26,506)	26,466	-	(40)	Others	7.(8)
Minority interests	104,036	-	-	104,036	Non-controlling interests	
Total shareholders' equity	3,347,449	(46,032)	-	3,301,417	Total equity	
Total liabilities and shareholders' equity	$57,420,723	$16,246	$12,094	$57,449,063	Total liabilities and equity	

2. Reconciliation of consolidated balance sheet items as at 31 March 2012 (NT$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	$32,206,449	$-	$-	$32,206,449	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	111,804,727	-	-	111,804,727	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	19,489,253	31,306	-	19,520,559	Financial assets at fair value through profit or loss	7.(1)
	-	-	1,476,373	1,476,373	Derivative financial assets for hedging	7.(5)
Securities purchased under agreements to resell	8,429,400	-	-	8,429,400	Securities purchased under agreements to resell	
Receivables, net	40,862,196	2,075,801	(121,266)	42,816,731	Receivables, net	7.(1),7.(12)
Discounts and loans, net	1,008,769,662	-	-	1,008,769,662	Discounts and loans, net	
Available-for-sale financial assets, net	52,355,768	11,428,207	-	63,783,975	Available-for-sale financial assets	7.(1)
Held-to-maturity financial assets, net	20,686,455	362,026	-	21,048,481	Held-to-maturity financial assets	7.(1)
Investments accounted for using equity method, net	1,554,620	-	-	1,554,620	Investments accounted for using equity method, net	
Other financial assets, net	4,863,143	-	(1,476,373)	3,386,770	Other financial assets, net	7.(5)
Investments in debt securities with no active market, net	436,762,523	2,615,312	-	439,377,835	Investments in debt securities with no active market, net	7.(1)
Premises and equipment, net	24,852,194	-	(1,460,573)	23,391,621	Property and equipment, net	7.(4)
	-	-	3,170,183	3,170,183	Investment property, net	7.(4)
Intangible assets, net	7,602,953	-	(346,343)	7,256,610	Intangible assets, net	7.(7)
	-	529,626	507,936	1,037,562	Deferred tax assets	7.(11)
Other assets, net	4,715,305	(44,802)	(1,293,620)	3,376,883	Other assets, net	7.(4),7.(7), 7.(8),7.(12)
Total assets	$1,774,954,648	$16,997,476	$456,317	$1,792,408,441	Total assets	
Liability						
Due to the Central Bank and call loans from banks	$61,202,797	$-	$-	$61,202,797	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	1,476,500	-	-	1,476,500	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	3,999,420	-	-	3,999,420	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	16,309,936	-	-	16,309,936	Securities sold under agreements to repurchase	
Payables	18,881,838	15,998,550	(268,270)	34,612,118	Payables	7.(1),7.(2), 7.(9),7.(12)
Deposits and remittances	1,514,017,328	-	-	1,514,017,328	Deposits and remittances	
Financial debentures payable	35,646,552	-	-	35,646,552	Financial debentures payable	
Other financial liabilities	16,408,822	-	-	16,408,822	Other financial liabilities	
	-	1,156,469	870,846	2,027,315	Provisions	7.(3),7.(6),7.(8)
	-	87,086	494,303	581,389	Deferred tax liabilities	7.(11)
Other liabilities	3,081,087	1,108,721	(640,562)	3,549,246	Other liabilities	7.(2),7.(6), 7.(11),7.(12)
Total liabilities	1,671,024,280	18,350,826	456,317	1,689,831,423	Total liabilities	
Equity attribute to equity holders of parent					Equity attribute to equity holders of parent	
Capital stock	52,277,026	-	-	52,277,026	Capital stock	
Capital reserves	15,213,292	-	-	15,213,292	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	19,009,053	-	-	19,009,053	Legal reserves	
Special reserves	271,009	-	-	271,009	Special reserves	
Undistributed earnings	14,596,538	(2,159,094)	-	12,437,444	Undistributed earnings	7.(2),7.(3), 7.(8),7.(11)
Other equity					Other equity	
Foreign currency translation adjustment	(461,902)	1	-	(461,901)	Foreign currency translation adjustment	7.(1)
Unrealized gains or losses on financial instruments	683,512	4,592	-	688,104	Unrealized gains or losses on available-for-sale financial assets	7.(1),(7.11)
Net loss not recognized as net pension costs	(802,336)	801,151	-	(1,185)	Others	7.(8)
Minority interests	3,144,176	-	-	3,144,176	Non-controlling interests	
Total shareholders' equity	103,930,368	(1,353,350)	-	102,577,018	Total equity	
Total liabilities and shareholders' equity	$1,774,954,648	$16,997,476	$456,317	$1,792,408,441	Total liabilities and equity	

2. Reconciliation of consolidated balance sheet items as at 31 March 2012 (US$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	$1,091,744	$-	$-	$1,091,744	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	3,789,991	-	-	3,789,991	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	660,653	1,061	-	661,714	Financial assets at fair value through profit or loss	7.(1)
	-	-	50,047	50,047	Derivative financial assets for hedging	7.(5)
Securities purchased under agreements to resell	285,742	-	-	285,742	Securities purchased under agreements to resell	
Receivables, net	1,385,159	70,366	(4,111)	1,451,414	Receivables, net	7.(1),7.(12)
Discounts and loans, net	34,195,582	-	-	34,195,582	Discounts and loans, net	
Available-for-sale financial assets, net	1,774,772	387,396	-	2,162,168	Available-for-sale financial assets	7.(1)
Held-to-maturity financial assets, net	701,236	12,272	-	713,508	Held-to-maturity financial assets	7.(1)
Investments accounted for using equity method, net	52,699	-	-	52,699	Investments accounted for using equity method, net	
Other financial assets, net	164,852	-	(50,046)	114,806	Other financial assets, net	7.(5)
Investments in debt securities with no active market, net	14,805,509	88,655	-	14,894,164	Investments in debt securities with no active market, net	7.(1)
Premises and equipment, net	842,447	-	(49,511)	792,936	Property and equipment, net	7.(4)
	-	-	107,464	107,464	Investment property, net	7.(4)
Intangible assets, net	257,727	-	(11,740)	245,987	Intangible assets, net	7.(7)
	-	17,953	17,218	35,171	Deferred tax assets	7.(11)
Other assets, net	159,841	(1,518)	(43,852)	114,471	Other assets, net	7.(4),7.(7), 7.(8),7.(12)
Total assets	$60,167,954	$576,185	$15,469	$60,759,608	Total assets	
Liability						
Due to the Central Bank and call loans from banks	$2,074,671	$-	$-	$2,074,671	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	50,051	-	-	50,051	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	135,574	-	-	135,574	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	552,879	-	-	552,879	Securities sold under agreements to repurchase	
Payables	640,062	542,324	(9,094)	1,173,292	Payables	7.(1),7.(2), 7.(9),7.(12)
Deposits and remittances	51,322,621	-	-	51,322,621	Deposits and remittances	
Financial debentures payable	1,208,358	-	-	1,208,358	Financial debentures payable	
Other financial liabilities	556,231	-	-	556,231	Other financial liabilities	
	-	39,202	29,521	68,723	Provisions	7.(3),7.(6),7.(8)
	-	2,952	16,756	19,708	Deferred tax liabilities	7.(11)
Other liabilities	104,444	37,583	(21,714)	120,313	Other liabilities	7.(2),7.(6), 7.(11),7.(12)
Total liabilities	56,644,891	622,061	15,469	57,282,421	Total liabilities	
Equity attribute to equity holders of parent					Equity attribute to equity holders of parent	
Capital stock	1,772,102	-	-	1,772,102	Capital stock	
Capital reserves	515,705	-	-	515,705	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	644,375	-	-	644,375	Legal reserves	
Special reserves	9,187	-	-	9,187	Special reserves	
Undistributed earnings	494,798	(73,190)	-	421,608	Undistributed earnings	7.(2),7.(3), 7.(8),7.(11)
Other equity					Other equity	
Foreign currency translation adjustment	(15,658)	-	-	(15,658)	Foreign currency translation adjustment	7.(1)
Unrealized gains or losses on financial instruments	23,170	156	-	23,326	Unrealized gains or losses on available-for-sale financial assets	7.(1),(7.11)
Net loss not recognized as net pension costs	(27,198)	27,158	-	(40)	Others	7.(8)
Minority interests	106,582	-	-	106,582	Non-controlling interests	
Total shareholders' equity	3,523,063	(45,876)	-	3,477,187	Total equity	
Total liabilities and shareholders' equity	$60,167,954	$576,185	$15,469	$60,759,608	Total liabilities and equity	

3. Reconciliation of consolidated balance sheet items as at 31 December 2012 (NT$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	$34,974,286	$-	$-	$34,974,286	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	109,003,762	-	-	109,003,762	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	67,937,886	-	-	67,937,886	Financial assets at fair value through profit or loss	
	-	-	1,203,138	1,203,138	Derivative financial assets for hedging	7.(5)
Receivables, net	50,837,969	1,746	(97,439)	50,742,276	Receivables, net	7.(1),7.(12)
Discounts and loans, net	1,003,183,193	-	-	1,003,183,193	Discounts and loans, net	
Available-for-sale financial assets, net	58,449,929	1,601,956	3,903,443	63,955,328	Available-for-sale financial assets	7.(1),7.(10)
Held-to-maturity financial assets, net	21,668,974	-	-	21,668,974	Held-to-maturity financial assets	
Investments accounted for using equity method, net	1,565,227	-	-	1,565,227	Investments accounted for using equity method, net	
Other financial assets, net	4,526,352	-	(4,512,531)	13,821	Other financial assets, net	7.(5),7.(10)
Investments in debt securities with no active market, net	424,043,663	-	-	424,043,663	Investments in debt securities with no active market, net	
Premises and equipment, net	24,366,902	-	(1,633,822)	22,733,080	Property and equipment, net	7.(4)
	-	-	2,869,040	2,869,040	Investment property, net	7.(4)
Intangible assets, net	7,829,641	-	(341,369)	7,488,272	Intangible assets, net	7.(7)
	-	529,626	933,598	1,463,224	Deferred tax assets	7.(11)
Other assets, net	6,254,794	(5,404)	(1,326,874)	4,922,516	Other assets, net	7.(4),7.(7), 7.(8),7.(12)
Total assets	$1,814,642,578	$2,127,924	$997,184	$1,817,767,686	Total assets	
Liability						
Due to the Central Bank and call loans from banks	$56,931,773	$-	$-	$56,931,773	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	1,456,800	-	-	1,456,800	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	4,967,738	-	-	4,967,738	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	20,369,249	-	-	20,369,249	Securities sold under agreements to repurchase	
Payables	21,342,714	1,088,779	(278,307)	22,153,186	Payables	7.(1),7.(2), 7.(9),7.(12)
Deposits and remittances	1,539,774,066	-	-	1,539,774,066	Deposits and remittances	
Financial debentures payable	42,518,631	-	-	42,518,631	Financial debentures payable	
Other financial liabilities	17,426,191	-	-	17,426,191	Other financial liabilities	
	-	1,025,408	983,976	2,009,384	Provisions	7.(3),7.(6),7.(8)
	-	88,144	449,906	538,050	Deferred tax liabilities	7.(11)
Other liabilities	3,843,024	1,123,325	(747,011)	4,219,338	Other liabilities	7.(2),7.(6), 7.(11),7.(12)
Total liabilities	1,708,630,186	3,325,656	408,564	1,712,364,406	Total liabilities	
Equity attribute to equity holders of parent					Equity attribute to equity holders of parent	
Capital stock	52,277,026	-	-	52,277,026	Capital stock	
Capital reserves	15,213,292	-	-	15,213,292	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	22,360,652	-	-	22,360,652	Legal reserves	
Special reserves	271,009	-	-	271,009	Special reserves	
Undistributed earnings	13,068,125	(2,157,211)	-	10,910,914	Undistributed earnings	
Other equity					Other equity	7.(2),7.(3), 7.(8),7.(11)
Foreign currency translation adjustment	(601,241)	(6)	-	(601,247)	Foreign currency translation adjustment	7.(1)
Unrealized gains or losses on financial instruments	1,411,424	5,806	588,620	2,005,850	Unrealized gains or losses on available-for-sale financial assets	7.(1),7.(10), 7.(11)
Net loss not recognized as net pension costs	(954,909)	953,679	-	(1,230)	Others	7.(8)
Minority interests	2,967,014	-	-	2,967,014	Non-controlling interests	
Total shareholders' equity	106,012,392	(1,197,732)	588,620	105,403,280	Total equity	
Total liabilities and shareholders' equity	$1,814,642,578	$2,127,924	$997,184	$1,817,767,686	Total liabilities and equity	

3. Reconciliation of consolidated balance sheet items as at 31 December 2012 (US$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	$1,203,934	$-	$-	$1,203,934	Cash and cash equivalents	
Due from the Central Bank and call loans to banks	3,752,281	-	-	3,752,281	Due from the Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	2,338,654	-	-	2,338,654	Financial assets at fair value through profit or loss	
	-	-	41,416	41,416	Derivative financial assets for hedging	7.(5)
Receivables, net	1,750,016	60	(3,354)	1,746,722	Receivables, net	7.(1),7.(12)
Discounts and loans, net	34,532,984	-	-	34,532,984	Discounts and loans, net	
Available-for-sale financial assets, net	2,012,046	55,144	134,370	2,201,560	Available-for-sale financial assets	7.(1),7.(10)
Held-to-maturity financial assets, net	745,920	-	-	745,920	Held-to-maturity financial assets	
Investments accounted for using equity method, net	53,881	-	-	53,881	Investments accounted for using equity method, net	
Other financial assets, net	155,812	-	(155,336)	476	Other financial assets, net	7.(5),7.(10)
Investments in debt securities with no active market, net	14,597,028	-	-	14,597,028	Investments in debt securities with no active market, net	
Premises and equipment, net	838,792	-	(56,242)	782,550	Property and equipment, net	7.(4)
	-	-	98,762	98,762	Investment property, net	7.(4)
Intangible assets, net	269,523	-	(11,751)	257,772	Intangible assets, net	7.(7)
	-	18,232	32,137	50,369	Deferred tax assets	7.(11)
Other assets, net	215,311	(186)	(45,675)	169,450	Other assets, net	7.(4),7.(7),7.(8),7.(12)
Total assets	$62,466,182	$73,250	$34,327	$62,573,759	Total assets	
Liability						
Due to the Central Bank and call loans from banks	$1,959,786	$-	$-	$1,959,786	Due to the Central Bank and call loans from banks	
Funds borrowed from the Central Bank and other banks	50,148	-	-	50,148	Funds borrowed from the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	171,006	-	-	171,006	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	701,179	-	-	701,179	Securities sold under agreements to repurchase	
Payables	734,689	37,479	(9,580)	762,588	Payables	7.(1),7.(2),7.(9),7.(12)
Deposits and remittances	53,004,271	-	-	53,004,271	Deposits and remittances	
Financial debentures payable	1,463,636	-	-	1,463,636	Financial debentures payable	
Other financial liabilities	599,869	-	-	599,869	Other financial liabilities	
	-	35,298	33,872	69,170	Provisions	7.(3),7.(6),7.(8)
	-	3,034	15,488	18,522	Deferred tax liabilities	7.(11)
Other liabilities	132,290	38,669	(25,715)	145,244	Other liabilities	7.(2),7.(6),7.(11),7.(12)
Total liabilities	58,816,874	114,480	14,065	58,945,419	Total liabilities	
Equity attribute to equity holders of parent					Equity attribute to equity holders of parent	
Capital stock	1,799,554	-	-	1,799,554	Capital stock	
Capital reserves	523,693	-	-	523,693	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	769,730	-	-	769,730	Legal reserves	
Special reserves	9,329	-	-	9,329	Special reserves	
Undistributed earnings	449,849	(74,259)	-	375,590	Undistributed earnings	
Other equity					Other equity	7.(2),7.(3),7.(8),7.(11)
Foreign currency translation adjustment	(20,697)	-	-	(20,697)	Foreign currency translation adjustment	7.(1)
Unrealized gains or losses on financial instruments	48,586	200	20,262	69,048	Unrealized gains or losses on available-for-sale financial assets	7.(1),7.(10),7.(11)
Net loss not recognized as net pension costs	(32,871)	32,829	-	(42)	Others	7.(8)
Minority interests	102,135	-	-	102,135	Non-controlling interests	
Total shareholders' equity	3,649,308	(41,230)	20,262	3,628,340	Total equity	
Total liabilities and shareholders' equity	$62,466,182	$73,250	$34,327	$62,573,759	Total liabilities and equity	

4. Reconciliation of statement of comprehensive income items of the three-month period ended 31 March 2012 (NT$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Interest income	$8,572,456	$-	$(32,850)	$8,539,606	Interest income	7.(12)
Interest expense	(3,358,933)	27,244	47,846	(3,283,843)	Interest expense	7.(3)
Net interest income	5,213,523	27,244	14,996	5,255,763	Net interest income	
Noninterest income					Noninterest income	
Net fee income	1,820,367	(3,349)	-	1,817,018	Net fee income	7.(2)
Gain on financial assets and liabilities at fair value through profit or loss	371,846	(405)	32,850	404,291	Gain on financial assets and liabilities at fair value through profit or loss	7.(1),7.(12)
Realized gain on available-for-sale financial assets	143,864	-	-	143,864	Realized gain on available-for-sale financial assets	
Investment income recognized by the equity method	6,792	-	-	6,792	Investment income recognized by the equity method	
Gain on foreign currency exchange, net	378,982	-	-	378,982	Gain on foreign currency exchange, net	
Others	523,312	-	(317,373)	205,939	Others	
Net noninterest income	8,458,686	23,490	(269,527)	8,212,649	Net noninterest income	
Bad debt expense	-	-	317,373	317,373	Bad debt expense and losses on guarantees	
Operating expenses					Operating expenses	
Personnel	(2,118,266)	21,243	37,257	(2,059,766)	Employee benefits expenses	7.(3),7.(8), 7.(12)
Depreciation and amortization	(304,158)	-	131	(304,027)	Depreciation and amortization expenses	7.(7)
Other general and administrative expenses	(2,026,604)	(3,299)	(85,234)	(2,115,137)	Other general and administrative expenses	7.(2),7.(7), 7.(9),7.(12)
Income from continuing operations before income taxes	4,009,658	41,434	-	4,051,092	Income from continuing operations before income taxes	
Income tax expense	(510,632)	(6,000)	-	(516,632)	Income tax expense	7.(11)
Net income	$3,499,026	$35,434	$-	$3,534,460	Net income	
					Other comprehensive income:	
				(574,277)	Exchange differences resulting from translating the financial statements of a foreign operation	
				(392,655)	Unrealized losses from available-for-sale financial assets	
				75,593	Income tax relating to components of others comprehensive income	
				(891,339)	Other comprehensive income, net of tax	
				$2,643,121	Total comprehensive income	

4. Reconciliation of statement of comprehensive income items of the three-month period ended 31 March 2012 (US$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Interest income	$290,592	$-	$ (1,114)	$289,478	Interest income	7.(12)
Interest expense	(113,862)	923	1,622	(111,317)	Interest expense	7.(3)
Net interest income	176,730	923	508	178,161	Net interest income	
Noninterest income					Noninterest income	
Net fee income	61,707	(113)	-	61,594	Net fee income	7.(2)
Gain on financial assets and liabilities at fair value through profit or loss	12,605	(14)	1,114	13,705	Gain on financial assets and liabilities at fair value through profit or loss	7.(1),7.(12)
Realized gain on available-for-sale financial assets	4,877	-	-	4,877	Realized gain on available-for-sale financial assets	
Investment income recognized by the equity method	230	-	-	230	Investment income recognized by the equity method	
Gain on foreign currency exchange, net	12,847	-	-	12,847	Gain on foreign currency exchange, net	
Others	17,739	-	(10,758)	6,981	Others	
Net noninterest income	286,735	796	(9,136)	278,395	Net noninterest income	
Bad debt expense	-	-	10,758	10,758	Bad debt expense and losses on guarantees	
Operating expenses					Operating expenses	
Personnel	(71,806)	720	1,263	(69,823)	Employee benefits expenses	7.(3),7.(8), 7.(12)
Depreciation and amortization	(10,310)	-	4	(10,306)	Depreciation and amortization expenses	7.(7)
Other general and administrative expenses	(68,698)	(112)	(2,889)	(71,699)	Other general and administrative expenses	7.(2),7.(7), 7.(9),7.(12)
Income from continuing operations before income taxes	135,921	1,404	-	137,325	Income from continuing operations before income taxes	
Income tax expense	(17,310)	(203)	-	(17,513)	Income tax expense	7.(11)
Net income	$118,611	$1,201	$-	$119,812	Net income	
					Other comprehensive income：	
				(19,467)	Exchange differences resulting from translating the financial statements of a foreign operation	
				(13,310)	Unrealized losses from available-for-sale financial assets	
				2,562	Income tax relating to components of others comprehensive income	
				(30,215)	Other comprehensive income, net of tax	
				$89,597	Total comprehensive income	

5. Reconciliation of statement of comprehensive income items of the year ended 31 December 2012 (NT$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Interest income	$34,157,232	$-	$(143,479)	$34,013,753	Interest income	7.(12)
Interest expense	(13,004,174)	88,329	186,450	(12,729,395)	Interest expense	7.(3)
Net interest income	21,153,058	88,329	42,971	21,284,358	Net interest income	
Noninterest income					Noninterest income	
Net fee income	7,348,171	(17,954)	-	7,330,217	Net fee income	7.(2)
Gain on financial assets and liabilities at fair value through profit or loss	1,134,791	(3)	143,478	1,278,266	Gain on financial assets and liabilities at fair value through profit or loss	7.(1),7.(12)
Realized gain on available-for-sale financial assets	1,279,108	9	155,048	1,434,165	Realized gain on available-for-sale financial assets	
Gain on foreign currency exchange, net	1,100,973	-	-	1,100,973	Gain on foreign currency exchange, net	7.(1),7.(10)
Impairment loss of assets	(151,084)	-	-	(151,084)	Impairment loss of assets	
Investment income recognized by the equity method	47,194	-	-	47,194	Investment income recognized by the equity method	
Others	2,665,190	-	(42,229)	2,622,961	Others	7.(4),7.(10)
Net noninterest income	34,577,401	70,381	299,268	34,947,050	Net noninterest income	
Bad debt expense	(2,126,095)	-	-	(2,126,095)	Bad debt expense and losses on guarantees	
Operating expenses					Operating expenses	
Personnel	(8,679,245)	(21,911)	128,556	(8,572,600)	Employee benefits expenses	7.(3),7.(8),7.(12)
Depreciation and amortization	(1,157,897)	-	488	(1,157,409)	Depreciation and amortization expenses	7.(7)
Other general and administrative expenses	(7,744,226)	(3,154)	(315,494)	(8,062,874)	Other general and administrative expenses	7.(2),7.(7),7.(9),7.(12)
Income from continuing operations before income taxes	14,869,938	45,316	112,818	15,028,072	Income from continuing operations before income taxes	
Income tax expense	(1,601,977)	(8,000)	(112,818)	(1,722,795)	Income tax expense	7.(4),7.(11)
Net income	$13,267,961	$37,316	$-	$13,305,277	Net income	
					Other comprehensive income：	
				(782,870)	Exchange differences resulting from translating the financial statement of a foreign operation	
				903,728	Unrealized losses from available-for-sale financial assets	
				(2,061)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	
				127,512	Income tax relating to components of others comprehensive income	
				246,309	Other comprehensive income, net of tax	
				$13,551,586	Total comprehensive income	

5. Reconciliation of statement of comprehensive income items of the year ended 31 December 2012 (US$)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Interest income	$1,175,808	$-	$(4,939)	$1,170,869	Interest income	7.(12)
Interest expense	(447,648)	3,041	6,418	(438,189)	Interest expense	7.(3)
Net interest income	728,160	3,041	1,479	732,680	Net interest income	
Noninterest income					Noninterest income	
Net fee income	252,949	(618)	-	252,331	Net fee income	7.(2)
Gain on financial assets and liabilities at fair value through profit or loss	39,064	-	4,939	44,003	Gain on financial assets and liabilities at fair value through profit or loss	7.(1),7.(12)
Realized gain on available-for-sale financial assets	44,031	-	5,338	49,369	Realized gain on available-for-sale financial assets	
Gain on foreign currency exchange, net	37,900	-	-	37,900	Gain on foreign currency exchange, net	7.(1),7.(10)
Impairment loss of assets	(5,201)	-	-	(5,201)	Impairment loss of assets	
Investment income recognized by the equity method	1,624	-	-	1,624	Investment income recognized by the equity method	
Others	91,745	-	(1,454)	90,291	Others	7.(4),7.(10)
Net noninterest income	1,190,272	2,423	10,302	1,202,997	Net noninterest income	
Bad debt expense	(73,187)	-	-	(73,187)	Bad debt expense and losses on guarantees	
Operating expenses					Operating expenses	
Personnel	(298,769)	(754)	4,425	(295,098)	Employee benefits expenses	7.(3),7.(8), 7.(12)
Depreciation and amortization	(39,859)	-	17	(39,842)	Depreciation and amortization expenses	7.(7)
Other general and administrative expenses	(266,583)	(109)	(10,860)	(277,552)	Other general and administrative expenses	7.(2),7.(7), 7.(9) ,7.(12)
Income from continuing operations before income taxes	511,874	1,560	3,884	517,318	Income from continuing operations before income taxes	
Income tax expense	(55,146)	(275)	(3,884)	(59,305)	Income tax expense	7.(4),7.(11)
Net income	$456,728	$1,285	$-	$458,013	Net income	
					Other comprehensive income：	
				(26,949)	Exchange differences resulting from translating the financial statement of a foreign operation	
				31,110	Unrealized losses from available-for-sale financial assets	
				(71)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	
				4,389	Income tax relating to components of others comprehensive income	
				8,479	Other comprehensive income, net of tax	
				$466,492	Total comprehensive income	

6. Material adjustments to the consolidated statement of cash flows for the three-month period ended 31 March 2012 and the year ended 31 December 2012

   The statement of cash flow prepared under R.O.C. GAAP was reported using the indirect method. Furthermore, cash flows from interest and dividends received and income tax and interest paid were classified as cash flows from operating activities and interest and dividends received and income tax paid were not disclosed separately. However, in accordance with IAS 7 "*Statement of Cash Flows*", the interest received for the three-month period ended 31 March 2012 and the year ended 31 December 2012, are separately disclosed in the statement of cash flow in the amount of NT$8,218,592 (US$278,596) and NT$31,512,945 (US$1,084,783), respectively. The interest paid for the three-month period ended March 31 2012 and the year ended 31 December 2012, are separately disclosed in the statement of cash flow in the amount of NT$2,723,859 (US$92,334) and NT$10,967,013 (US$377,522), respectively. The dividends received for the three-month period ended 31 March 2012 and the year ended 31 December 2012, are separately disclosed in the statement of cash flow in the amount of NT$1,252 (US$42) and NT$711,910 (US$24,506), respectively. Interest received, interest paid and dividends received are classified as cash flow from operating activities.

   Apart from the abovementioned differences and the illustration in Notes VI. 1, there were no material differences between the statements of cash flows prepared under R.O.C. GAAP and TIFRS.

7. Reconciliation between R.O.C. GAAP to TIFRS that were recognized by the FSC

   (1) Regular way purchase or sale of financial assets

   According to IAS 39 "*Financial Instruments: Recognition and Measurement*", the Bank changes the recognition of bond trading from settlement date accounting to trading date accounting. As of 31 March 2012, the adjustment resulted in an increase of financial asset at fair value through profit or loss by NT$31,306 (US$1,061), an increase of available-for-sale financial assets by NT$11,428,207 (US$387,397), an increase of held-to-maturity financial assets by NT$362,026 (US$12,272), an increase of investments in debt securities with no active market by NT$2,615,312 (US$88,655), an increase of receivables by NT$2,075,801 (US$70,366), an increase of payables by NT$16,507,524 (US$559,577), an increase of foreign currency translation adjustment by NT$1 (US$0) and an increase of unrealized gains on available-for-sale financial assets by NT$5,532 (US$188). In addition, the adjustment resulted in an increase of loss on financial asset and liabilities at fair value through profit or loss by NT$405 (US$14) in the consolidated statement of comprehensive income for the three-month period ended 31 March 2012. As of 31 March 2012, the cumulative effect on retained earnings decreased by NT$405 (US$14).

As of 31 December 2012, the adjustment resulted in an increase of available-for-sale financial assets by NT$1,601,956 (US$55,145), an increase of receivables by NT$1,746 (US$60) and an increase of payables by NT$1,597,896 (US$55,005), and a decrease of foreign currency translation adjustment by NT$6 (US$0). In addition, the adjustment resulted in an increase of loss on financial asset and liabilities at fair value through profit or loss by NT$3 (US$0) and an increase of realized gain on available-for-sale financial assets by NT$9 (US$0) in the consolidated statement of comprehensive income for the three-month period ended 31 March 2013. As of 31 December 2012, an increase of cumulative effect on retained earnings by NT$6 (US$0).

(2) Customer loyalty Programs

The Bank and its subsidiaries adjusted the recognition of credit card reward points under IFRIC 13 "Customer Loyalty Programs". As of 1 January 2012, the adjustment resulted in a decrease of payables by NT$512,271 (US$16,923), an increase of other liabilities by NT$1,105,371 (US$36,517) and a decrease of retained earnings by NT$593,100 (US$19,594).

As of 31 March 2012, the adjustment resulted in a decrease of payables by NT$509,502 (US$17,271), an increase of other liabilities by NT$1,108,721 (US$37,584) and a decrease of beginning retained earnings by NT$593,100 (US$20,105). In addition, the adjustment resulted in a decrease of services fees by NT$3,349 (US$114) and an increase of other general and administrative expenses by NT$2,769 (US$94) in the consolidated statement of comprehensive income for the three-month period ended 31 March 2012. As of 31 March 2012, a decrease of cumulative effect on retained earnings by NT$599,218 (US$20,312).

As of 31 December 2012, the adjustment resulted in a decrease of payables by NT$518,494 (US$17,848), an increase of other liabilities by NT$1,123,325 (US$38,669) and a decrease of beginning retained earnings by NT$593,100 (US$20,417). In addition, the adjustment resulted in a decrease of services fees by NT$17,954 (US$618) and an increase of other general and administrative expenses by NT$6,223 (US$214) in the consolidated statement of comprehensive income for the year ended 31 December 2012. As of 31 December 2012, the cumulative effect on retained earnings decreased by NT$604,831 (US$20,820).

(3) Employee preferential interest rate deposits

The Bank recognized employee preferential interest rate deposits under the requirement of IAS 19. As of 1 January 2012, the adjustment resulted in an increase of provisions by NT$615,115 (US$20,321) and a corresponding decrease of beginning retained earnings.

As of 31 March 2012, the adjustment resulted in an increase of provisions by NT$587,871 (US$19,288) and a decrease of beginning retained earnings by NT$615,115 (US$20,851). In addition, the adjustment resulted in a decrease of interest expense by NT$27,244 (US$924) in the consolidated statement of comprehensive income for the three-month period ended 31 March 2012. The Bank reclassified interest expense to employee benefits expenses which increased employee benefits expenses by NT$47,846 (US$1,622). As of 31 March 2012, the cumulative effect on retained earnings decreased by NT$587,871 (US$19,928).

As of 31 December 2012, the adjustment resulted in an increase of provisions by NT$630,292 (US$21,697) and a decrease of beginning retained earnings by NT$615,115 (US$21,174). In addition, the adjustment resulted in a decrease of interest expense by NT$88,329 (US$3,041) and an increase of employee benefits expenses by NT$103,506 (US$3,563) in the consolidated statement of comprehensive income for the year ended 31 December 2012. The Bank reclassified interest expense to employee benefits expenses which increased employee benefits expenses by NT$186,450 (US$6,418). As of 31 December 2012, the cumulative effect on retained earnings decreased by NT$630,292 (US$21,697).

(4) Investment property

Properties held to be leased out or for long-term capital appreciation are currently classified under premises and equipments and other assets as idle assets, as there is no clear guidance under R.O.C. GAAP. However under IAS 40 "*Investment Property*", properties which meet the definition of investment property shall be classified as such. As of 1 January 2012, premises and equipments reclassified to investment properties amounted to NT$1,466,556 (US$48,449) and other assets reclassified to investment properties amounted to NT$1,712,150 (US$56,563).

As of 31 March 2012, premises and equipments reclassified to investment properties amounted to NT$1,460,573 (US$49,511) and other assets reclassified to investment properties amounted to NT$1,709,610 (US$57,953).

As of 31 December 2012, premises and equipments reclassified to investment properties were NT$1,633,822 (US$56,242) and other assets reclassified to investment properties were NT$1,235,218 (US$42,520). Land value increment tax arose from disposal of investment property, the deduction of disposal gain of premises and equipments reclassified to income tax expenses and resulted in an increase of income tax expenses by NT$112,818 (US$3,884) and a corresponding increase of other net noninterest income.

(5) Derivative financial assets for hedging

In compliance with "Regulations Governing the Preparation of Financial Reports by Public Banks", the Bank shall separate derivative financial assets for hedging from other financial assets in the financial statement. As of 1 January 2012, 31 March 2012 and 31 December 2012, other financial assets reclassified to derivative financial assets for hedging were NT$1,438,773 (US$47,531), NT$1,476,373 (US$50,047) and NT$1,203,138 (US$41,416), respectively.

(6) Provisions

In compliance with IAS 1 that was recognized by FSC, the Bank shall separate provisions in the financial statements. As of 1 January 2012, the Bank reclassified under other liabilities as accrued pension liability and reserves for loss on guarantees to provisions. The Bank reclassified adjustments of accrued pension liability and reserves for loss on guarantees were NT$ 845,953 (US$27,947) and NT$24,893 (US$822), respectively.

As of 31 March 2012, the Bank reclassified adjustments of accrued pension liability and reserves for loss on guarantees were NT$ 845,953 (US$28,676) and NT$24,893 (US$844), respectively.

As of 31 December 2012, the Bank reclassified adjustments of accrued pension liability and reserves for loss on guarantees were NT$ 959,083 (US$33,015) and NT$24,893 (US$857), respectively.

(7) Reclassification of land use rights to prepaid rent

Land use rights were classified as intangible assets under R.O.C. GAAP. Upon transitioning to TIFRS, in accordance with IAS 17 "*Leases*", land use rights were reclassified to prepaid rent under other assets. As of 1 January 2012, land use rights reclassified to prepaid rent was NT$355,390 (US$11,741).

As of 31 March 2012, land use rights reclassified to prepaid rent was NT$346,343 (US$11,740) and the amortization expenses reclassified to rent expenses was NT$131 (US$4) for the three-month period ended 31 March 2012.

As of 31 December 2012, land use rights reclassified to prepaid rent was NT$341,370 (US$11,751) and the amortization expenses reclassified to rent expenses was NT$488 (US$17) for the year ended 31 December 2012.

(8) Employee benefits

The Group used actuarial techniques to calculate the defined benefit obligation and recognized related pension costs and accrued pension liabilities under R.O.C. GAAP. Upon transitioning to TIFRS, actuarial calculations were made in accordance with IAS 19 "*Employee Benefits*".

As of 1 January 2012, the adjustments resulted in an increase of provisions by NT$589,841 (US$19,486), a decrease of deferred pension costs by NT$44,802 (US$1,480), the reverse of the net loss not recognized as net pension costs by NT$801,151 (US$26,467) and a decrease of retained earnings by NT$1,435,794 (US$47,433).

As of 31 March 2012, the adjustments resulted in an increase of provisions by NT$568,598 (US$19,275), a decrease of deferred pension costs by NT$44,802 (US$1,519), the reverse of the net loss not recognized as net pension costs by NT$801,151 (US$27,158) and a decrease of beginning retained earnings by NT$1,435,794 (US$48,671). In addition, the adjustments resulted in a decrease of employee benefits expenses by NT$21,243 (US$720) in the consolidated statements of comprehensive income for the three-month period ended 31 March 2012. As of 31 March 2012, the cumulative effect on retained earnings decreased by NT$1,414,551 (US$47,951).

As of 31 December 2012, the adjustments resulted in an increase of provisions by NT$395,116 (US$13,601), a decrease of deferred pension costs by NT$5,404 (US$186), the reverse of the net loss not recognized as net pension costs by NT$953,679 (US$32,829) and a decrease of beginning retained earnings by NT$1,435,794 (US$49,425). In addition, the adjustment resulted in a decrease of employee benefits expenses by NT$81,595 (US$2,809) in the consolidated statements of comprehensive income for the year ended 31 December 2012. As of 31 December 2012, the cumulative effect on retained earnings decreased by NT$1,354,199 (US$46,616).

The above adjustment was made due to the following reasons:

A. The Bank has re-performed actuarial calculation in accordance with IAS 19 on defined benefit obligation as of 1 January 2012 and 31 December 2012;
B. The Bank recognized all cumulative actuarial gains and losses on pensions as at the date of transition to TIFRS directly in retained earnings.
C. The Bank recognized all remaining balance of unrecognized transitional net assets (or net benefit obligation)

(9) The rent expenses should be recognized under straight-line basis

The Bank adopted IAS 17 to recognize rent expense under the straight-line basis during the lease term. As of 1 January 2012, the adjustment resulted in an increases of accrued expenses by NT$530 (US$18).

The adjustment resulted in an increase of other general and administrative expenses by NT$530 (US$18) for the three-month period ended 31 March 2012, a decrease of cumulative effect on retained earnings by NT$530 (US$18).

The adjustment resulted in an increase of other general and administrative expenses by NT$9,377 (US$323) for the year ended 31 December 2012. As of 31 December 2012, the adjustment resulted in an increase of accrued expenses by NT$9,377 (US$323) and a decrease of cumulative effect on retained earnings by NT$9,377 (US$323).

(10) Financial assets carried at cost

According to IAS 39, the Bank and its subsidiaries reclassified financial assets carried at cost to available-for-sale financial assets and measured at fair value. As of 31 December 2012, the reclassification adjustment resulted in an increases of available-for-sale financial assets by NT$3,903,443 (US$134,370), a decrease under other financial assets as financial assets carried at cost by NT$3,309,393 (US$113,921), and an increase of unrealized gains on available-for-sale financial assets by NT$594,049 (US$20,449). The adjustment resulted in an increase of realized gain on available-for-sale financial assets and a decreases of other net noninterest income by NT$155,048 (US$5,338) for the year ended 31 December 2012.

(11) Income tax

Classification and valuation of deferred tax

According to IAS 12, the Bank and its subsidiaries reviewed income tax effects of the above adjustment items. As of 1 January 2012, the adjustments resulted in an increase of deferred tax assets by NT$536,567 (US$17,726), an increase of deferred tax liabilities by NT$87,086 (US$2,877) and an increase of retained earnings by NT$449,481 (USS$14,849). In addition, reserve for land value increment tax under other liabilities reclassified to deferred tax liabilities was NT$37,986 (US$1,255). Furthermore, deferred tax assets and liabilities were presented in gross amount and both increased by NT$366,096 (US$12,094).

As of 31 March 2012, the adjustments resulted in an increase of deferred tax assets by NT$529,627 (US$17,953), an increase of deferred tax liabilities by NT$87,086 (US$2,998), an increase of beginning retained earnings by NT$449,481 (US$15,237) and a decrease of unrealized gains on available-for-sale financial assets by NT$940 (US$32). The adjustments resulted in an increase of income tax expenses in the amount of NT$6,000 (US$203) for the three-month period ended 31 March 2012. In addition, reserve for land value increment tax under other liabilities reclassified to deferred tax liabilities was NT$37,986 (US$1,288). Furthermore, deferred tax assets and liabilities were presented in gross amount and both increased by NT$443,481 (US$15,033).

As of 31 December 2012, the adjustments resulted in an increase of deferred tax assets by NT$523,138 (US$18,008), an increase of deferred tax liabilities by NT$87,086 (US$2,998), a decrease of unrealized gains on available-for-sale financial assets by NT$5,429 (US$187), an increase of beginning retained earnings by NT$449,482 (US$15,473) and an increase of cumulative effect on retained earnings by NT$441,481 (US$15,197). The adjustments resulted in an increase of income tax expenses in the amount of NT$8,000 (US$275). In addition, reserve for land value increment tax under other liabilities reclassified to deferred tax liabilities was NT$37,163 (US$1,279). Furthermore, deferred tax assets and liabilities were presented in gross amount and both increased by NT$409,621 (US$14,101).

(12) Reclassifications made in compliance with “Regulations Governing the Preparation of Financial Reports by Public Banks”

As of 1 January 2012, receivables was reclassified to other assets by NT$121,290 (US$4,007) and payables was reclassified to other liabilities by NT$259,377 (US$8,569).

As of 31 March 2012, receivables was reclassified to other assets by NT$121,266 (US$4,111) and payables was reclassified to other liabilities by NT$268,270 (US$9,094). Also, the amount of NT$32,850 (US$1,114) was reclassified from interest income of financial assets at fair value through profit or loss to gains on financial assets and liabilities at fair value through profit or loss. In addition, the security guard expenses was reclassified from employee benefit expenses to other general and administration expenses by NT$85,103 (US$2,885).

As of 31 December 2012, receivables was reclassified to other assets by NT$98,939 (US$3,406) and payables was reclassified to other liabilities by NT$278,307 (US$9,580). Also, the amount of NT$143,479 (US$4,939) was reclassified from interest income of financial assets at fair value through profit or loss to gains on financial assets and liabilities at fair value through profit or loss. In addition, the security guard expenses was reclassified from employee benefit expenses to other general and administration expenses by NT$315,006 (US$10,844).

(13) Others

Certain items in the financial statements prepared based on R.O.C. GAAP have been reclassified for comparison purposes.