The Shanghai Commercial & Savings Bank, Ltd.

Financial Statements for the Six Months Ended June 30, 2013 and 2012 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank") as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, and the related statements of comprehensive income, changes in equity, and cash flows for the six months ended June 30, 2013 and 2012. These financial statements are the responsibility of the management of the Bank. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Bank as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 and the results of its operations and its cash flows for the six months ended June 30, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms and accounting principles generally accepted in the Republic of China.

August 24, 2013

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

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

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars, Except Par Value)

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 31)	$ 12,750,815	2	$ 11,175,039	1	$ 11,600,983	1	$ 14,802,372	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7 and 31)	81,578,351	9	117,568,492	14	57,285,460	7	63,788,328	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	33,147,758	4	26,922,923	3	27,876,150	4	27,470,769	4
DERIVATIVE FINANCIAL ASSETS FOR HEDGING, NET (Notes 4 and 27)	140,528	-	189,613	-	245,928	-	296,410	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 9)	986,987	-	730,712	-	4,658,140	1	5,579,661	1
RECEIVABLES, NET (Notes 4, 10 and 31)	9,242,622	1	9,091,377	1	9,170,608	1	9,330,155	1
CURRENT INCOME TAX ASSETS (Note 4)	40,733	-	40,733	-	40,733	-	40,733	-
DISCOUNTS AND LOANS, NET (Notes 4, 11 and 31)	500,621,717	56	457,069,626	53	440,714,610	56	423,015,541	52
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 12 and 32)	80,311,943	9	72,023,841	8	57,357,254	7	48,919,896	6
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4, 13 and 32)	112,241,032	13	115,812,807	14	123,920,023	16	163,149,488	20
EQUITY INVESTMENTS UNDER THE EQUITY METHOD, NET (Notes 4 and 14)	46,483,940	5	45,498,179	5	44,144,911	6	43,517,063	5
OTHER FINANCIAL ASSETS, NET (Notes 4 and 15)	205,678	-	234,741	-	212,914	-	212,600	-
PROPERTIES, NET (Notes 4 and 16)	12,400,900	1	11,118,915	1	10,144,765	1	10,159,212	1
DEFERRED INCOME TAX ASSETS (Note 4)	623,000	-	809,000	-	823,000	-	748,000	-
OTHER ASSETS, NET (Notes 4, 17 and 26)	2,257,714	-	2,451,775	-	1,768,584	-	1,644,972	-
TOTAL	$ 893,033,718	100	$ 870,737,773	100	$ 789,964,063	100	$ 812,675,200	100
LIABILITIES AND EQUITY								
DUE TO THE CENTRAL BANK AND BANKS (Notes 18 and 31)	$ 12,510,793	1	$ 26,881,489	3	$ 12,494,484	2	$ 24,717,877	3
BORROWINGS FROM THE CENTRAL BANK AND BANKS	1,499,450	-	5,808,000	1	-	-	6,661,160	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	1,836,332	-	361,161	-	400,210	-	297,501	-
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING, NET (Notes 4 and 27)	40,362	-	62,087	-	83,736	-	104,452	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4 and 19)	4,218,105	1	8,482,507	1	11,551,843	1	15,463,445	2
PAYABLES (Notes 20 and 31)	24,295,669	3	19,039,532	2	19,441,183	2	18,229,768	2
CURRENT INCOME TAX LIABILITIES (Note 4)	677,057	-	850,113	-	466,562	-	244,811	-
DEPOSITS AND REMITTANCES (Notes 21 and 31)	709,442,226	79	668,062,520	77	623,001,731	79	629,734,917	77
BANK DEBENTURES (Note 22)	33,140,260	4	35,189,440	4	20,245,149	3	15,295,357	2
OTHER FINANCIAL LIABILITIES (Note 23)	4,492,584	1	5,004,604	-	6,079,542	1	5,540,279	1
PROVISIONS (Notes 4 and 24)	598,708	-	595,550	-	558,229	-	557,444	-
DEFERRED INCOME TAX LIABILITIES (Note 4)	6,860,204	1	6,436,584	1	6,594,234	1	6,357,157	1
OTHER LIABILITIES (Notes 25 and 31)	892,407	-	801,252	-	1,118,480	-	743,144	-
Total liabilities	800,504,157	90	777,574,839	89	702,035,383	89	723,947,312	89
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 27)								
Share capital								
Ordinary shares	37,157,916	4	37,157,916	4	37,157,916	5	35,388,492	4
Capital surplus	4,624,995	1	4,618,140	1	4,618,140	1	4,611,242	1
Retained earnings								
Legal reserve	30,708,270	3	27,849,676	3	27,849,676	3	25,246,387	3
Special reserve	7,480,146	1	6,223,287	1	6,223,287	1	6,223,287	1
Unappropriated earnings	9,692,063	1	14,472,600	2	9,471,501	1	14,737,587	2
Total retained earnings	47,880,479	5	48,545,563	6	43,544,464	5	46,207,261	6
Other equity	2,949,315	-	2,924,459	-	2,691,304	-	2,604,037	-
Treasury stock	(83,144)	-	(83,144)	-	(83,144)	-	(83,144)	-
Total equity attributable to owners of the Company	92,529,561	10	93,162,934	11	87,928,680	11	88,727,888	11
TOTAL	$ 893,033,718	100	$ 870,737,773	100	$ 789,964,063	100	$ 812,675,200	100

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

	For the Six Months Ended June 30			
	2013		2012	
	Amount	%	Amount	%
INTEREST REVENUES	$ 7,317,697	84	$ 6,770,190	87
INTEREST EXPENSES	2,858,775	33	2,571,847	33
NET INTEREST (Notes 4, 28 and 31)	4,458,922	51	4,198,343	54
NET REVENUES OTHER THAN INTEREST (Note 4)				
Service fee incomes, net (Notes 28 and 31)	1,261,224	14	1,133,955	15
Gains on financial assets and liabilities at fair value through profit or loss (Note 28)	323,224	4	115,243	1
Realized gains on available-for-sale financial assets	179,418	2	107,475	1
Foreign exchange gains, net	270,288	3	282,705	4
Share of profit of subsidiaries, associates and joint ventures, net (Note 14)	1,970,434	23	1,858,382	24
Other net revenues (Note 31)	230,353	3	97,950	1
Total net revenues other than interest	4,234,941	49	3,595,710	46
NET REVENUES	8,693,863	100	7,794,053	100
PROVISION FOR CREDIT ALLOWANCE (Notes 4 and 11)	385,501	4	358,403	4
OPERATING EXPENSES				
Personnel (Notes 4, 28 and 31)	1,565,562	18	1,524,918	20
Depreciation and amortization (Notes 4 and 28)	229,902	3	153,107	2
Other general and administrative (Note 31)	784,472	9	804,378	10
Total operating expenses	2,579,936	30	2,482,403	32
PROFIT BEFORE INCOME TAX	5,728,426	66	4,953,247	64
INCOME TAX EXPENSE (Notes 4 and 29)	(819,823)	(9)	(538,346)	(7)
NET INCOME	4,908,603	57	4,414,901	57

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

	For the Six Months Ended June 30			
	2013		2012	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Translation adjustments for foreign operations	$ 1,452,243	17	$ (632,540)	(8)
Unrealized gain (loss) on available-for-sale financial assets	(455,401)	(5)	242,470	3
Cash flow hedges	16,177	-	16,376	-
Share of the other comprehensive income of associates and joint ventures	(569,380)	(7)	435,707	6
Income tax relating to the components of other comprehensive income (Notes 4 and 29)	(418,783)	(5)	25,254	-
Other comprehensive income for the period, net of income tax	24,856	-	87,267	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 4,933,459	57	$ 4,502,168	58
EARNINGS PER SHARE (Note 30)				
Basic	$1.32		$1.19	
Diluted	$1.32		$1.19	

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

	Share Capital (Note 27)	Capital Surplus (Note 27)	Retained Earnings (Note 27) Legal Reserve	Special Reserve	Unappropriated Earnings	Other Equity (Note 4) Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Shares (Note 27)	Total Equity
BALANCE AT JANUARY 1, 2012	$ 35,388,492	$ 4,611,242	$ 25,246,387	$ 6,223,287	$ 14,737,587	$ -	$ 2,694,872	$ (90,835)	$ (83,144)	$ 88,727,888
Appropriation of 2011 earnings										
Legal reserve	-	-	2,603,289	-	(2,603,289)	-	-	-	-	-
Cash dividends	-	-	-	-	(5,308,274)	-	-	-	-	(5,308,274)
Share dividends	1,769,424	-	-	-	(1,769,424)	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	6,898	-	-	-	-	-	-	-	6,898
Net profit (loss) for the six months ended June 30, 2012	-	-	-	-	4,414,901	-	-	-	-	4,414,901
Other comprehensive income (loss) for the six months ended June 30, 2012, net of income tax	-	-	-	-	-	(514,748)	585,639	16,376	-	87,267
Total comprehensive income (loss) for the six months ended June 30, 2012	-	-	-	-	4,414,901	(514,748)	585,639	16,376	-	4,502,168
BALANCE AT JUNE 30, 2012	$ 37,157,916	$ 4,618,140	$ 27,849,676	$ 6,223,287	$ 9,471,501	$ (514,748)	$ 3,280,511	$ (74,459)	$ (83,144)	$ 87,928,680
BALANCE AT JANUARY 1, 2013	$ 37,157,916	$ 4,618,140	$ 27,849,676	$ 6,223,287	$ 14,472,600	$ (1,423,907)	$ 4,404,904	$ (56,538)	$ (83,144)	$ 93,162,934
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	1,256,859	(1,256,859)	-	-	-	-	-
Appropriation of 2012 earnings										
Legal reserve	-	-	2,858,594	-	(2,858,594)	-	-	-	-	-
Cash dividends	-	-	-	-	(5,573,687)	-	-	-	-	(5,573,687)
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	6,855	-	-	-	-	-	-	-	6,855
Net profit (loss) for the six months ended June 30, 2013	-	-	-	-	4,908,603	-	-	-	-	4,908,603
Other comprehensive income (loss) for the six months ended June 30, 2012, net of income tax	-	-	-	-	-	1,027,423	(1,018,744)	16,177	-	24,856
Total comprehensive income (loss) for the six months ended June 30, 2013	-	-	-	-	4,908,603	1,027,423	(1,018,744)	16,177	-	4,933,459
BALANCE AT JUNE 30, 2013	$ 37,157,916	$ 4,624,995	$ 30,708,270	$ 7,480,146	$ 9,692,063	$ (396,484)	$ 3,386,160	$ (40,361)	$ (83,144)	$ 92,529,561

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

	For the Six Months Ended June 30 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 5,728,426	$ 4,953,247
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation expenses	111,757	67,977
Amortization expenses	118,145	85,130
Bad debts expenses	385,501	358,403
Gains (losses) on financial assets and liabilities at fair value through profit or loss	(9,503)	(30,909)
Interest expenses	2,858,775	2,571,847
Dividend income	(19,343)	(17,386)
Interest revenues	(7,317,697)	(6,770,190)
Share of profit of associates and joint ventures	(1,970,434)	(1,858,382)
Gains on sale of properties and equipment, net	(94,271)	1,535
Reversal of impairment losses on available-for-sale financial assets	-	(13,580)
Other adjustments	134,096	515,655
Changes in operating assets and liabilities		
Decrease (increase) in due from the central bank and call loans to banks	2,179,019	(6,299,403)
Increase in financial assets at fair value through profit or loss	(4,807,000)	(248,775)
Decrease (increase) in receivables	(181,897)	97,852
Increase in discounts and loans	(43,862,760)	(18,542,601)
Increase in available-for-sale financial assets	(8,139,722)	(8,052,057)
Decrease in held-to-maturity financial assets	3,573,377	39,267,429
Decrease (increase) in other financial assets	29,063	(314)
Decrease in due to the Central Bank and banks	(14,370,696)	(12,223,393)
Increase (decrease) in financial liabilities at fair value through profit or loss	66,840	(22,988)
Decrease in securities sold under repurchase agreements	(4,264,402)	(3,911,602)
Increase in payables	5,258,218	1,211,415
Increase (decrease) in deposits and remittances	41,379,706	(6,733,186)
Increase (decrease) in other financial liabilities	(512,020)	539,263
Increase in employee benefit provisions	3,427	953
Increase (decrease) in other liabilities	(42,425)	384,205
Cash used in operation	(23,765,820)	(14,669,855)
Interest received	6,520,140	6,559,546
Dividend received	1,889,512	1,913,186
Interest paid	(2,860,856)	(2,462,057)
Income tax paid	(813,674)	(136,601)
Net cash used in operating activities	(19,030,698)	(8,795,781)

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

	For the Six Months Ended June 30 2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equity investments under the equity method	$ -	$ (900,000)
Acquisition of properties	(1,439,751)	(55,592)
Proceeds from disposal of properties	140,269	389
Increase in refundable deposits	(180,591)	(6,347)
Decrease (increase) in other assets	256,621	(199,680)
Net cash used in investing activities	(1,223,452)	(1,161,230)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in borrowings from the Central Bank and banks	(4,308,550)	(6,661,160)
Issuance of bank debentures	-	5,000,000
Repayment of bank debentures	(2,000,000)	-
Increase in guarantee deposit received	133,580	-
Decrease in guarantee deposit received	-	(8,869)
Payment of cash dividend	(5,573,687)	(5,308,274)
Net cash used in financing activities	(11,748,657)	(6,978,303)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	23,736	10,133
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,979,071)	(16,925,181)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	103,437,469	62,800,211
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 71,458,398	$ 45,875,030

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets at June 30, 2013 and 2012:

	2013	2012
Cash and cash equivalents in balance sheets	$ 12,750,815	$ 11,600,983
Due from the Central Bank and call loans to banks fall in with the definition of cash and cash equivalents under IFRS 7	57,720,596	29,615,907
Securities purchased under resell agreements fall in with the definition of cash and cash equivalents under IFRS 7	986,987	4,658,140
Cash and cash equivalents in statements of cash flows	$ 71,458,398	$ 45,875,030

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

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

1. ORGANIZATION AND OPERATIONS

The Bank is incorporated in Taiwan and engaged in various commercial banking businesses under related laws and regulations. The Bank has a head office in Taipei, 68 domestic branches and foreign branches, Hong Kong branch and Vietnam branch.

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

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on August 24, 2013.

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

a. New, amended and revised standards and interpretations in issue but not yet effective

The Bank have not applied the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations (IFRIC), and Standing Interpretations (SIC) that have been issued by the IASB.

As of the date that the financial statements were approved and authorized for issue, the Financial Supervisory Commission ("FSC") has not announced the effective dates for the following new, amended and revised standards and Interpretations.

New, Amended or Revised Standards and Interpretations		Effective Date Announced by IASB (Note)
Endorsed by the FSC but the effective date have not yet been determined by the FSC		
Amendments to IFRSs	Improvements to IFRSs (2009) - amendments to IAS 39	January 1, 2009 or January 1, 2010
IFRS 9 (2009)	Financial Instruments	January 1, 2015
Amendments to IAS 39	Embedded Derivatives	Effective for annual periods ending on or after June 30, 2009

(Continued)

New, Amended or Revised Standards and Interpretations		Effective Date Announced by IASB (Note)
Not yet endorsed by the FSC		
Amendments to IFRSs	Improvements to IFRSs (2010) - amendments to IAS 39	July 1, 2010 or January 1, 2011
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendments to IFRS 1	Government Loans	January 1, 2013
Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date and Transition Disclosures	January 1, 2015
Amendments to IFRS 7	Disclosures - Transfers of Financial Assets	July 1, 2011
Amendments to IFRS 9	Financial Instruments	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2013
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	January 1, 2014
IFRS 13	Fair Value Measurement	January 1, 2013
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendments to IAS 12	Deferred Tax - Recovery of Underlying Assets	January 1, 2012
Amendments to IAS 19	Employee Benefits	January 1, 2013
Amendments to IAS 27	Separate Financial Statements	January 1, 2013
Amendments to IAS 28	Investments in Associates and Joint Ventures	January 1, 2013
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	January 1, 2014
Amendments to IAS 36	Recoverable Amounts Disclosures for Non-financial Assets	January 1, 2014
Amendments to IAS 39	Novation of derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013
IFRIC 21	Levies	January 1, 2014

(Concluded)

Note: Unless otherwise noted, the above new and revised standards, amendments and interpretations are effective for annual periods beginning on or after the respective effective dates.

b. Significant impending changes in accounting policy resulted from new, amended or revised standards and interpretations in issue but not yet effective

Except for the following items, the Bank believes that the adoption of aforementioned new, amended or revised standards or interpretations will not have a significant effect on the Bank's accounting policies.

1) IFRS 9, "Financial Instruments"

Under IFRS 9, all recognized financial assets currently in the scope of IAS 39, "Financial Instruments: Recognition and Measurement," will be subsequently measured at either the amortized cost or the fair value. If the objective of the Bank's business model is to hold the financial asset to collect the contractual cash flows which are solely for payments of principal and interest on the principal amount outstanding, such assets are measured at the amortized cost. All other financial assets must be measured at the fair value through profit or loss as of the balance sheet date. However, the Bank may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

2) IFRS 13, "Fair Value Measurement"

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

3) Amendments to IAS 1, "Presentation of Items of Other Comprehensive Income"

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

4) Amendments to IAS 36, "Recoverable Amount Disclosures for Non-Financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made some consequential amendments to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that the disclosure of such recoverable amount is required during the period when an impairment loss has been recognized or reversed. Furthermore, the Bank is required to disclose the discount rate used in current and previous measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

c. Material impact on the financial statements that would result from new and revised standards, amendments and interpretations in issue but not yet effective.

As of the date that the financial statements were authorized for issue, the Bank continues evaluating the impact on its financial statements resulting from the initial adoption of the abovementioned standards or interpretations. The related impact will be disclosed whenever the Bank completes the evaluation.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the first interim financial statements prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks which were revised on April 30, 2013. The transition date was January 1, 2012. The impact of the transition on the financial statements is described in Note 42.

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks. Disclosures included in interim financial statements are less than those required in a full set of annual financial statements.

Basis of Presentation

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

When the Bank prepared the financial statements, its investments in the subsidiaries and associates were accounted for by the equity method. To make the current losses and profits, other comprehensive income and equity equal to the current losses and profits, other comprehensive income and equity which are attributable to owner of the Bank in the consolidated financial statements, “equity investments under the equity method”, “share of profit or loss of subsidiaries, associates and joint ventures”, “share of the other comprehensive income of subsidiaries, associates and joint ventures” were adjusted.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the Bank’s financial statements are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by liquidity.

Foreign Currencies

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

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

Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

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

For the purposes of presenting financial statements, the assets and liabilities of the Bank’s foreign operations are translated into New Taiwan Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized in other comprehensive income.

Financial Instruments

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

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

a. Financial assets

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

1) Categories

The Bank owns the financial assets which are classified into the following specified categories: Financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables.

a) Financial assets at FVTPL

Financial assets at FVTPL are either classified as held for trading or designated as at FVTPL.

A financial asset is designated as at FVTPL on initial recognition when:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- If a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, or designates as available for sale, or meet the definition of loans and receivables.

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

c) Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets at fair value through profit or loss.

AFS financial assets are measured at fair value. AFS monetary financial assets relating to changes from interest revenues under effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

d) Loans and receivables

Loans and receivables (including cash and cash equivalents, due from the Central Bank and call loan to banks, securities purchased under resell agreements, receivables, discounts and loans, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash on hand and due from other banks were included in cash and cash equivalents on the balance sheets. For the statements of cash flows,cash and cash equivalents on the balance sheet were included in cash and cash equivalents, due from the central bank and call loans to banks and securities purchased under resell agreements which fall in with the definition of cash and cash equivalents under IFRS No. 7 approved by FSC.

2) Impairment of financial assets

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

For of financial assets carried at amortized cost, such as loans and receivables, are assessed for impairment on a collective basis even if they are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on loans and receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The impairment loss of available-for-sale equity instruments which has been recognized as profit or loss will not be reversed through profit or loss. Any reversal on the impairment is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

The objective evidences of other financial assets contains significant financial difficulties or defaults of the issuer or debtor, the increasing possibilities of debtors' bankruptcy or debt restructuring, and inactive market due to the issuer's financial difficulties.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of financial assets that are carried at cost, where the carrying amount is reduced through the use of an allowance account. When financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

Under the policy of the Bank, the minimum standard allowance for all accounts, and for accounts classified as normal (except the government's claims), notice, warning, difficult, and uncollectible is recognized at 0.5%, 2%, 10%, 50%, and 100%, respectively.

The uncollectible assets could be written off after the board of directors' approval.

3) Derecognition of financial assets

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

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

b. Financial liabilities

1) Subsequent measurement of financial liabilities

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method, less any impairment:

Financial liabilities at fair value through profit or loss are all held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The method to determine fair value is stated in Note 34.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

c. Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Equity Investments Under the Equity Method

Investments in subsidiaries and associates are accounted for by the equity method.

a. Investments in subsidiaries

Subsidiaries are the entities over which the Bank has control.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary. The changes in subsidiaries' other equity are recognized by the Bank based on its share proportion.

If the change in subsidiaries' equity doesn't make the Bank lose control, and the change is treated as equity transactions. The difference between carrying amount of the investment and the fair value received or paid is recognized in equity.

When the investment loss equals or exceeds the Bank's interest in that subsidiary (which includes carrying amount of the investment accounted for by the equity method and other long-term investment), the Bank continues recognizing its share of losses in proportion to its current ownership in the investee.

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

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

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

b. Investments in associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

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

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

When assessing impairment, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing recoverable amount (higher of value in use and fair value less costs to sell) with carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

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

Hedge Accounting

The Bank designates certain hedging instruments, which include derivatives and embedded derivatives, as either fair value hedges or cash flow hedges.

a. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting.

b. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Bank revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Nonperforming Loans

Under guidelines issued by the Banking Bureau of the Financial Supervisory Commission, Executive Yuan (the Banking Bureau), the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as nonperforming.

Nonperforming loans in the lending business are classified as discounts and loans; otherwise, are classified as other financial assets.

Securities Purchased/Sold Under Resell/Repurchase Agreements

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

Properties

Properties are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Depreciation is provided on a straight-line basis over estimated useful lives, and the critical components shall be identified and depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. Change in accounting estimate takes effect prospectively.

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

Intangible Assets

Intangible assets that have finite useful lives and are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life. Change in accounting estimate takes effect prospectively. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Any gain or loss on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

Collaterals Assumed

Collaterals assumed are recorded at their appraised values. At balance sheet date, these collaterals are individually revalued at the lower of cost or net realizable value.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue Recognition

Interest revenues from loans are estimated on accrual basis. Interest revenue from nonperforming Bank-extended loans and other credits are recognized only when collection is made. In accordance with the Ministry of Finance regulations, the interest from the relief and extension of specific loans is recorded as deferred income and recognized as income upon collection. Service fees are recorded as income upon receipt or when the related services are substantially completed.

The costs of acquisition of loans and accounts receivable and extra fees received are accounted as adjustments to the book values and the effective interests of loans and accounts receivable.

Dividend revenue is recognized when the right of shareholder to receive dividend is established.

Retirement Benefit Costs

a. Short-term employee benefit

   Periodic payment to employees for their regular work in the current period is recognized as current expense.

b. Retirement benefit costs

   The Bank currently provides both defined contribution and benefit retirement plans to its employees. Pursuant to local rules, employees working overseas apply to defined contribution retirement benefit plan.

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

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

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

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

c. Employee preferential deposits

The Bank provides its current and retired employees preferential interests for deposits under certain balances. Differences arising from preferential interest and interest at market rate are recognized as employee benefit.

Under the Regulations Governing the Preparation of Financial Reports by Public Banks, post-retirement preferential interests provided to employees should be measured and recognized using actuarial calculation pursuant to IAS No. 19 when the employee retires. If variables utilized in the actuarial assumptions are stipulated in official governing rules, then the rules should applied first.

d. Other long-term employee benefit

The Bank provides death benefit to employees who die on the job other than occupational injuries. For employees with retirement eligibility, death benefits are determined as their pension benefits. For those without retirement eligibility, death benefits are determined based on the length of employment: If employment is less than 1 year, death benefit is determined at one month salary; if employment is about 1 to 5 years, death benefit is determined as one month salary for each year of employment; if employment is more than 5 years, death benefit is determined in line with the employee’s pension benefit based on years of service before LPA was enacted.

Taxation

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

a. Current tax

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

Adjustments of prior years’ tax liabilities are added to or deducted from the current period’s income tax expenses.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are generally recognized on all deductible temporary differences.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax of this period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investment in a subsidiary.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of loans and receivables

The Bank periodically reviews its loan portfolio for impairment. Recognitions of impairment depends on whether any observable objective evidence of impairment exists. The evidence should contain observable data indicating the unfavorable changes in payment condition or the economic condition in related countries or territories. When analyzing the expected cash flow, the management's estimates are based on past experiences of loss. The Bank reviews regularly the method and assumptions in estimating expected cash flows in order to reduce the difference between the expected and actual losses.

b. Fair value of the financial instruments

Valuation techniques are applied in evaluating the financial instruments with no active market or no quoted prices. Under the circumstances, the fair values are assessed based on observable information or models of similar financial instruments. If there is no observable market parameter, the fair values of financial instruments are assessed based on appropriate assumptions. When the fair values are determined by use of valuation models, all the models should be adjusted to ensure that they could generate the actual data and market price. The data which the models adopt must be as observable as possible. On the other hand, for the credit risk fluctuations, the management should adopt appropriate estimation method.

c. Assessing impairment of available-for-sale equity investment

The objective evidence of impairment of available-for-sale equity investment is the substantial decrease in fair value that brings it even lower than the cost. Judgment is applied when determining whether the fair value decreases substantially or continually. When applying judgment, the Bank's management should take into consideration the historical market record, historical price of the equity investment and the industry of the investees.

d. Assessing impairment of properties and intangible assets

If there is objective evidence that impairment on properties and intangibles exists, the Bank estimates the recoverable amount of the asset. The evidence includes (1) the market price falls down in current period more than expected; (2) the market interest rate or other index goes up in current period, and it could affect the discount rate and furthermore reduce the recoverable amount; (3) the assets are obsolete or destroyed; (4) the performance of the asset is not as good as expected.

e. Held-to-maturity financial assets

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

f. Income tax

The Bank's income tax calculation relies heavily on estimates. The Bank determined the final amount of tax through many transactions and calculations. If the actual amount differs from the original estimation, the difference will be adjusted in the recognition of current tax and deferred tax in the current period

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences are available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

g. Post-employment benefit

The present value of post-employment benefit obligation is calculated based on actuarial valuations. Any changes in these assumptions will affect the carrying amount of post-employment benefit obligation.

One of the assumptions is discount rate. The actuary determines the appropriate discount rate according to actual conditions every year and estimates the future cash outflow for payment of post-employment benefit obligation. To determine appropriate discount rate, the interest rates of high quality corporate bonds and government bonds are taken into consideration. The currency and maturity of these bonds should be the same as the payment of post-employment benefit obligation.

Other assumptions of post-employment benefit are based upon the market condition.

6. CASH AND CASH EQUIVALENTS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Cash on hand and working fund	$ 5,404,295	$ 5,267,476	$ 5,093,658	$ 4,835,259
Notes and checks in clearing	3,243,839	3,454,632	3,499,877	3,152,489
Due from other banks - domestic	2,053,202	73,128	76,306	1,806,317
Due from other banks - foreign	2,049,479	2,379,803	2,931,142	5,008,307
	$ 12,750,815	$ 11,175,039	$ 11,600,983	$ 14,802,372

Reconciliation of the amounts of cash and cash equivalents reported in the statements of cash flow and balance sheets at December 31, 2012 and January 1, 2012 was as below. As for reconciliation at June 30, 2013 and 2012, please refer to the statements of cash flows.

	December 31, 2012	January 1, 2012
Cash and cash equivalents in balance sheets	$ 11,175,039	$ 14,802,372
Due from the Central Bank and call loans to banks fall in with the definition of cash and cash equivalents under IFRS 7	91,531,718	42,418,178
Securities purchased under resell agreements fall in with the definition of cash and cash equivalents under IFRS 7	730,712	5,579,661
Cash and cash equivalents in statements of cash flow	$ 103,437,469	$ 62,800,211

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

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Call loans to banks	$ 61,554,134	$ 93,109,841	$ 32,932,897	$ 44,991,808
Deposit reserves - I	5,282,374	10,537,532	10,524,077	5,521,927
Deposit reserves - II	14,659,459	13,831,156	13,750,095	13,190,507
Deposit reserves - foreign	82,384	89,963	78,391	84,086
	$ 81,578,351	$ 117,568,492	$ 57,285,460	$ 63,788,328

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Held-for-trading financial assets				
Commercial papers	$ 23,213,448	$ 20,957,000	$ 22,484,557	$ 21,728,340
Negotiable certificate of deposit	5,090,761	2,463,021	357,689	1,604,864
Option contracts	1,667,188	190,077	136,252	115,503
Treasury bonds	498,382	-	1,991,628	991,800
Forward contracts	145,540	109,264	81,753	92,139
Government bonds	114,690	394,283	-	-
Currency swap contracts	113,726	123,890	247,681	181,620
Interest rate swap contract	10,797	12,145	20,103	39,961
Corporate bonds	7,736	8,088	11,737	78,568
Others	17,059	28,577	51,755	20,865
	30,879,327	24,286,345	25,383,155	24,853,660
Financial assets designated at fair value through profit or loss				
Structured corporate bonds contracts	1,995,909	2,371,322	2,226,321	2,171,656
Structured bank debentures contracts	272,522	265,256	266,674	445,453
	2,268,431	2,636,578	2,492,995	2,617,109
	$ 33,147,758	$ 26,922,923	$ 27,876,150	$ 27,470,769
Held-for-trading financial liabilities				
Option contracts	$ 1,510,377	$ 190,009	$ 136,766	$ 117,015
Forward contracts	173,128	76,947	42,895	55,050
Currency swap contracts	106,507	23,359	144,488	36,942
Interest rate swap contracts	46,320	70,846	76,061	88,494
	$ 1,836,332	$ 361,161	$ 400,210	$ 297,501

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

The financial assets and liabilities at FVTPL contract (nominal) amounts of derivative transactions as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Option contracts	$ 143,159,475	$ 59,838,060	$ 28,313,747	$ 17,114,513
Currency swap contracts	30,966,746	33,449,192	48,721,160	17,636,907
Forward contracts	21,397,803	15,698,517	14,353,502	16,938,335
Interest rate swap contracts	4,152,491	4,447,511	5,112,436	5,740,256
Fixed rate commercial papers	600,000	400,000	800,000	800,000
Credit default swap contracts	272,380	263,760	271,698	275,005

9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities purchase under resell agreements as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 were $986,987 thousand, $730,712 thousand, $4,658,140 thousand and $5,579,661 thousand, respectively. The aforementioned securities will be bought back one after another before July 18, 2013, January 11, 2013, July 19, 2012 and February 6, 2012 at $987,302 thousand, $730,886 thousand, $4,659,939 thousand and $5,581,810 thousand, respectively.

10. RECEIVABLES, NET

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Acceptances	$ 2,896,913	$ 3,673,675	$ 3,461,195	$ 3,547,793
Credit cards receivable	2,805,976	2,388,122	2,719,949	2,494,489
Accounts receivable - factoring	1,464,217	1,516,266	1,438,201	1,683,924
Accrued interest	1,378,926	1,298,423	1,109,742	1,166,405
Others	969,626	472,875	701,894	655,463
	9,515,658	9,349,361	9,430,981	9,548,074
Less allowance for credit losses	(273,036)	(257,984)	(260,373)	(217,919)
	$ 9,242,622	$ 9,091,377	$ 9,170,608	$ 9,330,155

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

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

Item	December 31, 2012 Total	December 31, 2012 Allowances
With objective evidence of impairment		
Individually assessed	$ 113,663	$ 54,070
Collectively assessed	100,366	25,314
With no objective evidence of impairment		
Collectively assessed	6,603,328	183,236
Grand total	$ 6,817,357	$ 262,620

Item	June 30, 2012 Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 320	$ 183
Collectively assessed	167,009	67,625
With no objective evidence of impairment		
Collectively assessed	6,816,618	197,123
Grand total	$ 6,983,947	$ 264,931

Item	January 1, 2012 Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 45,800	$ 25,665
Collectively assessed	106,942	30,843
With no objective evidence of impairment		
Collectively assessed	7,537,984	166,757
Grand total	$ 7,690,726	$ 223,265

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

	For the Six Months Ended June 30 2013	2012
Balance at January 1	$ 262,620	$ 223,265
Provisions	2,208	2,188
Write-offs	(19,632)	(20,029)
Recoveries	32,033	59,617
Effect of exchange rate changes	284	(110)
Balance at June 30	$ 277,513	$ 264,931

11. DISCOUNTS AND LOANS, NET

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Loans	$ 493,457,304	$ 452,252,088	$ 435,111,265	$ 418,744,551
Inward/outward documentary bills	11,807,588	11,513,147	12,296,241	10,241,871
Nonperforming loans	2,172,847	975,830	981,802	890,544
	507,437,739	464,741,065	448,389,308	429,876,966
Discount and premium adjustment	220,242	124,669	50,896	(12,604)
Allowance for credit losses	(7,036,264)	(7,796,108)	(7,725,594)	(6,848,821)
	$ 500,621,717	$ 457,069,626	$ 440,714,610	$ 423,015,541

The Bank discontinues accruing interests when loans are deemed nonperforming. For the six months ended June 30, 2013 and 2012, the unrecognized interest revenues on the nonperforming loans amounted to $16,243 thousand and $14,482 thousand, respectively.

For the six months ended June 30, 2013 and 2012, the Bank only had written off certain credits after completing the required legal procedures.

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

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

Item	December 31, 2012	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 2,960,769	$ 1,084,725
Collectively assessed	9,122,477	4,652,608
With no objective evidence of impairment		
Collectively assessed	452,657,819	2,058,775
Grand total	$ 464,741,065	$ 7,796,108

Item	June 30, 2012	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 3,093,179	$ 1,210,607
Collectively assessed	7,634,849	4,123,389
With no objective evidence of impairment		
Collectively assessed	437,661,280	2,391,598
Grand total	$ 448,389,308	$ 7,725,594

Item	January 1, 2012	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 2,082,115	$ 794,988
Collectively assessed	6,963,743	3,684,910
With no objective evidence of impairment		
Collectively assessed	420,831,108	2,368,923
Grand total	$ 429,876,966	$ 6,848,821

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

	For the Six Months Ended June 30	
	2013	2012
Balance at January 1	$ 7,796,108	$ 6,848,821
Provisions	383,293	356,215
Write-offs	(1,257,139)	(30,259)
Recoveries	90,909	560,398
Effect of exchange rate changes	23,093	(9,581)
Balance at June 30	$ 7,036,264	$ 7,725,594

The details of bad debts expenses for the six months ended June 30, 2013 and 2012 are listed as below:

	For the Six Months Ended June 30	
	2013	2012
Provisions of loans and discounts	$ 383,293	$ 356,215
Provisions of receivables	2,208	2,188
	$ 385,501	$ 358,403

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Government bonds	$ 26,015,979	$ 21,562,368	$ 18,200,324	$ 12,373,526
Corporate bonds	22,204,788	19,002,248	15,136,987	12,874,135
Bank debentures	20,178,032	19,087,891	16,733,371	16,555,725
Beneficiary certificates	6,213,008	6,873,472	2,224,989	1,786,359
Listed stock	3,918,390	3,723,305	3,253,194	3,487,291
Negotiable certificate of deposit	1,262,043	289,528	298,242	301,872
Assets backed securities	519,703	491,255	516,474	549,037
Treasury bonds	-	993,774	993,673	991,951
	$ 80,311,943	$ 72,023,841	$ 57,357,254	$ 48,919,896

Part of abovementioned available-for-sale financial assets sold under repurchase agreements as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 were $4,212,600 thousand, $8,480,800 thousand, $11,551,034 thousand and $15,470,483 thousand.

Part of abovementioned assets backed securities were invested in Structured Investment Vehicles (SIV). The Bank had recognized impairment losses in prior years which were partially realized due to the liquidation of SIV. For the year ended December 31, 2012, the Bank has reversed impairment loss of $42,413 thousand due to repayment of principals. As of June 30, 2012, the accumulated impairment losses related to its SIV investments were $539,742 thousand.

About the pledged assets, please see Note 32.

13. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Negotiable certificate of deposit	$ 107,400,000	$ 114,600,000	$ 121,900,000	$ 160,800,000
Treasury bonds	3,985,618	-	-	-
Corporate bonds	598,336	954,064	1,069,854	1,239,370
Government bonds	257,078	258,743	314,643	316,487
Bank debentures	-	-	598,280	605,560
Collateralized loans obligation	-	-	-	118,656
Assets backed securities	-	-	37,246	69,415
	$ 112,241,032	$ 115,812,807	$ 123,920,023	$ 163,149,488

About the pledged assets, please see Note 32.

14. EQUITY INVESTMENTS UNDER THE EQUITY METHOD

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
Equity Method	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Investment in a foreign subsidiary								
Domestic investments								
SCSB Asset Management Ltd.	$ 1,091,371	100.00	$ 1,078,128	100.00	$ 1,101,861	100.00	$ 197,737	100.00
SCSB Life Insurance Agency	147,734	100.00	193,567	100.00	154,391	100.00	143,742	100.00
China Travel Service (Taiwan)	180,478	99.99	183,905	99.85	174,641	99.85	178,044	99.85
SCSB Property Insurance Agency	92,647	100.00	89,981	100.00	88,622	100.00	85,329	100.00
SCSB Marketing Ltd.	9,365	100.00	9,038	100.00	8,834	100.00	8,659	100.00
	1,521,595		1,554,619		1,528,349		613,511	
Foreign investments								
Shancom Reconstruction Inc.	44,466,863	100.00	43,471,028	100.00	42,140,243	100.00	42,431,195	100.00
Wresqueue Limitada	285,847	100.00	274,045	100.00	278,806	100.00	279,059	100.00
Paofoong Insurance Company Ltd.	209,635	40.00	198,487	40.00	197,513	40.00	193,298	40.00
	44,962,345		43,943,560		42,616,562		42,903,552	
	46,483,940		45,498,179		44,144,911		43,517,063	
Associates								
Kuo Hai Real Estate Management	-	34.69	-	34.69	-	34.69	-	34.69
Grand total	$ 46,483,940		$ 45,498,179		$ 44,144,911		$ 43,517,063	

In view of the rapid economic growth and the rise in the financial lease market in China, the Bank planned to establish a national-wide financial lease company in Shanghai through its subsidiary, SCSB Assets Management Ltd. The investment plan had been approved by the Financial Supervisory Commission in January 2012. Accordingly, the Bank funded SCSB Assets Management Ltd. by $900,000 thousand in 2012.

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

The Bank decreased the carrying value of Kuo Hai to zero and recognized losses on this investment because of the investee's continuing operating losses over the years.

Investment income (loss) recognized under the equity method was as follows:

Investee	Six Months Ended June 30 2013	Six Months Ended June 30 2012
Domestic		
SCSB Asset Management Ltd.	$ (15,832)	$ 4,124
SCSB Life Insurance Agency	34,167	50,649
China Travel Service (Taiwan)	(3,465)	(3,439)
SCSB Property Insurance Agency	2,666	3,293
SCSB Marketing Ltd.	327	175
	17,863	54,802
Foreign		
Shancom Reconstruction Inc.	1,944,440	1,795,293
Wresqueue Limitada	2,816	3,076
Paofoong Insurance Company (Hong Kong) Ltd.	5,315	5,211
	1,952,571	1,803,580
	$ 1,970,434	$ 1,858,382

Calculation of the carrying amounts of equity-method foreign investments was based on the investees' audited financial statements, on which other auditors had expressed unqualified opinions in their reports. The financial statements used were as follows: Shancom Reconstruction and Wresqueue Limitada - audited financial statements for the same period as that of the audited financial statements of the Bank; Paofoong Insurance - unaudited financial statements for the six month period ended June 30, 2013 and 2012. Calculation of the carrying amounts of equity-method domestic investments was based on unaudited financial statements of China Travel Services (Taiwan), SCSB Assets Management, SCSB Life Insurance Agency, SCSB Property Insurance Agency, and SCSB Marketing. The Bank decreased the carrying amount of Kuo Hai to zero and recognized losses on this investment because of the investee's continuing operating losses over the years. The Bank deemed the impact on its financial statements is immaterial, if the investees' financial statements have been audited.

15. OTHER FINANCIAL ASSETS, NET

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Non-active market debt instruments	$ 200,000	$ 200,000	$ 200,000	$ 200,000
Bills purchased, net	6,678	35,741	13,914	13,600
Nonperforming credit card receivables	3,477	3,636	3,558	4,346
	210,155	239,377	217,472	217,946
Allowance for nonperforming credit card receivables	(4,477)	(4,636)	(4,558)	(5,346)
	$ 205,678	$ 234,741	$ 212,914	$ 212,600

The balance of credit cards receivable which was reported as nonperforming were $3,477 thousand, $3,636 thousand, $3,558 thousand and $4,346 thousand as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, respectively. The unrecognized interest revenues on the receivable amounted to $42 thousand and $40 thousand for the six months ended June 30, 2013 and 2012.

16. PROPERTIES, NET

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Land	$ 9,269,392	$ 7,231,276	$ 7,254,390	$ 7,254,390
Building and improvement	2,632,136	2,478,735	2,553,700	2,587,754
Office equipment	344,463	350,951	210,632	204,206
Transportation equipment	14,301	13,218	12,641	14,624
Miscellaneous equipment	140,608	120,026	113,402	98,238
Construction-in-progress and prepayment	-	924,709	-	-
	$ 12,400,900	$ 11,118,915	$ 10,144,765	$ 10,159,212

Item	Six Months Ended June 30, 2013 Balance at January 1, 2013	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at June 30, 2013
Cost						
Land	$ 7,231,276	$ 1,233,131	$ (23,292)	$ 828,277	$ -	$ 9,269,392
Building and improvement	4,044,801	126,340	(19,016)	96,432	-	4,248,557
Office equipment	1,237,288	42,364	(59,181)	(346)	587	1,220,712
Transportation equipment	61,488	3,179	(3,493)	-	-	61,174
Miscellaneous equipment	491,460	34,737	(18,435)	(185)	212	507,789
	13,066,313	1,439,751	(123,417)	(924,178)	799	15,307,624
Accumulated depreciation						
Building and improvement	1,566,066	51,505	(1,150)	-	-	1,616,421
Office equipment	886,337	45,919	(56,227)	(160)	380	876,249
Transportation equipment	48,270	1,888	(3,285)	-	-	46,873
Miscellaneous equipment	371,434	12,445	(16,757)	(101)	160	367,181
	2,872,107	111,757	(77,419)	(261)	540	2,906,724
Construction-in-progress and prepayment	924,709	-	-	(924,709)	-	-
Balance at June 30, 2013	$ 11,118,915	$ 1,327,994	$ (45,998)	$ (270)	$ 259	$ 12,400,900

Item	Six Months Ended June 30, 2012 Balance at January 1, 2012	Additions	Disposals	Internal Transfer	Effect Of Exchange Rate Changes, Net	Balance at June 30, 2012
Cost						
Land	$ 7,254,390	$ -	$ -	$ -	$ -	$ 7,254,390
Building and improvement	4,063,362	-	-	-	-	4,063,362
Office equipment	1,072,133	30,880	(10,997)	-	(202)	1,091,814
Transportation equipment	67,554	-	(5,591)	-	-	61,963
Miscellaneous equipment	475,292	24,712	(2,632)	-	(74)	497,298
	12,932,731	55,592	(19,220)	-	(276)	12,968,827
Accumulated depreciation						
Building and improvement	1,475,608	34,054	-	-	-	1,509,662
Office equipment	867,927	22,913	(9,552)	-	(106)	881,182
Transportation equipment	52,930	1,867	(5,475)	-	-	49,322
Miscellaneous equipment	377,054	9,143	(2,269)		(32)	383,896
	2,773,519	67,977	(17,296)	-	(138)	2,824,062
Balance at June 30, 2012	$ 10,159,212	$ (12,385)	$ (1,924)	$ -	$ (138)	$ 10,144,765

For the need to expand operation facilities, the Bank purchased an office building in 2012. As of December 31, 2012, the title of the building was not transferred to the Bank yet and the payment made by the Bank was recorded as prepayments.

The Bank did not recognize any impairment losses on the properties for the six months ended June 30, 2013 and 2012.

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

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

Insurance amount of the Bank's building and equipment are $6,899,111 thousand.

17. OTHER ASSETS, NET

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Prepaid expenses	$ 712,440	$ 1,177,110	$ 461,486	$ 439,073
Refundable deposits - less impairment loss of $17,360 thousand	565,904	385,313	375,810	369,463
Deferred charges	561,647	370,638	318,077	254,845
Temporary payments and suspense	133,403	231,286	219,943	219,943
Computer software	126,924	130,140	149,096	147,936
Prepaid pension cost (Note 26)	125,676	125,562	205,486	202,778
Others	31,720	31,726	38,686	10,934
	$ 2,257,714	$ 2,451,775	$ 1,768,584	$ 1,644,972

18. DUE TO THE CENTRAL BANK AND BANKS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Due to banks	$ 268,226	$ 446,012	$ 432,019	$ 410,618
Call loans from banks	8,094,231	22,544,388	8,481,395	22,638,397
Deposit transfer from Chunghwa Post Co., Ltd.	2,853,026	2,651,994	2,383,604	1,632,803
Overdraft on banks	1,295,310	1,239,095	1,197,466	36,059
	$ 12,510,793	$ 26,881,489	$ 12,494,484	$ 24,717,877

19. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 were $4,218,105 thousand, $8,482,507 thousand, $11,551,843 thousand and $15,463,445 thousand, respectively. The aforementioned securities will be sold back by June 9, 2014, December 26, 2013, June 10, 2013 and September 28, 2012 at $4,221,833 thousand, $8,487,995 thousand, $11,558,669 thousand and $15,471,415 thousand, respectively.

20. PAYABLES

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Dividends payable	$ 14,294,405	$ 8,720,717	$ 9,112,921	$ 8,430,948
Accounts payable	4,931,759	4,250,644	4,836,852	3,891,833
Liabilities on bank acceptances	2,944,981	3,712,057	3,519,475	3,614,143
Accrued interests	1,275,414	1,277,495	1,185,556	1,075,759
Accrued expenses	630,367	871,935	577,623	826,485
Other accounts payable	123,430	122,715	131,193	305,345
Others	95,313	83,969	77,563	85,255
	$ 24,295,669	$ 19,039,532	$ 19,441,183	$ 18,229,768

21. DEPOSITS AND REMITTANCES

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Time	$ 308,203,188	$ 288,067,458	$ 266,620,939	$ 282,080,769
Savings	238,483,296	220,878,388	203,690,309	196,652,650
Demand	149,527,909	145,309,834	141,771,027	139,236,049
Checking	8,498,912	8,629,491	8,273,492	8,736,353
Negotiable certificates of deposits	4,520,900	4,864,300	2,422,600	2,632,200
Remittances	208,021	313,049	223,364	396,896
	$ 709,442,226	$ 668,062,520	$ 623,001,731	$ 629,734,917

22. BANK DEBENTURES

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
The subordinate bank debenture - seven-year maturity; first issued in 2006, maturity date is on May 2013	$ -	$ 2,000,000	$ 2,000,000	$ 2,000,000
The subordinate bank debenture - seven-year maturity; first issued in 2007; maturity date is on September 2014	3,300,000	3,300,000	3,300,000	3,300,000
The subordinate bank debenture - seven-year maturity; second issued in 2007; maturity date is on December 2014	1,700,000	1,700,000	1,700,000	1,700,000
The subordinate bank debenture - seven-year maturity; first issued in 2008; maturity date is on June 2015	3,000,000	3,000,000	3,000,000	3,000,000

(Continued)

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
The subordinate bank debenture - seven-year maturity; second issued in 2008; maturity date is on December 2015	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000
The subordinate bank debenture - seven-year maturity; first issued in 2010; maturity date is on December 2017	3,000,000	3,000,000	3,000,000	3,000,000
The subordinate bank debenture - seven-year maturity, first issued in 2012; maturity date is on April 2019	4,000,000	4,000,000	4,000,000	-
The subordinate bank debenture - seven-year maturity, second issued in 2012; maturity date is on May 2019	1,000,000	1,000,000	1,000,000	-
The subordinate bank debenture - seven to ten-year maturity, third issued in 2012; maturity date is on November 2019 to 2022	5,000,000	5,000,000	-	-
The subordinate bank debenture - seven to ten-year maturity, fourth issued in 2012; maturity date is on December 2019 to 2022	10,000,000	10,000,000	-	-
Par value total	33,000,000	35,000,000	20,000,000	15,000,000
Unrealized loss	140,260	189,440	245,149	295,357
	$ 33,140,260	$ 35,189,440	$ 20,245,149	$ 15,295,357

(Concluded)

About the hedge transactions, please see Note 34.

The first issuance of the 2006 bank debenture can be classified into three types in accordance with the issued term and the methods of interest accrual: Type A, B and C. Their terms and methods of interest accrual are as follows: Type A, five years of senior bank debenture at a fixed annual interest rate of 1.92%, and the Bank debenture had been matured in May 2011; Type B, seven years of senior bank debenture at a fixed annual interest rate of 2.03%, and the Bank debenture had been matured in May 2013; Type C, seven years of subordinate bank debenture at a fixed annual interest rate of 2.25%, and the Bank debenture had been matured in May 2013.

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

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

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

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

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

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

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

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

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

23. OTHER FINANCIAL LIABILITIES

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Appropriated loan funds	$ 2,635,593	$ 2,686,388	$ 2,975,467	$ 2,908,185
Principals of structured instruments	1,856,991	2,318,216	3,104,075	2,632,094
	$ 4,492,584	$ 5,004,604	$ 6,079,542	$ 5,540,279

24. PROVISIONS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Reserve for possible losses on guarantees	$ 438,117	$ 437,936	$ 438,103	$ 438,172
Reserve for employee benefits	155,647	152,220	115,972	115,019
Reserve for other accident	3,566	3,832	3,689	3,911
Reserve for imposture	1,378	1,562	465	342
	$ 598,708	$ 595,550	$ 558,229	$ 557,444

Reserve for possible losses on guarantees is the provision made by the Bank according to its assessment on the collaterals provided by obligors and the overdue conditions of the loans following the guidelines issued by the Banking Bureau of the Financial Supervisory Commission (the Banking Bureau). On June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the Bank did not make additional provisions for the reserve for possible losses on guarantees based on its assessment.

25. OTHER LIABILITIES

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Guarantee deposit received	$ 457,502	$ 323,922	$ 341,642	$ 350,511
Deferred revenues	124,602	120,570	117,050	109,747
Temporary credit	63,642	79,398	393,970	49,120
Received in advance	50,001	58,308	42,595	54,741
Others	196,660	219,054	223,223	179,025
	$ 892,407	$ 801,252	$ 1,118,480	$ 743,144

26. PENSION PLAN

a. Defined contribution plan

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Under the Act, the Bank makes monthly contributions of amounts equal to 6% of salaries and wages to a pension fund.

The Bank make contributions to its pension funds at the predetermined rate specified in its defined contribution plans and immediately recognize as pension expense. Contributions made to the defined contribution plans for the six months ended June 30, 2013 and 2012 were $22,234 thousand and $20,623 thousand, respectively.

b. Defined benefit plan

The Bank's employees who chose the pension mechanism regulated by the Labor Standards Law, or chose the pension plan under the LPA but retained their service years under the LSL, are enrolled in the defined benefit plan. Upon retirement, an employee will receive a pension at the amount calculated on the basis of service years and average salary for the latest six-month period right before retirement. The Bank contributes a compulsory amount equivalent to 8% of employees' salaries to the employees' pension fund, which is deposited in the Bank of Taiwan.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2012 by a fellow of the Actuarial Institute of the Republic of China. For the six months ended June 30, 2013 and 2012, the Bank recognized the pension expense calculated using the actuarially determined pension cost rate as of December 31, 2012 and January 1, 2012, respectively.

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

	Valuation at	
	December 31, 2012	January 1, 2012
Discount rate	1.625%	1.750%
Expected return on plan assets	1.875%	2.000%
Expected rates of salary increase	2.500%	2.500%

The pension expense related to the defined benefit plans of the Bank recognized in the statements of comprehensive income for the six months ended June 30, 2013 and 2012 were $84,397 thousand and $82,489 thousand, respectively.

The amounts disclosed in the balance sheets in respect of the Bank's obligation on its defined benefit plans were as follows:

	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ (2,065,625)	$ (1,918,428)
Fair value of plan assets	2,191,187	2,121,206
Prepaid pension	$ 125,562	$ 202,778

The major categories of the pension plan assets were as follows:

	December 31, 2012	January 1, 2012
Cash	25	23
Equity investments	37	41
Others	38	36
	100	100

The overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, with reference to the use of the Labor Pension Fund by Labor Pension Fund Supervision Committee, taking into consideration the effect of possible differences between the guaranteed minimum income and the return on local banks' two-year certificates of deposits.

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

	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 2,065,625	$ 1,918,428
Fair value of plan assets	$ 2,191,187	$ 2,121,206
Deficit	$ 125,562	$ 202,778
Experience adjustments on plan liabilities	$ (64,962)	$ -
Experience adjustments on plan assets	$ (18,628)	$ -

c. Employee preferential deposits

According to the Bank's employee preferential deposits policy, the Bank paid preferential interest on the employee preferential deposits of presently active and retired employees. Under Regulations Governing the Preparation of Financial Reports by Public Banks, the employee benefits representing the difference between the preferential interest rate and the market rate paid to retired employees should be actuarially determined and recognized.

The Bank performed actuarial valuation on preferential interest expenses for retired employees according to related actuarial assumptions under Rule No. 10110000850 issued by the FSC on March 15, 2012. The principal assumptions of the actuarial valuations were as follows:

	Valuation at	
	December 31, 2012	**January 1, 2012**
Discount rate	4.00%	4.00%
Expected return of deposit fund	2.00%	2.00%
Expected rates of account balance decrease	1.00%	1.00%
Expected probabilities of preferential interest deposits system change	50.00%	50.00%

The Bank recognized expenses under the preferential deposit plan for retired employees; the amounts of $2,749 thousand and $1,894 thousand were recognized in the statements of comprehensive income for the six months ended June 30, 2013 and 2012.

The amounts included in the balance sheets in respect of the Bank's obligation under the preferential interest deposit plan for retired employees were as follows:

	December 31, 2012	**January 1, 2012**
Present value of preferential interest deposit for retired employees	$ 137,403	$ 94,715

d. Other long-term employee benefit liability

The Bank provides death benefit to employees who die on the job other than occupational injuries. For employees with retirement eligibility, death benefits are determined as their pension benefits. For those without retirement eligibility, death benefits are determined based on the length of employment: If employment is less than 1 year, death benefit is determined as one month salary; if employment is about 1 to 5 years, death benefit is determined as one month salary for each year of employment; if employment is more than 5 years, death benefit is determined in line with the employee's pension benefit based on years of service before LPA was enacted.

The obligations for employee death benefit on the balance sheets were as follows:

	December 31, 2012	**January 1, 2012**
Other long-term employee benefit obligations	$ 14,817	$ 20,304

For the six months ended June 30, 2013 and 2012, the Bank recognized an expense of $678 thousand and a gain of $941 thousand in the statements of comprehensive income in respect of the employee death benefit.

27. EQUITY

a. Share capital

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Common shares				
Authorized shares (in thousand)	3,800,000	3,800,000	3,800,000	3,800,000
Authorized capital	$ 38,000,000	$ 38,000,000	$ 38,000,000	$ 38,000,000
Issued and paid shares (in thousand)	3,715,792	3,715,792	3,715,792	3,538,849
Issued capital	$ 37,157,916	$ 37,157,916	$ 37,157,916	$ 35,388,492

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

In their meeting on April 27, 2012, the shareholders resolved to increase capital to $37,157,916 thousand by distributing stock dividend of $1,769,424 thousand, representing 176,943 thousand shares of common stock. It also determined the dividend ratio of 0.05:1.00 share based on the outstanding shares registered on the ex-dividend date.

b. Capital surplus

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Share premium	$ 2,647,583	$ 2,647,583	$ 2,647,583	$ 2,647,583
Treasury stock transaction	1,976,194	1,969,339	1,969,339	1,962,441
Proportionate share in equity-method investee's surplus from donated assets	1,218	1,218	1,218	1,218
	$ 4,624,995	$ 4,618,140	$ 4,618,140	$ 4,611,242

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

The capital surplus from investments using equity method, employee stock options and stock options may not be used for any purpose.

Since the shares held by subsidiaries were reclassified as treasury stocks, cash dividend distributed to subsidiaries was then recorded as "capital surplus - treasury stock". Cash dividend distributed to subsidiaries amounted to $6,855 thousand and $6,898 thousand for the six months ended June 30, 2013 and 2012, respectively.

c. Appropriation of earnings and dividend policy

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

1) Bonus to shareholders;

2) Remuneration to directors and supervisors; and

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

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

For the periods ended June 30, 2013 and 2012, the estimated amounts of bonus to employees were $13,976 thousand and $13,981 thousand, respectively, while the estimated amounts of remuneration to directors and supervisors were both $27,498 thousand. The Bank based its estimation of bonus and remuneration on its past experiences. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the fair value of the stock. When calculating the number of shares for year 2011, the fair value of the stock was based on the Bank's equity, which is the net equity value in the latest audited financial statements. For computing the shares of the stock dividends issued in 2012, the fair value is valued following IFRS2 "Share-based Payment".

Pursuant to Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," an entity shall provide a special reserve at the amount of increase in the entity's retained earnings due to transferring the entity's unrealized revaluation increment and cumulative translation adjustments (gain) reported in equity to retained earnings as a result of the election of optional exemptions while first time adopting IFRSs. However, if the net increase in retained earnings as a result of the first-time adoption of IFRSs is less than the amount subject to the aforementioned special reserve provision, then the provision of special reserve is limited to the lower amount. The special reserve appropriated as above may be restored to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve may be further used to offset against deficits in subsequent years; however, the shortage of special reserve should be restored from future earnings before distribution until the reason to appropriate such reserve is vanished. Following FSC's requirement, the Bank has made a special reserve $1,256,859 thousand.

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

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

The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meetings on June 11, 2013 and April 27, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT $)	
	2012	2011	2012	2011
Legal reserve	$ 2,858,594	$ 2,603,289	$ -	$ -
Cash dividends - common stock	5,573,687	5,308,274	1.50	1.50
Stock dividends - common stock	-	1,769,424	-	0.50
	$ 8,432,281	$ 9,680,987	$ 1.50	$ 2.00

The bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meeting on June 11, 2013 and April 27, 2012, respectively, were as follows:

	2012		2011	
	Cash	Stock	Cash	Stock
Bonus to employees	$ 28,000	$ -	$ 28,000	$ -
Remuneration to directors and supervisors	56,600	-	55,000	-

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

The appropriation of earnings, bonus to employees and remuneration to directors for 2012 were based on the Bank's financial statements for 2012 prepared in conformity with the version of the Regulations Governing the Preparation of Financial Reports for Public Banks prior to the IFRS amendment and accounting principles generally accepted in the ROC.

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

d. Treasury stock

Purpose	Beginning Balance	Increase	Decrease	Ending Balance
Six months ended June 30, 2013				
Shares held by subsidiaries	10,382	-	-	10,382
Six months ended June 30, 2012				
Shares held by subsidiaries	9,888	494	-	10,382

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

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

28. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

a. Interest revenues, net

	Six Months Ended June 30	
	2013	**2012**
Interest revenue		
Discounts and loans	$ 5,600,256	$ 4,964,013
Securities investments	1,183,074	1,317,623
Due from banks	265,007	231,386
Credit and revolving	74,299	73,432
Others	195,061	183,736
	7,317,697	6,770,190
Interest expense		
Deposits	2,499,000	2,290,432
Due to banks	279,077	146,563
Bank debentures	42,915	47,076
Securities sold under repurchase agreements	18,152	54,798
Structured bond instruments	14,893	27,146
Others	4,738	5,832
	2,858,775	2,571,847
	$ 4,458,922	$ 4,198,343

b. Service fee revenue, net

	Six Months Ended June 30	
	2013	**2012**
Service fee revenues		
Trusts	$ 416,040	$ 285,895
Credit cards	130,998	133,270
Guarantees	122,183	119,189
Exchange	80,593	285,246
Commissions	79,008	145,281
Loans	76,369	79,117
Others	513,348	236,556
	1,418,539	1,284,554
Service fee expenses		
Credit cards	51,543	47,304
Nominee	31,647	32,862
Foreign finance	24,247	22,549
Factoring	8,067	9,450
Others	41,811	38,434
	157,315	150,599
	$ 1,261,224	$ 1,133,955

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

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

	Six Months Ended June 30, 2012		
	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Financial asset through profit or loss	$ 2,197,414	$ 156,606	$ 2,354,020
Financial liabilities through profit or loss	(2,113,080)	(125,697)	(2,238,777)
	$ 84,334	$ 30,909	$ 115,243

d. Employee benefit expenses

	Six Months Ended June 30	
	2013	2012
Short-term employee benefits	$ 1,406,659	$ 1,354,589
Retirement benefits		
Defined contribution plan	22,234	20,623
Defined benefit plan	84,397	82,489
	1,513,290	1,457,701
Other employee benefits	52,272	67,217
	$ 1,565,562	$ 1,524,918

e. Depreciation and amortization

	Six Months Ended June 30	
	2013	2012
Depreciation expense	$ 111,757	$ 67,977
Amortization expense	118,145	85,130
	$ 229,902	$ 153,107

29. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	Six Months Ended June 30 2013	Six Months Ended June 30 2012
Current income tax expense		
Current tax expense recognized for the current period	$ 628,600	$ 448,409
Income tax adjustments on prior years	2,319	(74,026)
	630,919	374,383
Deferred income tax expense		
Deferred tax expense recognized for the current period	188,904	163,963
Income tax expense recognized in profit or loss	$ 819,823	$ 538,346

Income tax expense for the interim periods were calculated by using the estimated average annual effective income tax rate; therefore the Bank was not able to disclose the reconciliation between financial income and taxable income.

b. Income tax expense recognized in other comprehensive income

	Six Months Ended June 30 2013	Six Months Ended June 30 2012
Deferred income tax expense		
Arising on income and expenses recognized in other comprehensive income		
Exchange differences on translating foreign operations	$ 457,353	$ (78,216)
Unrealized gain or loss on available-for-sale financial assets	(38,570)	52,962
Income tax expense recognized in other comprehensive income	$ 418,783	$ (25,254)

c. Integrated income tax information

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Unappropriated earnings				
Generated in and before 1997	$ 27,065	$ 27,065	$ 27,065	$ 27,065
Generated after 1997	9,664,998	14,445,535	9,444,436	14,710,522
	$ 9,692,063	$ 14,472,600	$ 9,471,501	$ 14,737,587
Balance of the Bank's imputation credit account (ICA)	$ 1,172,428	$ 2,777,894	$ 2,371,094	$ 5,151,494

The actual creditable ratio for distribution of the Bank's earnings of 2011 was 28.94%.

The estimated creditable ratio for distribution of the Bank's 2012 earnings was 24.64%, which is calculated based on draft amendment of the Income Tax Law not yet approved by the Legislative Yuan of the Republic of China as of the date that the financial statements were authorized for issue. The imputation credit allocated to shareholders is based on its balance as of the date of the dividend distribution. The estimated creditable ratio may change when the actual distribution of the imputation credit is made.

Based on the Income Tax Law, the imputation tax credits distributed to each shareholder are based on the ICA balance as of the date of dividend distribution. When the Bank pays dividend to its foreign shareholders, it should withhold income tax in accordance with related tax law, and therefore foreign shareholders are not entitled to the imputed tax credit. Only if earnings distributed include those which have been taxed for the 10% unappropriated earning tax, then the foreign shareholders are allowed a tax credit equal to their proportionate share of such additional 10% tax.

d. The Bank's income tax returns through 2009 (except 2008) had been assessed by the tax authorities.

30. EARNINGS PER SHARE

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

(In New Taiwan Dollars)

	For the Six Months Ended June 30			
	2013		2012	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic earnings per share	$ 1.55	$ 1.32	$ 1.34	$ 1.19
Diluted earnings per share	$ 1.55	$ 1.32	$ 1.34	$ 1.19

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

	Amount (Numerator)		Shares	Earnings Per Share (Dollars)	
	Before Income Tax	After Income Tax	(Denominator in Thousands)	Before Income Tax	After Income Tax
For the six months ended June 30, 2013					
Basic earnings per share	$ 5,728,426	$ 4,908,603	3,705,410	$ 1.55	$ 1.32
Effect of diluted potential common stock					
Bonus to employees	-	-	1,589		
Diluted earnings per share					
Income for the year attributable to common shareholders plus effect of potential diluted common shares	$ 5,728,426	$ 4,908,603	3,706,999	$ 1.55	$ 1.32
For the six months ended June 30, 2012					
Basic earnings per share	$ 4,953,247	$ 4,414,901	3,705,410	$ 1.34	$ 1.19
Effect of diluted potential common stock					
Bonus to employees	-	-	1,573		
Diluted earnings per share					
Income for the year attributable to common shareholders plus effect of potential diluted common shares	$ 4,953,247	$ 4,414,901	3,706,983	$ 1.34	$ 1.19

The ARDF issued Interpretation 2007-052 that requires the Bank to recognize bonus paid to employees and numeration to directors and supervisors as compensation expenses beginning January 1, 2008. These bonus and numeration were previously recorded as appropriations from earnings. If the Bank may settle the bonus to employees by cash or shares, the Bank should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the audited net equity value per share at the balance sheet date. Such dilutive effect of the potential shares should to be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

31. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Bank
China Travel Service (Taiwan)	Subsidiary
SCSB Life Insurance Agency	Subsidiary
SCSB Property Insurance Agency	Subsidiary
SCSB Asset Management Ltd.	Subsidiary
SCSB Marketing Ltd.	Subsidiary
Shancom Reconstruction Inc.	Subsidiary
Wresqueue Limitada	Subsidiary
CTS Travel International Ltd.	Indirect subsidiary
SCSB Leasing (China) Co., Ltd.	Indirect subsidiary
Krinein Company (Krinein)	Indirect subsidiary
Empresa Inversiones Generales, S.A. (Empresa)	Indirect subsidiary
Safehaven Investment Corporation	Indirect subsidiary
Prosperity Realty Inc.	Indirect subsidiary
Shanghai Commercial Bank (HK)	Indirect subsidiary
Paofoong Insurance Company Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shanghai Commercial Bank (Nominees) Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Futures Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shanghai Commercial Bank Trustee Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Investment Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Property Holdings (BVI) Limited	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Property (NY) Inc.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Property (CA) Inc.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Assets Investment Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Infinite Financial Solutions Limited	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Insurance Brokers Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Shacom Securities Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Hai Kwang Property Management Co., Ltd.	Subsidiary of Shanghai Commercial Bank (HK)
Right Honour Investments Limited	Subsidiary of Shanghai Commercial Bank (HK)
Glory Step Investments Limited	Indirect subsidiary of Shanghai Commercial Bank (HK)
Silver Wisdom Investments Limited	Indirect subsidiary of Shanghai Commercial Bank (HK)
The SCSB Cultural & Educational Foundation	Donated by the Bank which exceed 1/3 total fund
The SCSB Charity Foundation	Donated by the Bank which exceed 1/3 total fund

(Continued)

Related Party	Relationship with the Bank
Silks Place Taroko	Investment under equity method held by subsidiary
BC Reinsurance Limited	Investment under equity method held by subsidiary
Joint Electronic Teller Services Limited (JETCO)	Investment under equity method held by subsidiary
Bank Consortium Holding Limited	Investment under equity method held by subsidiary
Hong Kong Life Insurance Limited	Investment under equity method held by subsidiary
i-Tech Solutions Limited	Investment under equity method held by subsidiary
Hung Ta Investment Corporation	Both Chairmen are a spouse
Others	The Bank's directors, supervisors, managers, and the relative of the Bank's directors, supervisors and managers

(Concluded)

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

1) Due from foreign banks

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Shanghai Commercial Bank (HK)	$ 226,316	$ 219,323	$ 188,593	$ 270,658

The interest income arising from the above transactions were $138 thousand and $87 thousand for the six months ended June 30, 2013 and 2012.

2) Due to banks

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Shanghai Commercial Bank (HK)	$ 84	$ 228	$ 70	$ 68

3) Call loans to banks

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Shanghai Commercial Bank (HK)	$ 1,546,440	$ 1,498,520	$ 1,544,752	$ 1,558,880

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

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Shanghai Commercial Bank (HK)	0.98%-1.10%	0.09%-1.90%	0.09%-1.00%	0.55%-0.89%

The interest income arising from the above transactions were $7,445 thousand and $7,295 thousand for the six months ended June 30, 2013 and 2012.

4) Call loans from banks

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Shanghai Commercial Bank (HK)	$ 1,113,437	$ 992,770	$ 1,156,650	$ 1,823,890

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

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Shanghai Commercial Bank (HK)	0.22%-0.97%	0.20%-1.00%	0.20%-1.00%	0.03%-1.15%

The interest income arising from the above transactions were $3,099 thousand and $5,724 thousand for the six months ended June 30, 2013 and 2012.

5) Guarantees

	Maximum Balance	Ending Balance	Reserve for Possible Losses on Guarantees	Percentage of Account (%)	Collateral
June 30, 2013					
China Travel Service (Taiwan)	$ 4,000	$ 4,000	$ -	0.50	Real estate
December 31, 2012					
China Travel Service (Taiwan)	$ 6,000	$ 6,000	$ -	0.50	Real estate
June 30, 2012					
China Travel Service (Taiwan)	$ 6,400	$ 6,000	$ -	0.50	Real estate
January 1, 2012					
China Travel Service (Taiwan)	$ 6,400	$ 6,400	$ -	0.50	Real estate

6) Deposits

	June 30, 2013			Six Months Ended June 30, 2013
	Maximum Balance	Ending Balance	Percentage of Account (%)	Interest Expense
Empresa	$ 2,263,467	$ 745,505	0.35-0.50	$ 1,955
Krinein	732,358	428,766	0.35-0.50	1,086
SCSB Asset Management Ltd.	342,816	335,741	0.02-0.85	858
The SCSB Cultural & Educational Foundation	280,750	269,923	0.11-1.38	1,578

(Continued)

	June 30, 2013			Six Months Ended June 30, 2013
	Maximum Balance	**Ending Balance**	**Percentage of Account (%)**	**Interest Expense**
SCSB Life Insurance Agency	$ 248,160	$ 151,188	0.00-1.31	$ 994
Shancom Reconstruction Inc.	163,269	140,930	0.02-0.50	365
Employees	154,591	74,801	0.35-10.19	1,270
SCSB Property Insurance Agency	88,550	87,733	0.00-1.31	450
The SCSB Charity Foundation	30,305	30,076	0.28-1.31	195
China Travel Service (Taiwan)	54,222	27,408	0.00-1.31	34
Supervisors and management related	17,012	23,997	0.00-3.20	465
SCSB Marketing	14,734	11,570	0.00-1.33	38
CTS Travel International Ltd.	6,913	6,696	0.00-1.31	4
Hung Ta Investment Corporation	6,344	940	0.00-0.17	1
Silks Place Taroko	167	113	0.00-1.31	1
	$ 4,403,658	$ 2,335,387		$ 9,294

(Concluded)

	December 31, 2012		
	Maximum Balance	**Ending Balance**	**Percentage of Account (%)**
Empresa	$ 2,259,717	$ 720,112	0.20-0.80
SCSB Asset Management Ltd.	908,785	342,653	0.02-1.00
Krinein	721,397	414,162	0.20-0.80
The SCSB Cultural & Educational Foundation	290,249	280,609	0.11-1.38
Supervisors and management related	258,184	135,095	0.01-5.30
Employees	247,996	89,249	0.35-10.18
SCSB Life Insurance Agency	245,393	210,538	0.02-1.31
Shancom Reconstruction Inc.	136,130	136,130	0.02-0.80
SCSB Property Insurance Agency	91,398	85,501	0.17-1.31
China Travel Service (Taiwan)	84,884	41,825	0.01-1.31
The SCSB Charity Foundation	52,065	30,272	0.28-1.38
Hung Ta Investment Corporation	46,238	436	0.17-0.17
SCSB Marketing	13,807	11,121	0.17-1.33
CTS Travel International Ltd.	7,863	6,825	0.12-1.31
Silks Place Taroko	204	114	0.17-1.31
	$ 5,364,310	$ 2,504,642	

	June 30, 2012			Six Months Ended June 30, 2012
	Maximum Balance	Ending Balance	Percentage of Account (%)	Interest Expense
SCSB Asset Management Ltd.	$ 1,627,183	$ 644,342	0.02-1.00	$ 1,494
Empresa	753,812	739,903	0.20-0.80	1,955
Krinein	433,544	425,544	0.20-0.80	1,101
The SCSB Cultural & Educational Foundation	342,288	274,178	0.11-1.38	1,628
SCSB Life Insurance Agency	244,562	174,976	0.00-1.31	872
Supervisors and management related	237,864	150,477	0.00-5.30	518
Employees	243,096	106,133	0.35-10.16	1,431
Shancom Reconstruction Inc.	140,331	139,882	0.02-0.80	320
SCSB Property Insurance Agency	92,527	83,818	0.00-1.31	440
The SCSB Charity Foundation	72,117	50,156	0.28-1.38	335
China Travel Service (Taiwan)	60,312	11,194	0.00-1.31	22
Hung Ta Investment Corporation	41,644	590	0.00-0.17	12
SCSB Marketing	13,833	10,626	0.00-1.33	38
Silks Place Taroko	12,161	114	0.00-1.31	1
CTS Travel International Ltd.	6,881	5,374	0.00-1.31	9
	$ 4,322,155	$ 2,817,307		$ 10,176

	January 1,2012		
	Maximum Balance	Ending Balance	Percentage of Account (%)
Empresa	$ 2,253,821	$ 746,452	0.40-0.80
Krinein	823,864	429,311	0.40-0.80
Employees	410,067	72,280	0.26-10.15
The SCSB Cultural & Educational Foundation	394,481	254,373	0.92-1.31
Supervisors and management related	323,568	100,633	0.01-5.30
SCSB Life Insurance Agency	239,227	145,832	0.02-1.31
Shancom Reconstruction Inc.	193,556	120,055	0.02-0.80
SCSB Property Insurance Agency	82,927	81,631	0.13-1.31
The SCSB Charity Foundation	72,117	52,042	0.23-1.38
Hung Ta Investment Corporation	61,165	7,539	0.13-0.17
China Travel Service (Taiwan)	54,376	19,158	0.01-1.31
SCSB Asset Management Ltd.	42,622	39,438	0.13-0.50
SCSB Marketing	17,834	10,566	0.13-1.33
Silks Place Taroko	12,161	114	0.13-1.31
CTS Travel International Ltd.	6,983	6,855	0.13-1.12
	$ 4,988,769	$ 2,086,279	

7) Accrued receivables (accounted for receivables, net)

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
SCSB Life Insurance Agency	$ 8,408	$ 7,617	$ 33,493	$ 12,592
SCSB Property Insurance Agency	404	364	519	340
	$ 8,812	$ 7,981	$ 34,012	$ 12,932

8) Interest receivable (accounted for receivables, net)

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Supervisors and management related	$ 156	$ 160	$ 170	$ 202
Silks Place Taroko	32	12	1	27
	$ 188	$ 172	$ 171	$ 229

9) Interest payable (accounted for payables)

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Empresa	$ 922	$ 880	$ 894	$ 1,443
Krinein	530	506	514	830
Supervisors and management related	205	289	161	180
Shancom Reconstruction Inc.	189	167	159	232
SCSB Asset Management Ltd.	171	200	231	12
The SCSB Cultural & Educational Foundation	157	244	159	222
SCSB Life Insurance Agency	117	133	130	121
SCSB Property Insurance Agency	60	60	60	55
CTS Travel International Ltd.	9	20	9	16
SCSB Marketing	5	5	5	4
The SCSB Charity Foundation	3	4	23	25
China Travel Service (Taiwan)	1	6	7	8
	$ 2,369	$ 2,514	$ 2,352	$ 3,148

10) Guarantee deposits received (accounted for other liabilities)

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
The SCSB Cultural & Educational Foundation	$ 211	$ 211	$ 211	$ 211
SCSB Life Insurance Agency	197	197	183	183
SCSB Property Insurance Agency	197	197	183	183
China Travel Service (Taiwan)	180	180	180	180
SCSB Asset Management Ltd.	47	47	47	47
SCSB Marketing	20	20	20	20
	$ 852	$ 852	$ 824	$ 824

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

	Six Months Ended June 30	
	2013	2012
SCSB Life Insurance Agency	$ 78,667	$ 149,527
SCSB Property Insurance Agency	6,234	7,058
	$ 84,901	$ 156,585

12) Rental income (accounted for other net revenues)

	Six Months Ended June 30	
	2013	2012
The SCSB Cultural & Educational Foundation	$ 421	$ 421
SCSB Life Insurance Agency	395	367
SCSB Property Insurance Agency	395	367
China Travel Service (Taiwan)	360	360
SCSB Asset Management Ltd.	94	94
SCSB Marketing	39	39
	$ 1,704	$ 1,648

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

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

	Six Months Ended June 30	
	2013	2012
SCSB Marketing	$ 23,455	$ 22,083
China Travel Service (Taiwan)	354	373
	$ 23,809	$ 22,456

14) Loans

June 30, 2013

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

December 31, 2012

Category	Name	Maximum Balance	Ending Balance	Performance: Normal Loans	Performance: Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties
Loans for personal house mortgage	Supervisors and management related (26)	$ 172,008	$ 121,239	$ 121,239	-	Real estate	1.58-2.62	None
Others	Silks Place Taroko	67,400	22,000	22,000	-	Real estate	1.59-1.84	None
	Supervisors and management related (14)	39,764	6,332	6,332	-	Real estate	1.80-3.23	None
	China Travel Service (Taiwan)	35,086	-	-	-	Real estate	1.34-3.18	None
		$ 314,258	$ 149,571	$ 149,571				

June 30, 2012

Category	Name	Maximum Balance	Ending Balance	Performance: Normal Loans	Performance: Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Six Months Ended June 30, 2012 Interest Income
Loans for personal house mortgage	Supervisors and management related (14)	$ 167,492	$ 135,272	$ 135,272	-	Real estate	1.58-2.61	None	$ 1,582
Others	Supervisors and management related (8)	25,769	8,853	8,853	-	Real estate	1.80-3.23	None	209
	China Travel Service (Taiwan)	10,000	5,000	5,000	-	Real estate	1.34-1.40	None	17
	Silks Place Taroko	63,700	2,500	2,500		Real estate	1.59-1.84	None	243
		$ 266,961	$ 151,625	$ 151,625					$ 2,051

January 1, 2012

Category	Name	Maximum Balance	Ending Balance	Performance: Normal Loans	Performance: Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties
Loans for personal house mortgage	Supervisors and management related (29)	$ 187,211	$ 159,554	$ 159,554	-	Real estate	1.41-2.42	None
Others	Silks Place Taroko	75,000	56,400	56,400	-	Real estate	1.42-1.59	None
	Supervisors and management related (10)	24,765	9,597	9,597	-	Real estate	2.03-4.25	None
	China Travel Service (Taiwan)	15,000	-	-	-	Real estate	1.20-1.40	None
		$ 301,976	$ 225,551	$ 225,551				

Except for additional disclosure revealed for financial statements, the Bank did not have material related party transactions. Employee deposit and loans have better interest rate within regulated limits, while other related party transactions have similar terms as non-related party transactions.

Under the provisions of Article 32 and 33 of the Banking Act, the Bank shall not take unsecured loans for related party, except for consumer loans under limit and government loans. If taking secured loans, it should be full guarantee and its terms not superior to other similar credit client.

c. Compensation of directors, supervisors and management personnel:

	Six Months Ended June 30 2013	Six Months Ended June 30 2012
Bonus to employees	$ 54,789	$ 54,027
Salaries and other short-term employee benefits	45,269	44,637
Remuneration to directors and supervisors	27,498	27,498
	$ 127,556	$ 126,162

32. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), held-to-maturity financial assets as of June 30, 2013 and December 31, 2012, June 30, 2012 and January 1, 2012, respectively, had been provided as collateral for day-term overdraft with the pledged amount adjustable anytime.

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	Guarantying Purpose
Held-to-maturity financial assets	$ 9,000,000	$ 9,000,000	$ 9,500,000	$ 9,500,000	Day-term overdraft with the pledge

On June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the assets had been provided as refundable deposits for operating guarantee and executing legal proceedings against defaulted borrowers as required by the court.

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	Guarantying Purpose
Held-to-maturity financial assets	$ 207,444	$ 219,948	$ 221,807	$ 225,741	Operating guarantee and executing legal proceedings against defaulted borrowers as required by the court
Available-for-sale financial assets	116,472	113,279	113,754	113,534	Operating guarantee and executing legal proceedings against defaulted borrowers as required by the court

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Significant contingent liabilities and unrecognized commitments of the Company as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Receivables under custody	$ 28,959,335	$ 27,617,438	$ 27,739,489	$ 28,701,338
Loans made on behalf of others	800,000	800,000	800,000	800,000
Consigned travelers' checks	254,572	259,376	300,612	292,202
Guarantee notes payable	79,653,515	61,510,970	58,633,069	44,910,898
Assets under trust	125,259,893	111,837,725	106,723,203	100,158,597
Securities in custody	2,189,723	3,647,908	5,820,005	6,933,544
Government bonds in brokerage accounts	24,425,000	19,012,000	21,290,700	15,953,100
Short-term bills in brokerage accounts	1,019,400	909,400	171,500	715,500

b. Significant litigation

Item	Reason and Amount			
	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Chief director and staff indicted by prosecutor for breaking law in the conduct of operational activities in recent year	None	None	None	In May 2011, six staffs were prosecuted by Banciao District Prosecutors office because of violating Requirements of the Business Accounting Law.
Violating the law and being punished by authorities in the recent year	None	None	None	None
Deficiency corrected by authorities in the recent year	None	None	None	None
Punished by authorities according to Bank law No. 61-1 in the recent year	None	None	None	None
A single or whole security events due to fraudulence, accident or against "Outlines Governing the Security Maintenance and Administration of Financial Institutions" which caused losses amount to $50 million in the recent year	None	None	None	None
Other	None	None	None	None

34. FINANCIAL INSTRUMENTS

a. Fair value information

1) Financial instruments not measured at fair value

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

	June 30, 2013		June 30, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets	$ 112,241,032	$ 108,615,051	$ 123,920,023	$ 123,898,654
Financial liabilities				
Bank debentures	33,140,260	32,934,220	20,245,149	20,226,275

	December 31, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets	$ 115,812,807	$ 115,816,716	$ 163,149,488	$ 163,116,686
Financial liabilities				
Bank debentures	35,189,440	34,800,684	15,295,357	14,940,214

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

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

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

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

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

3) Fair value measurements recognized in the balance sheets

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

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

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

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

Financial Instruments Measured at Fair Value	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 3,687	$ 3,687	$ -	$ -
Bonds	122,426	122,426	-	-
Other	28,815,963	13,372	28,802,591	-

(Continued)

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

(Concluded)

Financial Instruments Measured at Fair Value	December 31, 2012 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 15,086	$ 15,086	$ -	$ -
Bonds	402,371	8,088	394,283	-
Other	23,433,512	13,025	23,420,487	-
Financial assets be designated as at FVTPL on initial recognition	2,636,578	-	-	2,636,578
Available-for-sale financial assets				
Stocks	3,723,305	2,018,687	-	1,704,618
Bonds	60,143,762	16,639,063	42,724,577	780,122
Other	8,156,774	6,873,472	993,774	289,528
Other financial assets				
Non-active market debt instruments	200,000	-	-	200,000
	$ 98,711,388	$ 25,567,421	$ 67,533,121	$ 5,610,846
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 435,376	$ -	$ 402,698	$ 32,678
Derivative instruments held for hedging	189,613	-	189,613	-
	$ 624,989	$ -	$ 592,311	$ 32,678

(Continued)

Financial Instruments Measured at Fair Value	December 31, 2012 Total	Level 1	Level 2	Level 3
Liabilities				
Financial liability at fair value through profit or loss	$ 361,161	$ -	$ 340,628	$ 20,533
Derivative instruments held for hedging	62,087	-	62,087	-
	$ 423,248	$ -	$ 402,715	$ 20,533

(Concluded)

Financial Instruments Measured at Fair Value	June 30, 2012 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 34,792	$ 34,792	$ -	$ -
Bonds	11,737	11,737	-	-
Other	24,850,837	17,181	24,833,656	-
Financial assets be designated as at FVTPL on initial recognition	2,492,995	-	-	2,492,995
Available-for-sale financial assets				
Stocks	3,253,194	1,488,352	-	1,764,842
Bonds	50,587,156	14,920,452	34,364,503	1,302,201
Other	3,516,904	2,224,989	993,673	298,242
Other financial assets				
Non-active market debt instruments	200,000	-	-	200,000
	$ 84,947,615	$ 18,697,503	$ 60,191,832	$ 6,058,280
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 485,789	$ -	$ 422,514	$ 63,275
Derivative instruments held for hedging	245,928	-	245,928	-
	$ 731,717	$ -	$ 668,442	$ 63,275
Liabilities				
Financial liability at fair value through profit or loss	$ 400,210	$ -	$ 357,037	$ 43,173
Derivative instruments held for hedging	83,736	-	83,736	-
	$ 483,946	$ -	$ 440,773	$ 43,173

Financial Instruments Measured at Fair Value	January 1, 2012 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Bonds	$ 78,568	$ 78,568	$ -	$ -
Other	24,345,869	19,462	24,326,407	-

(Continued)

Financial Instruments Measured at Fair Value	January 1, 2012 Total	Level 1	Level 2	Level 3
Financial assets be designated as at FVTPL on initial recognition	$ 2,617,109	$ -	$ -	$ 2,617,109
Available-for-sale financial assets				
Stocks	3,487,291	1,716,244	-	1,771,047
Bonds	42,352,423	15,335,958	24,976,263	2,040,202
Other	3,080,182	1,786,359	991,951	301,872
Other financial assets				
Non-active market debt instruments	200,000	-	-	200,000
	$ 76,161,442	$ 18,936,591	$ 50,294,621	$ 6,930,230
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 429,223	$ -	$ 321,127	$ 108,096
Derivative instruments held for hedging	296,410	-	296,410	-
	$ 725,633	$ -	$ 617,537	$ 108,096
Liabilities				
Financial liability at fair value through profit or loss	$ 297,501	$ -	$ 229,366	$ 68,135
Derivative instruments held for hedging	104,452	-	104,452	-
	$ 401,953	$ -	$ 333,818	$ 68,135

(Concluded)

There are no transfers of financial instruments between level 1 and level 2 fair value measurement for the six months ended June 30, 2013 and 2012.

4) Reconciliation of Level 3 fair value measurements of financial assets and liabilities for the six months ended June 30, 2013 and 2012 is as follows:

For the six months ended June 30, 2013

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

For the six months ended June 30, 2012

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets at FVTPL								
Held-for-trading financial assets	$ 108,096	$ (2,386)	$ (1)	$ -	$ -	$ (42,434)	$ -	$ 63,275
Financial assets designated as at fair value	2,617,109	(1,954)	(32,418)	299,140	-	(388,882)	-	2,492,995
Available-for-sale financial assets	4,113,121	-	4,557	292	-	(752,685)	-	3,365,285
Other financial assets								
Debt investments with no active markets	200,000	-	-	-	-	-	-	200,000
Liabilities								
Financial liabilities at FVTPL								
Held-for-trading financial liabilities	68,135	(3,744)	(1)	-	-	(21,217)	-	43,173

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

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

June 30, 2013

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

December 31, 2012

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 13,783	$ (1,077)	$ -	$ -
Financial assets designated as at fair value	-	(4,510)	-	-
Available-for-sale financial assets	-	-	17,046	(7,313)
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities Held-for-trading	-	(13,783)	-	-

June 30, 2012

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 19,767	$ (17,015)	$ -	$ -
Financial assets designated as at fair value	-	(5,621)	-	-
Available-for-sale financial assets	-	-	17,648	(15,455)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	1,545	(19,767)	-	-

January 1, 2012

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 43,148	$ (26,938)	$ -	$ -
Financial assets designated as at fair value	-	(7,552)	-	-
Available-for-sale financial assets	-	-	17,710	(24,869)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	10,102	(43,148)	-	-

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

June 30, 2013

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

December 31, 2012

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 5,171	$ (5,355)	$ -	$ -
Financial assets designated as at fair value	4,510	-	-	-
Available-for-sale financial assets	-	-	7,558	(17,046)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	4,412	(5,171)	-	-

June 30, 2012

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 17,574	$ (36,084)	$ -	$ -
Financial assets designated as at fair value	1,817	-	-	-
Available-for-sale financial assets	-	-	23,170	(17,648)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	20,637	(17,574)	-	-

January 1, 2012

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets	$ 24,146	$ (46,187)	$ -	$ -
Financial assets designated as at fair value	7,552	-	-	-
Available-for-sale financial assets	-	-	39,121	(17,710)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	29,626	(24,146)	-	-

b. Financial risk management information

1) Risk management

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

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

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

2) Credit risk

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

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

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

a) Procedures of credit risk management

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

i. Credit business (loan commitments and guarantees included)

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

i) Classification of credit assets

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

ii) Credit quality rating

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

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

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

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

ii. Due from and call loans to bank

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

iii. Debt investment and derivative financial instruments

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

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

iv. Other systems of credit risk management

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

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

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

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

b) Credit risk exposures

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

	June 30, 2013	**December 31, 2012**	**June 30, 2012**	**January 1, 2012**
Developed and noncancelable loan commitments	$ 11,956,669	$ 10,333,772	$ 11,061,646	$ 11,802,664
Noncancelable credit card commitments	55,145,432	55,888,538	55,009,337	54,718,959
Issued but unused letters of credit	9,305,976	9,498,024	11,547,578	9,649,053
Other guarantees	40,787,032	41,486,177	41,319,243	40,921,823

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

c) Information on concentration of credit risk

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

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

i. Counterparty

	June 30			
	2013		2012	
Counterparty	**Amount**	**% to Total**	**Amount**	**% to Total**
Private sector	$ 299,938,939	59	$ 263,650,274	59
Consumer	199,835,858	39	177,280,606	40
Financial institution	5,358,832	1	5,348,638	1
Others	2,304,110	1	2,109,790	-
	$ 507,437,739	100	$ 448,389,308	100

	December 31, 2012		January 1, 2012	
Counterparty	**Amount**	**% to Total**	**Amount**	**% to Total**
Private sector	$ 270,622,917	58	$ 253,272,786	59
Consumer	187,197,940	40	170,329,124	40
Financial institution	4,674,505	1	4,685,514	1
Others	2,245,703	1	1,589,542	-
	$ 464,741,065	100	$ 429,876,966	100

ii. Region

	June 30			
	2013		2012	
Region	**Amount**	**% to Total**	**Amount**	**% to Total**
R.O.C.	$ 430,017,521	85	$ 396,304,337	88
Asia area	68,525,356	13	43,635,782	10
Europe	4,357,700	1	5,565,486	1
Americas	2,788,728	1	2,359,302	1
Africa	976,969	-	486,347	-
Others	771,465	-	38,054	-
	$ 507,437,739	100	$ 448,389,308	100

Region	December 31, 2012 Amount	% to Total	January 1, 2012 Amount	% to Total
R.O.C.	$ 410,906,021	88	$ 381,033,008	89
Asia area	46,025,272	10	41,359,806	10
Europe	3,988,124	1	5,654,652	1
Americas	3,314,440	1	1,297,301	-
Africa	468,638	-	506,360	-
Others	38,570	-	25,839	-
	$ 464,741,065	100	$ 429,876,966	100

iii. Collaterals assumed

Collaterals Assumed	June 30, 2013 Amount	% to Total	June 30, 2012 Amount	% to Total
Unsecured	$ 110,560,812	22	$ 106,322,272	24
Secured				
Properties	290,848,903	57	262,993,720	59
Guarantee	51,926,357	10	27,905,173	6
Financial collateral	24,058,219	5	16,441,177	4
Movable properties	11,274,060	2	15,496,626	3
Other collaterals	18,769,388	4	19,230,340	4
	$ 507,437,739	100	$ 448,389,308	100

Collaterals Assumed	December 31, 2012 Amount	% to Total	January 1, 2012 Amount	% to Total
Unsecured	$ 104,090,245	22	$ 111,022,331	26
Secured				
Properties	272,546,829	59	246,735,844	57
Guarantee	32,408,015	7	22,429,448	5
Financial collateral	21,624,681	5	17,113,817	4
Movable properties	14,895,429	3	16,885,783	4
Other collaterals	19,175,866	4	15,689,743	4
	$ 464,741,065	100	$ 429,876,966	100

d) Information on credit risk quality

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

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

a) Credit analysis of discounts and loans and receivables

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

December 31, 2012	Neither Past Due Nor Impaired				Overdue but Unimpaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,442,698	$ 692,821	$ 91,111	$ 2,226,630	$ 61,126	$ 104,002	$ 2,391,758	$ 25,314	$ 109,293	$ 2,257,151
Others	2,228,665	2,774,930	376,686	5,380,281	517,007	1,063,951	6,961,239	54,070	72,943	6,834,226
Discount and loans	275,900,955	135,602,166	29,768,415	441,271,536	11,386,283	12,083,246	464,741,065	5,737,333	2,058,775	456,944,957

June 30, 2012	Neither Past Due Nor Impaired				Overdue but Unimpaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,721,811	$ 740,206	$ 96,127	$ 2,558,144	$ 60,620	$ 104,743	$ 2,723,507	$ 27,310	$ 109,347	$ 2,586,850
Others	2,439,050	2,939,154	448,232	5,826,436	323,834	560,762	6,711,032	40,498	86,776	6,583,758
Discount and loans	266,682,391	130,066,110	27,011,677	423,760,178	13,901,102	10,728,028	448,389,308	5,333,996	2,391,598	440,663,714

January 1, 2012	Neither Past Due Nor Impaired				Overdue but Unimpaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,545,141	$ 679,782	$ 100,981	$ 2,325,904	$ 61,891	$ 111,040	$ 2,498,835	$ 30,646	$ 82,527	$ 2,385,662
Others	2,818,325	3,079,715	289,824	6,187,864	412,743	452,978	7,053,585	25,862	83,230	6,944,493
Discount and loans	245,737,374	136,617,253	21,229,364	403,583,991	17,247,117	9,045,858	429,876,966	4,479,898	2,368,923	423,028,145

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

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

December 31, 2012	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	$ 132,213,942	$ 10,907,113	$ 1,143,547	$ 144,264,602
Small scale credit loans	460,525	124,715	353,542	938,782
Others	12,192,472	1,744,282	150,390	14,087,144
Corporate banking				
Secured	61,908,586	61,207,688	19,911,064	143,027,338
Unsecured	69,125,430	61,618,368	8,209,872	138,953,670
Total	275,900,955	135,602,166	29,768,415	441,271,536

June 30, 2012	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	$ 125,615,893	$ 11,032,592	$ 1,145,945	$ 137,794,430
Small scale credit loans	575,238	96,765	407,208	1,079,211
Others	11,187,241	1,641,750	118,869	12,947,860
Corporate banking				
Secured	56,899,487	58,428,484	17,367,613	132,695,584
Unsecured	72,404,532	58,866,519	7,972,042	139,243,093
Total	266,682,391	130,066,110	27,011,677	423,760,178

January 1, 2012	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	$ 121,305,110	$ 11,502,877	$ 919,884	$ 133,727,871
Small scale credit loans	773,123	123,260	246,886	1,143,269
Others	9,958,526	1,628,467	92,333	11,679,326
Corporate banking				
Secured	42,895,509	62,285,074	12,698,083	117,878,666
Unsecured	70,805,106	61,077,575	7,272,178	139,154,859
Total	245,737,374	136,617,253	21,229,364	403,583,991

c) Credit quality analysis of security investment

(Amount in Thousands of New Taiwan Dollars)

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

(Amount in Thousands of New Taiwan Dollars)

December 31, 2012	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 24,952,249	$ 13,230,726	$ 20,949,500	$ 711,287	$ 300,000	$ 60,143,762	$ -	$ 522,662	$ 60,666,424	$ 522,662	$ 60,143,762
Stocks	-	1,010,075	316,329	-	9,270,373	10,596,777	-	34,293	10,631,070	34,293	10,596,777
Bills	993,774	-	-	-	289,528	1,283,302	-	-	1,283,302	-	1,283,302
Held-to-maturity financial assets											
Bonds	258,743	-	433,832	520,232	-	1,212,807	-	-	1,212,807	-	1,212,807
Bills	114,600,000	-	-	-	-	114,600,000	-	-	114,600,000	-	114,600,000
Financial assets at FVTPL											
Bonds	-	609,840	719,695	290,400	1,016,643	2,636,578	-	-	2,636,578	-	2,636,578
Other financial assets											
Stocks	-	-	-	-	200,000	200,000	-	-	200,000	-	200,000

(Amount in Thousands of New Taiwan Dollars)

June 30, 2012	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 19,768,482	$ 11,227,684	$ 18,458,717	$ 682,273	$ 450,000	$ 50,587,156	$ -	$ 566,991	$ 51,154,147	$ 566,991	$ 50,587,156
Stocks	-	962,123	293,020	-	4,223,040	5,478,183	-	34,293	5,512,476	34,293	5,478,183
Bills	993,673	-	-	-	298,242	1,291,915	-	-	1,291,915	-	1,291,915
Held-to-maturity financial assets											
Bonds	314,643	37,246	1,133,452	534,682	-	2,020,023	-	-	2,020,023	-	2,020,023
Bills	121,900,000	-	-	-	-	121,900,000	-	-	121,900,000	-	121,900,000
Financial assets at FVTPL											
Bonds	-	448,710	741,178	299,140	1,003,967	2,492,995	-	-	2,492,995	-	2,492,995
Other financial assets											
Stocks	-	-	-	-	200,000	200,000	-	-	200,000	-	200,000

(Amount in Thousands of New Taiwan Dollars)

January 1, 2012	Neither Past due Nor Impaired						Past Due but Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)	Net Amount (A)+(B)+ (C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 15,724,510	$ 8,714,662	$ 16,568,066	$ 1,195,185	$ 150,000	$ 42,352,423	$ -	$ 589,186	$ 42,941,609	$ 589,186	$ 42,352,423
Stocks	-	889,469	356,702	-	4,027,479	5,273,650	-	34,293	5,307,943	34,293	5,273,650
Bills	991,951	-	-	-	301,872	1,293,823	-	-	1,293,823	-	1,293,823
Held-to-maturity financial assets											
Bonds	316,487	69,689	1,571,509	391,803	-	2,349,488	-	-	2,349,488	-	2,349,488
Bills	160,800,000	-	-	-	-	160,800,000	-	-	160,800,000	-	160,800,000
Financial assets at FVTPL											
Bonds	-	151,390	901,326	302,780	1,261,613	2,617,109	-	-	2,617,109	-	2,617,109
Other financial assets											
Stocks	-	-	-		200,000	200,000	-	-	200,000	-	200,000

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

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

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

Items	December 31, 2012		
	Past Due Up to a Month	**Past Due One to Three Months**	**Total**
Receivables			
Credit card	$ 50,488	$ 10,638	$ 61,126
Others	512,550	4,457	517,007
Discounts and loans			
Consumer banking			
Housing mortgage	2,245,170	198,577	2,443,747
Small scale credit loans	16,413	1,505	17,918
Others	236,783	8,348	245,131
Corporate banking			
Secured	4,190,910	93,110	4,284,020
Unsecured	4,241,146	154,321	4,395,467

Items	June 30, 2012		
	Past Due Up to a Month	**Past Due One to Three Months**	**Total**
Receivables			
Credit card	$ 49,888	$ 10,732	$ 60,620
Others	266,673	57,161	323,834
Discounts and loans			
Consumer banking			
Housing mortgage	2,227,159	550,156	2,777,315
Small scale credit loans	10,072	1,988	12,060
Others	77,426	36,631	114,057
Corporate banking			
Secured	3,638,075	402,910	4,040,985
Unsecured	6,803,147	153,538	6,956,685

Items	January 1, 2012 Past Due Up to a Month	Past Due One to Three Months	Total
Receivables			
Credit card	$ 51,481	$ 10,410	$ 61,891
Others	389,153	23,590	412,743
Discounts and loans			
Consumer banking			
Housing mortgage	2,545,252	633,413	3,178,665
Small scale credit loans	13,802	2,358	16,160
Others	185,746	4,392	190,138
Corporate banking			
Secured	1,738,298	1,730,655	3,468,953
Unsecured	6,791,617	3,601,584	10,393,201

3) Market risk

a) The sources and definition of market risk

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

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

b) Market risk management policies

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

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

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

c) Market risk management process

i. Recognition and measurement

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

ii. Monitor and report

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

d) Interest rate management policies

i. Definition of interest rate risk

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

ii. Purpose of interest risk management

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

iii. Procedures of interest risk management

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

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

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

iv. Measurement methods

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

e) Foreign exchange rate risk management

i. Definition of foreign exchange risk

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

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

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

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

f) Equity securities price risk management

i. Definition of equity securities price risk

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

ii. Purpose of equity security price risk management

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

iii. Procedures of equity security price risk management

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

iv. Measurement method

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

g) Market valuation technique

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

i. Sensitivity analysis

i) Interest rate risk

The Bank has assessed the possible impact on income if global yield curve move between -100 to +100 base points simultaneously on June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012.

ii) Foreign exchange rate risk

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

iii) Equity securities price risk

The Bank has assessed the possible impact on income when equity securities prices on June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 rise or fall by 10% while other factors remain unchanged.

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

ii. Sensitivity analysis is summarized as follows:

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

December 31, 2012			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	USD/NTD increased 3%	$ 1,255,070	$ 1,874
Foreign exchange risk	USD/NTD decreased 3%	(1,255,070)	(1,874)
Interest rate risk	Rate curve increased 100BPS	(2,230,657)	(76,394)
Interest rate risk	Rate curve decreased 100BPS	2,407,850	82,112
Price risk of equity securities	Price of equity securities increase 10%	560,820	2,518
Price risk of equity securities	Price of equity securities decrease 10%	(560,820)	(2,518)

June 30, 2012			
Major Risk	Variation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	USD/NTD increased 3%	$ 1,195,058	$ 19,094
Foreign exchange risk	USD/NTD decreased 3%	(1,195,058)	(19,094)
Interest rate risk	Rate curve increased 100BPS	(888,298)	(8,970)
Interest rate risk	Rate curve decreased 100BPS	935,274	8,970
Price risk of equity securities	Price of equity securities increase 10%	301,192	5,114
Price risk of equity securities	Price of equity securities decrease 10%	(301,192)	(5,114)

January 1, 2012			
Major Risk	Variation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	USD/NTD increased 3%	$ 1,215,686	$ (13,411)
Foreign exchange risk	USD/NTD decreased 3%	(1,215,686)	13,411
Interest rate risk	Rate curve increased 100BPS	(982,423)	(15,358)
Interest rate risk	Rate curve decreased 100BPS	1,037,829	15,358
Price risk of equity securities	Price of equity securities increase 10%	264,347	-
Price risk of equity securities	Price of equity securities decrease 10%	(264,347)	-

4) Liquidity risk

a) The sources and definition of liquidity risk

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

b) The management policies are as follows:

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

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

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

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

iv. Managing the maturity date of debt instruments.

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

The Bank holds certain position of highly liquid interest bearing assets to fulfill its obligation and for future emergent needs. To manage the liquidity risk, the Bank holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial asset, held-to-maturity financial assets, and debt instruments with no active market, etc.

c) Maturity analysis

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

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

December 31, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 24,803,451	$ 1,938,277	$ 139,761	$ -	$ -	$ 26,881,489
Borrowings from the Central Bank and banks	5,808,000	-	-	-	-	5,808,000
Securities sold under repurchase agreements	7,204,558	1,073,676	157,273	47,000	-	8,482,507
Payables	18,767,859	49,808	182,223	39,235	407	19,039,532
Deposits and remittances	384,193,986	88,943,203	88,519,535	99,177,506	7,228,290	668,062,520
Bank debentures	189,440	-	2,000,000	-	33,000,000	35,189,440
Other financial liabilities	5,004,604	-	-	-	-	5,004,604

June 30, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 9,111,558	$ 3,382,926	$ -	$ -	$ -	$ 12,494,484
Securities sold under repurchase agreements	10,540,330	849,963	145,008	16,542	-	11,551,843
Payables	19,208,477	36,996	142,793	52,887	30	19,441,183
Deposits and remittances	374,827,380	98,396,024	66,093,150	77,866,567	5,818,610	623,001,731
Bank debentures	245,149	-	-	2,000,000	18,000,000	20,245,149
Other financial liabilities	6,079,542	-	-	-	-	6,079,542

January 1, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 22,909,819	$ 1,808,058	$ -	$ -	$ -	$ 24,717,877
Borrowings from the Central Bank and banks	6,661,160	-	-	-	-	6,661,160
Securities sold under repurchase agreements	14,169,558	1,123,280	163,377	7,230	-	15,463,445
Payables	18,049,002	44,675	109,868	26,194	29	18,229,768
Deposits and remittances	367,996,413	116,758,630	63,374,047	74,953,852	6,651,975	629,734,917
Bank debentures	295,357	-	-	-	15,000,000	15,295,357
Other financial liabilities	5,540,279	-	-	-	-	5,540,279

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

a) Derivative financial liabilities of net settlement

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

December 31, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 16,990	$ 15,922	$ 31,908	$ 104,432	$ -	$ 169,252
Rate derivatives	390	7,408	5,016	-	78,566	91,380

June 30, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 9,521	$ 12,663	$ 12,368	$ 36,797	$ -	$ 71,349
Rate derivatives	-	-	140	1,704	921	2,765

January 1, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 11,346	$ 20,438	$ 4,444	$ 13,342	$ -	$ 49,570
Rate derivatives	-	-	-	435	3,823	4,258

b) Derivative financial liabilities of total settlement

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

December 31, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 6,649,187	$ 5,986,509	$ 707,102	$ 660,477	$ -	$ 14,003,275
Cash outflow	6,689,964	6,002,012	720,018	661,884	-	14,073,878

June 30, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 6,108,564	$ 6,391,347	$ 647,100	$ 413,503	$ -	$ 13,560,514
Cash outflow	6,205,883	6,443,419	655,614	419,496	-	13,724,412

January 1, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 13,085,085	$ 5,927,321	$ 950,160	$ 119,912	$ -	$ 20,082,478
Cash outflow	13,126,562	5,947,915	962,414	122,817	-	20,159,708

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

June 30, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 347,337	$ 806,104	$ 961,399	$ 470,347	$ 9,371,482	$ 11,956,669
Noncancelable credit card commitments	16,096	792,713	2,857,861	4,524,705	46,954,057	55,145,432
Issued but unused letters of credit	2,652,690	5,548,038	725,837	220,077	159,334	9,305,976
Other guarantees	4,906,941	7,352,608	4,107,753	8,667,788	15,751,942	40,787,032

December 31, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 109,812	$ 72,039	$ 793,235	$ 1,818,771	$ 7,539,915	$ 10,333,772
Noncancelable credit card commitments	34,580	1,043,549	2,152,439	5,176,748	47,481,222	55,888,538
Issued but unused letters of credit	3,464,312	4,951,989	474,584	536,690	70,449	9,498,024
Other guarantees	6,106,270	6,947,733	4,888,167	8,125,224	15,418,783	41,486,177

June 30, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 244,800	$ 259,186	$ 768,526	$ 520,863	$ 9,268,271	$ 11,061,646
Noncancelable credit card commitments	9,456	574,938	2,063,685	5,778,391	46,582,867	55,009,337
Issued but unused letters of credit	3,909,745	5,883,768	1,111,771	288,427	353,867	11,547,578
Other guarantees	4,591,385	7,824,623	4,835,164	7,641,439	16,426,632	41,319,243

January 1, 2012	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 596,540	$ 273,943	$ 754,787	$ 1,505,911	$ 8,671,483	$ 11,802,664
Noncancelable credit card commitments	42,119	646,651	1,186,546	3,260,110	49,583,533	54,718,959
Issued but unused letters of credit	3,676,355	4,964,952	682,767	116,072	208,907	9,649,053
Other guarantees	6,489,017	7,102,280	3,843,057	8,111,673	15,375,796	40,921,823

c. Fair value hedge

Portion of bank debentures issued by the Bank, including first issue in 2006 (fully paid in May 2013), second issue in 2007 and first issue in 2008, and the corporate bonds held by the Bank are exposed to the fair value risk due to fluctuations in interest rates. The Bank considered this as a significant risk so that it entered into interest rate swap contracts to hedge such risk. The terms of interest rate swap contracts were as follows:

		June 30, 2013		June 30, 2012	
Hedged Items	**Hedging Instruments**	**Notion Amount**	**Fair Value**	**Notion Amount**	**Fair Value**
Bank debentures	Interest rate swap	$ 4,000,000	$ 140,528	$ 6,000,000	$ 245,928
Available-for-sale financial assets	Interest rate swap	-	-	1,650,000	(9,278)

		December 31, 2012		January 1, 2012	
Hedged Items	**Hedging Instruments**	**Notion Amount**	**Fair Value**	**Notion Amount**	**Fair Value**
Bank debentures	Interest rate swap	$ 6,000,000	$ 189,613	$ 6,000,000	$ 296,410
Available-for-sale financial assets	Interest rate swap	1,500,000	(5,549)	1,650,000	(13,617)

d. Cash flow hedge

The bank debentures first issued in 2007 were exposed to the cash flow risk caused by the fluctuation of interest rates. The Bank considered this as a significant risk, and entered into interest rate swap contracts to hedge the cash flow risk. The terms of the interest rate swap contracts were as follows:

		June 30, 2013		June 30, 2012	
Hedged Items	**Hedging Instruments**	**Notion Amount**	**Fair Value**	**Notion Amount**	**Fair Value**
Bank debentures	Interest rate swap	$ 2,000,000	$ (40,362)	$ 2,000,000	$ (74,458)

		December 31, 2012		January 1, 2012	
Hedged Items	**Hedging Instruments**	**Notion Amount**	**Fair Value**	**Notion Amount**	**Fair Value**
Bank debentures	Interest rate swap	$ 2,000,000	$ (56,538)	$ 2,000,000	$ (90,835)

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

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

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

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

	Six Months Ended June 30, 2012	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 2,706,614	0.21
Due from the Central Bank and call loans to banks	54,912,006	0.83
Financial assets at fair value through profit or loss	26,920,598	1.27
Securities purchased under agreement to resell	5,164,699	0.80
Credit card revolving balances	884,780	16.60
Discounts and loans (excluding nonperforming loans)	428,767,794	2.31
Available-for-sale financial assets	47,334,013	2.33
Held-to-maturity financial assets	154,149,443	0.91
Bills purchased	9,825	1.81
Interest-bearing liabilities		
Due to the Central Bank and banks	2,672,650	1.05
Securities sold under agreement to repurchase	15,207,602	0.72
Borrowings from the Central Bank and banks	8,261,151	0.80
Negotiable certificates of deposits	2,412,864	0.81
Demand deposits	144,330,748	0.08
Savings deposits	104,424,652	0.38
Time deposits	277,884,566	1.00
Time-savings	96,271,472	1.30
Bank debentures	17,020,430	1.72
Appropriated loan funds	2,860,589	0.01
Structured deposit instruments principal	4,418,050	1.23

36. CAPITAL MANAGEMENT

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

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

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

The Bank conformed the regulator capital management on June 30, 2013, December 31, 2012, June 30, 2012, and January 1, 2012.

Analysis items	June 30, 2013
Eligible capital	
Common equity	$ 72,089,430
Other Tier I capital	-
Tier II capital	4,410,722
Eligible capital	$ 76,500,152
Risk-weighted assets	
Credit risk	
Standardized approach	$ 538,628,917
Credit valuation adjustment	341,184
Internal rating based approach	N/A
Synthetic securitization	1,008,621
Operational risk	
Basic indicator approach	28,854,099
Standardized approach/alternative standardized approach	N/A
Advanced measurement approach	N/A
Market risk	
Standardized approach	37,225,967
Internal models approach	N/A
Total risk-weighted assets	$ 606,058,788
Capital adequacy ratio	12.62%
Ratio of common equity to risk-weighted assets	11.89%
Ratio of Tier I capital to risk-weighted assets	11.89%
Leverage ratio	6.32%

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

Note 2: Formulas used were as follows:

1) Eligible capital = Common equity + Other Tier I capital + Tier II capital.

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

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

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

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

6) Leverage ratio = Tier I capital ÷ Exposure measurement

	December 31, 2012	June 30, 2012	January 1, 2012
Analysis items			
Eligible capital			
Tier I capital	$ 72,998,832	$ 64,287,746	$ 65,631,397
Tier II capital	7,752,232	-	-
Tier III capital	-	-	-
Eligible capital	$ 80,751,064	$ 64,287,746	$ 65,631,397
Risk-weighted assets			
Credit risk			
Standardized approach	$ 491,806,314	$ 455,484,879	$ 461,805,163
Internal rating based approach	N/A	N/A	N/A
Synthetic securitization	126,049	174,003	164,095
Operational risk			
Basic indicator approach	27,238,897	27,238,897	26,070,031
Standardized approach/alternative standardized approach	N/A	N/A	N/A
Advanced measurement approach	N/A	N/A	N/A
Market risk			
Standardized approach	44,522,324	30,198,271	23,639,163
Internal models approach	N/A	N/A	N/A
Total risk-weighted assets	$ 563,693,584	$ 513,096,050	$ 511,678,452
Capital adequacy ratio	14.33%	12.53%	12.83%
Ratio of Tier I capital to risk-weighted assets	12.95%	12.53%	12.83%
Ratio of Tier II capital to risk-weighted assets	1.38%	-	-
Ratio of Tier III capital to risk-weighted assets	-	-	-
Ratio of common shareholders' equity to total assets	4.27%	4.70%	4.35%
Leverage ratio	8.88%	8.27%	8.87%

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

Note 2: Formulas used were as follows:

1) Eligible capital = Tier I capital + Tier II capital + Tier III capital.

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

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

4) Ratio of Tier I capital to risk-weighted assets = Tier I capital ÷ Total risk-weighted assets.

5) Ratio of Tier II capital to risk-weighted assets = Tier II capital ÷ Total risk-weighted assets.

6) Ratio of Tier III capital to risk-weighted assets = Tier III capital ÷ Total risk-weighted assets.

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

8) Leverage ratio = Tier I capital ÷ Adjusted average total asset (the average total asset excludes goodwill, deferred losses on the sale of nonperforming loans and items deducted from tier I capital because of ineligibility as defined under the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks").

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

a. Assets quality: As stated in Table 1

b. Concentration of credit risks

Top 10 credit extensions information of the Bank were below:

In Thousands of New Taiwan Dollars

Ranking (Note 1)	June 30, 2013			June 30, 2012		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%) (Note 4)
1	A Group (journalism publishing)	$ 7,127,759	7.70	A Group (journalism publishing)	$ 6,341,168	7.21
2	B Group (petroleum and coal)	5,924,116	6.40	B Group (petroleum and coal)	5,121,400	5.82
3	C Group (real estate rental)	3,607,000	3.90	C Group. (real estate rental)	3,627,460	4.13
4	D Group (computer manufacturing)	3,577,395	3.87	K Group (liquid crystal panel and components manufacturing)	3,614,722	4.11
5	E Group (civil aviation)	3,050,958	3.30	E Group (civil aviation)	3,272,404	3.72
6	F Inc. (ocean freight transportation forwarding services)	2,554,050	2.76	F Inc. (ocean freight transportation forwarding services)	2,554,050	2.90
7	G Inc. (paper exportation)	1,875,578	2.03	L Group (computer manufacturing)	2,051,513	2.33
8	H Inc. (chemical materials)	1,699,508	1.84	H Inc. (chemical materials)	1,693,809	1.93
9	I Group (ocean freight transportation)	1,558,420	1.68	N Inc. (computer components manufacturing)	1,681,936	1.91
10	J Inc. (wholesale of other specialized wholesale trade not elsewhere classified)	1,532,181	1.66	G Inc. (paper exportation)	1,637,360	1.86

In Thousands of New Taiwan Dollars

Ranking (Note 1)	December 31, 2012			January 1, 2012		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%) (Note 4)
1	A Group (journalism publishing)	$ 6,732,356	7.23	A Group (journalism publishing)	6,073,843	6.85
2	B Group (petroleum and coal)	5,808,076	6.23	B Group (petroleum and coal)	5,664,128	6.38
3	D Inc. (computer manufacturing)	5,199,674	5.58	C Group. (real estate rental)	3,960,518	4.46
4	C Group (real estate rental)	3,627,460	3.89	K Group (liquid crystal panel and components manufacturing)	3,731,355	4.21
5	K Group (liquid crystal panel and components manufacturing)	3,086,282	3.31	E Group (civil aviation)	3,441,157	3.88
6	E Group (civil aviation)	2,591,003	2.78	H Inc. (chemical materials)	3,101,486	3.50
7	F Group (ocean freight transportation forwarding services)	2,554,050	2.74	L Group (computer manufacturing)	2,380,308	2.68
8	L Inc. (computer manufacturing)	2,048,739	2.20	O Inc. (petroleum and coal)	1,823,974	2.06
9	M Inc. (wholesale of other specialized wholesale trade not elsewhere classified)	1,752,716	1.88	G Inc. (paper exportation)	1,732,683	1.95
10	G Inc. (paper exportation)	1,633,506	1.75	N Inc. (computer components manufacturing)	1,707,026	1.92

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

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

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

c. Interest rate sensitivity information

Interest Rate Sensitivity Analysis
June 30, 2013

(In NT$ Thousands)

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

Interest Rate Sensitivity Analysis
December 31, 2012

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 523,402,191	$ 1,944,241	$ 953,896	$ 39,389,292	$ 565,689,620
Interest-sensitive liabilities	221,724,424	216,075,322	51,510,247	33,271,187	522,581,180
Interest sensitivity gap	301,677,767	(214,131,081)	(50,556,351)	6,118,105	43,108,440
Net equity					93,162,934
Ratio of interest-sensitive assets to liabilities					108.25%
Ratio of interest sensitivity gap to net equity					46.27%

Interest Rate Sensitivity Analysis
June 30, 2012

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 492,557,259	$ 506,572	$ 1,603,401	$ 31,450,447	$ 526,117,679
Interest-sensitive liabilities	235,502,981	182,667,997	35,677,099	17,363,947	471,212,024
Interest sensitivity gap	257,054,278	(182,161,425)	(34,073,698)	14,086,500	54,905,655
Net equity					87,928,680
Ratio of interest-sensitive assets to liabilities					111.65%
Ratio of interest sensitivity gap to net equity					62.44%

Interest Rate Sensitivity Analysis
January 1, 2012

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 511,000,695	$ 7,000,152	$ 1,951,821	$ 23,199,742	$ 543,152,410
Interest-sensitive liabilities	247,436,889	187,968,024	25,373,811	14,417,740	475,196,464
Interest sensitivity gap	263,563,806	(180,967,872)	(23,421,990)	8,782,002	67,955,946
Net equity					88,727,888
Ratio of interest-sensitive assets to liabilities					114.30%
Ratio of interest sensitivity gap to net equity					76.59%

Note 1: Above tables refers only to the financial assets/liabilities denominated in New Taiwan dollars held by the head office, domestic and oversea branches, OBU and oversea branches, excluding contingent assets and liabilities.

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

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

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

Interest Rate Sensitivity Analysis
June 30, 2013

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 4,808,930	$ 63,665	$ 60,454	$ 362,311	$ 5,295,360
Interest-sensitive liabilities	1,940,027	3,082,320	398,860	21	5,421,228
Interest sensitivity gap	2,868,903	(3,018,655)	(338,406)	362,290	(125,868)
Net equity					3,085,450
Ratio of interest-sensitive assets to liabilities					97.68%
Ratio of interest sensitivity gap to net equity					(4.08%)

Interest Rate Sensitivity Analysis
December 31, 2012

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 5,563,054	$ 45,188	$ 26,885	$ 337,427	$ 5,972,554
Interest-sensitive liabilities	2,729,994	3,115,163	426,760	1	6,271,918
Interest sensitivity gap	2,833,060	(3,069,975)	(399,875)	337,426	(299,364)
Net equity					3,208,090
Ratio of interest-sensitive assets to liabilities					95.23%
Ratio of interest sensitivity gap to net equity					(9.33%)

Interest Rate Sensitivity Analysis
June 30, 2012

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 4,368,911	$ 110,276	$ 48,847	$ 332,255	$ 4,860,289
Interest-sensitive liabilities	1,843,470	3,008,492	359,691	13	5,211,666
Interest sensitivity gap	2,525,441	(2,898,216)	(310,844)	332,242	(351,377)
Net equity					2,939,382
Ratio of interest-sensitive assets to liabilities					93.26%
Ratio of interest sensitivity gap to net equity					(11.95%)

Interest Rate Sensitivity Analysis
January 1, 2012

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	$ 4,711,658	$ 175,844	$ 9,582	$ 250,056	$ 5,147,140
Interest-sensitive liabilities	2,782,107	2,767,136	374,194	1,615	5,925,052
Interest sensitivity gap	1,929,551	(2,591,292)	(364,612)	248,441	(777,912)
Net equity					2,930,441
Ratio of interest-sensitive assets to liabilities					86.87%
Ratio of interest sensitivity gap to net equity					(26.55%)

Note 1: Above tables refers only to the financial assets/liabilities denominated in U.S. dollars held by the head office, domestic and oversea branches, OBU and oversea branches, excluding contingent assets and liabilities.

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

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

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

d. Profitability

Items		June 30, 2013	June 30, 2012
Return on total assets	Before income tax	1.30%	1.24%
	After income tax	1.11%	1.10%
Return on equity	Before income tax	12.34%	11.22%
	After income tax	10.57%	10.00%
Profit margin		56.46%	56.64%

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

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

Note 3: Profit margin = Income after income tax ÷ Total net revenues.

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2012.

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

e. Maturity analysis of assets and liabilities

1) New Taiwan dollars (thousands)

	Total	June 30, 2013 By Remaining Period to Maturity					
		0 to 10 Days	1 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 637,604,173	$ 125,523,912	$ 99,794,166	$ 12,787,740	$ 28,565,338	$ 42,750,729	$ 328,182,288
Main capital outflow on maturity	675,318,147	25,324,297	71,810,466	92,701,438	95,507,811	136,583,158	253,390,977
Gap	(37,713,974)	100,199,615	27,983,700	(79,913,698)	(66,942,473)	(93,832,429)	74,791,311

	Total	December 31, 2012 By Remaining Period to Maturity					
		0 to 10 Days	1 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 624,376,208	$ 108,516,122	$ 116,554,893	$ 28,012,506	$ 33,203,347	$ 38,017,659	$ 300,071,681
Main capital outflow on maturity	650,019,393	28,675,280	74,817,614	86,196,359	96,298,625	121,347,612	242,683,903
Gap	(25,643,185)	79,840,842	41,737,279	(58,183,853)	(63,095,278)	(83,329,953)	57,387,778

	Total	June 30, 2012 By Remaining Period to Maturity					
		0 to 10 Days	1 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 577,597,477	$ 87,845,972	$ 120,172,459	$ 23,407,784	$ 23,428,982	$ 39,990,662	$ 282,751,618
Main capital outflow on maturity	590,977,149	32,534,390	71,150,587	98,155,546	67,783,122	102,153,587	219,199,917
Gap	(13,379,672)	55,311,582	49,021,872	(74,747,762)	(44,354,140)	(62,162,925)	63,551,701

	Total	January 1, 2012 By Remaining Period to Maturity					
		0 to 10 Days	1 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 599,746,037	$ 105,854,018	$90,237,245	$ 71,323,150	$ 33,836,631	$ 32,920,594	$ 265,574,399
Main capital outflow on maturity	624,932,054	50,959,204	74,385,292	114,856,596	76,512,975	108,932,244	199,285,743
Gap	(25,186,017)	54,894,814	15,851,953	(43,533,446)	(42,676,344)	(76,011,650)	66,288,656

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

2) U.S. dollars (thousands)

	Total	June 30, 2013 By Remaining Period to Maturity				
		1 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 7,323,270	$ 1,401,308	$ 907,216	$ 2,263,266	$ 842,207	$ 1,909,273
Main capital outflow on maturity	6,122,827	1,717,011	1,222,048	1,013,958	1,557,727	612,083
Gap	1,200,443	(315,703)	(314,832)	1,249,308	(715,520)	1,297,190

	Total	December 31, 2012 By Remaining Period to Maturity				
		1 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 7,888,634	$ 2,096,789	$ 1,492,593	$ 2,250,888	$ 569,881	$ 1,478,483
Main capital outflow on maturity	7,303,323	2,359,487	1,236,638	1,072,571	1,794,285	840,342
Gap	585,311	(262,698)	255,955	1,178,317	(1,224,404)	638,141

	Total	June 30, 2012 By Remaining Period to Maturity				
		1 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 6,622,400	$ 1,115,678	$ 1,319,654	$ 2,124,345	$ 634,198	$ 1,428,525
Main capital outflow on maturity	5,835,671	1,611,168	1,137,562	1,071,373	1,442,610	572,958
Gap	786,729	(495,490)	182,092	1,052,972	(808,412)	855,567

	Total	January 1, 2012 By Remaining Period to Maturity				
		1 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 9,703,588	$ 4,426,230	$ 1,212,835	$ 2,117,171	$ 544,492	$ 1,402,860
Main capital outflow on maturity	6,321,836	2,225,749	1,202,268	861,961	1,329,545	702,313
Gap	3,381,752	2,200,481	10,567	1,255,210	(785,053)	700,547

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

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

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

Balance Sheet of Trust Account

Trust Assets	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Bank deposit	$ 2,473,736	$ 1,654,196	$ 1,732,600	$ 1,229,072
Short-term investments	66,910,282	67,668,012	67,158,036	65,291,106
Net asset value of collective investment trust fund	2,886,968	2,829,483	3,067,120	2,642,463
Account receivable	181,997	35,124	3,453	10,816
Land	10,971,488	7,218,037	5,630,034	6,120,878
Buildings and improvement, net	100,936	97,714	143,419	124,898
Depository of security	41,693,040	32,269,224	28,933,952	24,669,782
Other assets	62,355	60,629	60,409	62,230
Total trust assets	$ 125,280,802	$ 111,832,419	$ 106,729,023	$ 100,151,245

Trust Liabilities	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Depository of security payable	$ 41,693,040	$ 32,269,224	$ 28,933,952	$ 24,669,782
Trust capital	83,724,433	79,562,029	77,905,302	76,102,231
Accumulated (loss) gain and equity	(136,671)	1,166	(110,231)	(620,768)
Total trust liabilities	$ 125,280,802	$ 111,832,419	$ 106,729,023	$ 100,151,245

Trust Asset Lists

Item	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Cash in banks	$ 2,473,736	$ 1,654,196	$ 1,732,600	$ 1,229,072
Short-term investment				
Funds	59,997,267	61,267,393	60,863,857	59,493,967
Bonds	4,278,405	3,883,764	3,859,303	3,110,889
Common stocks	2,634,610	2,489,467	2,407,582	2,659,037
Short-term bills/securities purchased under resell agreements	-	25,388	25,294	25,213
Collective trust accounts	-	2,000	2,000	2,000
Net asset value of collective trust accounts	2,886,968	2,829,483	3,067,120	2,642,463
Receivable	181,997	35,124	3,453	10,816
Land	10,971,488	7,218,037	5,630,034	6,120,878
Buildings and improvement, net	100,936	97,714	143,419	124,898
Depository of securities	41,693,040	32,269,224	28,933,952	24,669,782
Other assets	62,355	60,629	60,409	62,230
Total	$ 125,280,802	$ 111,832,419	$ 106,729,023	$ 100,151,245

Income Statements of Trust Account

	For the Six Months Ended June 30	
	2013	2012
Trust income		
Interest revenue	$ 3,931	$ 2,805
Cash dividends income	-	77,345
Realized investment gain	653	436
Realized capital gain	9,700	785
Unrealized capital gain	81,001	54,682
Other revenue	35	26
	95,320	136,079
Trust expenses		
Tax expenditures	1,628	972
Management fee	1,010	1,604
Service fee	8,871	2,650
Realized capital losses	2,822	93
Unrealized capital losses	38,938	30,496
Other expenses	9	2
	53,278	35,817
Income before income tax	42,042	100,262
Income tax expense	-	-
Net income	$ 42,042	$ 100,262

39. EXCHANGE RATE INFORMATION FOR FOREIGN FINANCIAL ASSETS AND LIABILITIES

The information regarding financial assets/liabilities denominated in significant foreign currencies held by the Bank were as follows:

	June 30, 2013			June 30, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
Cash and cash equivalents						
CNY	$ 472,659	4.8794	$ 2,306,292	$ 139,173	4.7026	$ 654,475
USD	29,361	29.9890	880,507	63,741	29.9140	1,906,748
EUR	11,434	39.1701	447,871	5,899	37.2504	219,740
Due from the Central Bank and call loans to banks						
USD	603,364	29.9890	18,094,282	1,165,986	29.9140	34,879,305
CNY	1,163,700	4.8794	5,678,158	120,000	4.7026	564,312
HKD	400,000	3.8661	1,546,440	905,000	3.8555	3,489,228
Receivables						
USD	130,799	29.9890	3,922,531	88,035	29.9140	2,633,479
EUR	12,495	39.1701	489,430	2,546	37.2504	94,840
JPY	1,089,171	0.3037	330,781	2,123,745	0.3774	801,501
Discounts and loans						
USD	4,144,087	29.9890	124,277,025	3,343,578	29.9140	100,019,792
HKD	2,112,886	3.8661	8,168,629	1,761,060	3.8555	6,789,767
CNY	1,606,604	4.8794	7,839,264	1,273,661	4.7026	5,989,518
Option contract						
USD	48,965	29.9890	1,468,411	2,832	29.9140	84,716
Nonmonetary items						
Structured corporate bonds contract						
USD	60,109	29.9890	1,802,609	68,118	29.9140	2,037,682
HKD	50,000	3.8661	193,305	48,930	3.8555	188,650

(Continued)

	June 30, 2013			June 30, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Structured bank debenture contract						
USD	$ 9,087	29.9890	$ 272,510	$ 8,915	29.9140	$ 266,683
Equity investments under the equity method						
USD	1,492,304	29.9890	44,752,710	1,418,033	29.9140	42,419,049
HKD	54,224	3.8661	209,635	51,229	3.8555	197,513
Financial liabilities						
Monetary items						
Payables						
USD	116,193	29.9890	3,484,512	111,609	29.9140	3,338,672
EUR	11,178	39.1701	437,843	8,299	37.2504	309,141
JPY	1,380,464	0.3037	419,247	971,324	0.3774	366,578
Due to the Central Bank and banks						
USD	228,011	29.9890	6,837,822	37,294	29.9140	1,115,613
HKD	379,546	3.8661	1,467,363	-	-	-
AUD	13,433	27.7323	372,528	-	-	-
Borrowing from the Central Bank and banks						
USD	50,000	29.9890	1,499,450	-	-	-
Deposits and remittances						
USD	5,122,965	29.9890	153,632,597	4,945,418	29.9140	147,937,234
CNY	3,441,032	4.8794	16,790,172	1,414,107	4.7026	6,649,980
AUD	247,414	27.7323	6,861,359	248,809	30.0606	7,479,348

(Concluded)

	December 31, 2012			January 1, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
Cash and cash equivalents						
CNY	$ 133,743	4.6587	$ 623,069	$ 109,087	4.7975	$ 523,345
USD	36,688	29.0400	1,065,420	189,290	30.2780	5,731,323
EUR	10,741	38.4548	413,043	5,492	39.2146	215,367
Due from the Central Bank and call loans to banks						
USD	1,934,464	29.0400	56,176,835	1,197,708	30.2780	36,264,203
CNY	834,000	4.6587	3,885,356	285,000	4.7975	1,367,288
HKD	595,000	3.7463	2,229,049	400,000	3.8972	1,558,880
Receivables						
USD	38,812	29.0400	1,127,100	125,208	30.2780	3,791,048
EUR	28,056	38.4548	1,078,888	13,024	39.2146	510,731
JPY	1,034,141	0.3361	347,575	1,942,456	0.3898	757,169
Discounts and loans						
USD	3,418,632	29.0400	99,277,073	3,348,617	30.2780	101,389,426
HKD	1,997,189	3.7463	7,482,069	2,013,033	3.8972	7,845,192
CNY	1,332,348	4.6587	6,207,010	144,608	4.7975	693,757
Option contract						
USD	5,661	29.0400	164,395	1,385	30.2780	41,935
Nonmonetary items						
Structured corporate bonds contract						
USD	75,207	29.0400	2,184,011	65,690	30.2780	1,988,962
HKD	50,000	3.7463	187,315	46,875	3.8972	182,681
Structured bank debenture contract						
USD	9,134	29.0400	265,251	14,712	30.2780	445,450
Equity investments under the equity method						
USD	1,506,373	29.0400	43,745,073	1,410,604	30.2780	42,710,254
HKD	52,982	3.7463	198,487	49,599	3.8972	193,298
Financial liabilities						
Monetary items						
Payables						
USD	107,438	29.0400	3,120,000	98,416	30.2780	2,979,840
EUR	23,589	38.4548	907,110	5,965	39.2146	233,915
JPY	810,573	0.3361	272,434	1,942,767	0.3898	757,291

(Continued)

	December 31, 2012			January 1, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Due to the Central Bank and banks						
USD	$ 613,921	29.0400	$ 17,828,266	$ 656,644	30.2780	$ 19,881,867
HKD	455,000	3.7463	1,704,567	710,000	3.8972	2,767,012
AUD	11,000	30.1203	331,323	3,200	30.7503	98,401
Borrowing from the Central Bank and banks						
USD	200,000	29.0400	5,808,000	220,000	30.2780	6,661,160
Deposits and remittances						
USD	5,393,942	29.0400	156,640,076	5,014,774	30.2780	151,837,327
CNY	2,288,647	4.6587	10,662,120	526,752	4.7983	2,527,514
AUD	136,813	30.1203	4,120,849	198,461	30.7503	6,102,735

(Concluded)

40. ADDITIONAL DISCLOSURES

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

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

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

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

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

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

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

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

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

9) Sale of non-performing loans: None

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

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

12) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 3

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

b. Investment in Mainland China:

1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 4

2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Table 4

41. SEGMENT INFORMATION

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

42. FIRST-TIME ADOPTIONS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

a. Impact on the transition to international financial reporting standards

The impact on the Bank's balance sheet and comprehensive income statement after transition to standalone financial reporting standards is as follows:

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

ROC GAAP		Effect of Transition to IFRSs	Standalone Financial Reporting Standards		
Item	Amount		Amount	Item	Note
Cash and cash equivalents	$ 14,802,372	$ -	$ 14,802,372	Cash and cash equivalents	
Due from the Central Bank and banks	63,788,328	-	63,788,328	Due from the Central Bank and banks	
Financial assets at fair value through profit or loss	27,470,769	-	27,470,769	Financial assets at fair value through profit or loss	
Derivative financial assets for hedging	-	296,410	296,410	Derivative financial assets for hedging	7) i)
Securities purchased under resell agreements	5,579,661	-	5,579,661	Securities purchased under resell agreements	
Receivables, net	9,370,888	(40,733)	9,330,155	Receivables, net	7) i)
Income tax assets	-	40,733	40,733	Income tax assets	7) i)
Discounts and loans, net	423,015,541	-	423,015,541	Discounts and loans, net	
Available-for-sale financial assets	47,148,849	1,771,047	48,919,896	Available-for-sale financial assets	7) b)
Held-to-maturity financial assets	163,149,488	-	163,149,488	Held-to-maturity financial assets	
Equity investments under the equity method	41,223,943	2,293,120	43,517,063	Equity investments under the equity method	7) b)
Other financial assets	1,999,580	(1,786,980)	212,600	Other financial assets	7) b), 7) i)
	-	748,000	748,000	Deferred tax assets	7) h)
Properties	10,159,212	-	10,159,212	Property and equipment, net	
Other assets	1,711,393	(66,421)	1,644,972	Other assets	7) e)
Total	$ 809,420,024	$ 3,255,176	$ 812,675,200	Total	
Due to the Central Banks and banks	$ 24,717,877	$ -	$ 24,717,877	Due to the Central Banks and banks	
Financial liabilities at fair value through profit or loss	297,501	-	297,501	Financial liabilities at fair value through profit or loss	
Derivative financial liabilities for hedging	-	104,452	104,452	Derivative financial liabilities for hedging	7) i)
Securities sold under repurchase agreements	15,463,445	-	15,463,445	Securities sold under repurchase agreements	
Payables	18,584,326	(354,558)	18,229,768	Payables	7) c), 7) i)
Income tax payable	-	244,811	244,811	Income tax payable	7) i)
Borrowings from the Central Bank and banks	6,661,160	-	6,661,160	Borrowings from the Central Bank and banks	
Deposits and remittances	629,734,917	-	629,734,917	Deposits and remittances	
Bank debentures	15,295,357	-	15,295,357	Bank debentures	
Other financial liabilities	5,644,731	(104,452)	5,540,279	Other financial liabilities	7) i)
Provisions	-	557,444	557,444	Provisions	7) f), 7) i), 7) h)
Deferred tax liabilities	5,640,000	717,157	6,357,157	Deferred tax liabilities	7) e), 7) f), 7) i)
Other liabilities	1,075,823	(332,679)	743,144	Other liabilities	7) c), 7) i)
Total liabilities	723,115,137	832,175	723,947,312	Total liabilities	
Capital stock	35,388,492	-	35,388,492	Share capital	
Capital surplus	4,611,242	-	4,611,242	Capital surplus	
Retained earnings	44,950,403	1,256,858	46,207,261	Retained earnings	6
Other shareholders' equity	1,437,894	1,166,143	2,604,037	Other shareholders' equity	7) b)
Treasury stock	(83,144)	-	(83,144)	Treasury stock	
Total shareholders' equity	86,304,887	2,423,001	88,727,888	Total shareholders' equity	
Total	$ 809,420,024	$ 3,255,176	$ 812,675,200	Total	

2) Reconciliation of the balance sheet as of June 30, 2012:

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs	Standalone Financial Reporting Standards Amount	Standalone Financial Reporting Standards Item	Note
Cash and cash equivalents	$ 11,600,983	$ -	$ 11,600,983	Cash and cash equivalents	
Due from the Central Bank and banks	57,285,460	-	57,285,460	Due from the Central Bank and banks	
Financial assets at fair value through profit or loss	27,876,150	-	27,876,150	Financial assets at fair value through profit or loss	
Derivative financial assets for hedging	-	245,928	245,928	Derivative financial assets for hedging	7) i)
Securities purchased under resell agreements	4,658,140	-	4,658,140	Securities purchased under resell agreements	
Receivables, net	9,058,398	112,210	9,170,608	Receivables, net	7) a), 7) i)
Income tax assets	-	40,733	40,733	Income tax assets	7) i)
Discounts and loans, net	440,714,610	-	440,714,610	Discounts and loans, net	
Available-for-sale financial assets	55,291,455	2,065,799	57,357,254	Available-for-sale financial assets	7) a), 7) b)
Held-to-maturity financial assets	123,920,023	-	123,920,023	Held-to-maturity financial assets	
Equity investments under the equity method	42,027,849	2,117,062	44,144,911	Equity investments under the equity method	7) b)
Other financial assets	1,948,556	(1,735,642)	212,914	Other financial assets	7) b), 7) i)
	-	823,000	823,000	Deferred tax assets	7) h)
Properties	10,139,213	5,552	10,144,765	Property and equipment, net	7) g)
Other assets	1,833,537	(64,953)	1,768,584	Other assets	7) a), 7) e)
Total	$ 786,354,374	$ 3,609,689	$ 789,964,063	Total	
Due to the Central Banks and banks	$ 12,494,484	$ -	$ 12,494,484	Due to the Central Banks and banks	
Financial liabilities at fair value through profit or loss	400,210	-	400,210	Financial liabilities at fair value through profit or loss	
Derivative financial liabilities for hedging	-	83,736	83,736	Derivative financial liabilities for hedging	7) i)
Securities sold under repurchase agreements	11,551,843	-	11,551,843	Securities sold under repurchase agreements	
Payables	19,541,304	(100,121)	19,441,183	Payables	7) a), 7) c), 7) d), 7) i)
Income tax payable	-	466,562	466,562	Income tax payable	7) a), 7) i)
Borrowings from the Central Bank and banks	-	-	-	Borrowings from the Central Bank and banks	
Deposits and remittances	623,001,731	-	623,001,731	Deposits and remittances	
Bank debentures	20,245,149	-	20,245,149	Bank debentures	
Other financial liabilities	6,163,278	(83,736)	6,079,542	Other financial liabilities	7) i)
Provisions	-	558,229	558,229	Provisions	7) f), 7) i)
Deferred tax liabilities	5,802,000	792,234	6,594,234	Deferred tax liabilities	7) a), 7) e), 7) f), 7) h)
Other liabilities	1,443,688	(325,208)	1,118,480	Other liabilities	7) c), 7) i)
Total liabilities	700,643,687	1,391,696	702,035,383	Total liabilities	
Capital stock	37,157,916	-	37,157,916	Share capital	
Capital surplus	4,618,140	-	4,618,140	Capital surplus	
Retained earnings	42,311,208	1,233,256	43,544,464	Retained earnings	7) a), 7) c), 7) d), 7) e), 7) f), 7) g)
Other shareholders' equity	1,706,567	984,737	2,691,304	Other shareholders' equity	7) b)
Treasury stock	(83,144)	-	(83,144)	Treasury stock	
Total shareholders' equity	85,710,687	2,217,993	87,928,680	Total shareholders' equity	
Total	$ 786,354,374	$ 3,609,689	$ 789,964,063	Total	

3) Reconciliation of the balance sheet as of December 31, 2012

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs	Standalone Financial Reporting Standards Amount	Standalone Financial Reporting Standards Item	Note
Cash and cash equivalents	$ 11,175,039	$ -	$ 11,175,039	Cash and cash equivalents	
Due from the Central Bank and banks	117,568,492	-	117,568,492	Due from the Central Bank and banks	
Financial assets at fair value through profit or loss	27,126,341	(203,418)	26,922,923	Financial assets at fair value through profit or loss	7) a)
Derivative financial assets for hedging	-	189,613	189,613	Derivative financial assets for hedging	7) i)
Securities purchased under resell agreements	730,712	-	730,712	Securities purchased under resell agreements	
Receivables, net	8,932,938	158,439	9,091,377	Receivables, net	7) a), 7) i)
Income tax assets	-	40,733	40,733	Income tax assets	7) i)
Discounts and loans, net	457,069,626	-	457,069,626	Discounts and loans, net	
Available-for-sale financial assets	70,319,223	1,704,618	72,023,841	Available-for-sale financial assets	7) b)
Held-to-maturity financial assets	115,812,807	-	115,812,807	Held-to-maturity financial assets	
Equity investment under the equity method	43,261,235	2,236,944	45,498,179	Equity investment under the equity method	7) b)
Other financial assets	1,833,155	(1,598,414)	234,741	Other financial assets	7) b), 7) i)
	-	809,000	809,000	Deferred tax assets	7) h)
Properties	11,131,402	(12,487)	11,118,915	Property and equipment, net	7) g)
Other assets	2,596,124	(144,349)	2,451,775	Other assets	7) e)
Total	$ 867,557,094	$ 3,180,679	$ 870,737,773	Total	
Due to the Central Banks and banks	$ 26,881,489	$ -	$ 26,881,489	Due to the Central Banks and banks	
Financial liabilities at fair value through profit or loss	361,161	-	361,161	Financial liabilities at fair value through profit or loss	
Derivative financial liabilities for hedging	-	62,087	62,087	Derivative financial liabilities for hedging	7) i)
Securities sold under repurchase agreements	8,482,507	-	8,482,507	Securities sold under repurchase agreements	
Payables	20,010,277	(970,745)	19,039,532	Payables	7) a), 7) c), 7) i)
Income tax payable	-	850,113	850,113	Income tax payable	7) i)
Borrowings from the Central Bank and banks	5,808,000	-	5,808,000	Borrowings from the Central Bank and banks	
Deposits and remittances	668,062,520	-	668,062,520	Deposits and remittances	

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs	Standalone Financial Reporting Standards Amount	Standalone Financial Reporting Standards Item	Note
Bank debentures	$ 35,189,440	$ -	$ 35,189,440	Bank debentures	
Other financial liabilities	5,066,691	(62,087)	5,004,604	Other financial liabilities	7) i)
Provisions	-	595,550	595,550	Provisions	7) f), 7) i)
Deferred tax liabilities	5,678,000	758,584	6,436,584	Deferred tax liabilities	7) e), 7) f), 7) h), 7) i)
Other liabilities	1,124,012	(322,760)	801,252	Other liabilities	7) c), 7) i)
Total liabilities	776,664,097	910,742	777,574,839	Total liabilities	
Capital stock	37,157,916	-	37,157,916	Capital stock	
Capital surplus	4,618,140	-	4,618,140	Capital surplus	
Retained earnings	47,401,351	1,144,212	48,545,563	Retained earnings	7) e), 7) f), 7) g)
Other shareholders' equity	1,798,734	1,125,725	2,924,459	Other shareholders' equity	7) b)
Treasury stock	(83,144)	-	(83,144)	Treasury stock	
Total shareholders' equity	90,892,997	2,269,937	93,162,934	Total shareholders' equity	
Total	$ 867,557,094	$ 3,180,679	$ 870,737,773	Total	

(Concluded)

4) Reconciliation of the statement of comprehensive income for the six months ended June 30, 2012

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs	Standalone Financial Reporting Standards Amount	Standalone Financial Reporting Standards Item	Note
Interest income	$ 6,770,190	$ -	$ 6,770,190	Interest income	
Interest cost	2,571,847	-	2,571,847	Interest cost	
Net interest income	4,198,343	-	4,198,343	Net interest income	
Other noninterest income and gains, net					
Net service fee income	1,141,258	(7,303)	1,133,955	Net service fee income	7) c)
Net gain on financial assets and liabilities at fair value through profit or loss	115,243	-	115,243	Net gain on financial assets and liabilities at fair value through profit or loss	
Net gain on available-for-sale financial assets	107,427	48	107,475	Net gain on available-for-sale financial assets	7) a)
Investment gain or loss recognized by the equity method	1,858,382	-	1,858,382	Share of the loss of associates accounted for by the equity method	
Foreign exchange gain (loss)	282,705	-	282,705	Foreign exchange gain (loss)	
Other noninterest income, net	97,950	-	97,950	Other noninterest income, net	
Total other noninterest income and gains, net	3,602,965	(7,255)	3,595,710	Total other noninterest income and gains, net	
Net profit	7,801,308	(7,255)	7,794,053	Net profit	
Allowance for possible losses	358,403	-	358,403	Allowance for possible losses and reserve for guarantees	
Operating expenses					
Personnel expense	1,501,873	23,045	1,524,918	Employee benefits	7) d), 7) e), 7) f)
Depreciation and amortization	158,659	(5,552)	153,107	Depreciation and amortization	7) g)
Other	805,601	(1,223)	804,378	Other business and management expense	7) c)
Total operating expenses	2,466,133	16,270	2,482,403	Total operating expenses	
Income before income tax	4,976,772	(23,525)	4,953,247	Income before income tax	
Income tax expense	538,269	77	538,346	Income tax expense	7) e), 7) f)
Net income	$ 4,438,503	$ (23,602)	4,414,901	Net income	
			(632,540)	Exchange differences resulting from translating the financial statements of foreign operations	7) b)
			242,470	Unrealized valuation gains and losses from available-for-sale financial assets	7) b)
			16,376	Hedging instrument gains on effective hedging under cash flow hedge	
			435,707	Share of the loss of associates accounted for by the equity method and other comprehensive income	
			25,254	Income tax related the components of other comprehensive income	
			87,267	Other comprehensive income for the period, net of tax effect	
			$ 4,502,168	Total comprehensive income for the period	

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

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs	Standalone Financial Reporting Standards Amount	Standalone Financial Reporting Standards Item	Note
Interest income	$ 13,737,832	$ -	$ 13,737,832	Interest income	
Interest cost	5,203,122	(12,708)	5,190,414	Interest cost	7) f)
Net interest income	8,534,710	12,708	8,547,417	Net interest income	
Other noninterest income and gains, net					
Net service fee income	2,163,616	-	2,163,616	Net service fee income	
Net gain on financial assets and liabilities at fair value through profit or loss	197,652	(4,602)	193,050	Net gain on financial assets and liabilities at fair value through profit or loss	7) a)
Net gain on available-for-sale financial assets	229,812	-	229,812	Net gain on available-for-sale financial assets	
Investment loss recognized by the equity method	3,725,675	-	3,725,675	Share of the loss of associates accounted for by the equity method	
Foreign exchange gain (loss)	592,699	-	592,699	Foreign exchange gain (loss)	

(Continued)

ROC GAAP		Effect of Transition to IFRSs	Standalone Financial Reporting Standards		
Item	Amount		Amount	Item	Note
Loss on disposal and retirement of properties and other assets	$ 83,550	$ -	$ 83,550	Loss on disposal and retirement of properties and other assets	
Other noninterest income, net	738,589	-	738,589	Other noninterest income, net	
Total other noninterest income and gains, net	7,731,593	(4,602)	7,726,991	Total other noninterest income and gains, net	
Net profit	16,266,303	8,106	16,274,409	Net profit	
Allowance for possible losses	478,750	-	478,750	Allowance for possible losses and reserve for guarantees	
Operating expenses					
Personnel expense	3,067,613	18,344	3,085,957	Employee benefits	7) e), 7) f)
Depreciation and amortization	347,363	12,487	359,850	Depreciation and amortization	7) g)
Other and business and management expense	1,658,001	-	1,658,001	Other and business and management expense	
Total operating expenses	5,072,977	30,831	5,103,808	Total operating expenses	
Income before income tax	10,714,576	(22,725)	10,691,851	Income before income tax	
Income tax expense	1,185,930	(959)	1,184,971	Income tax expense	7) e), 7) f)
Net income	$ 9,528,646	$ (21,766)	9,506,880	Net income	
			(1,423,907)	Exchange differences resulting from translating the financial statements of foreign operations	7) b)
			1,744,329	Unrealized valuation gains and losses from financial assets	7) b)
			(90,880)	Actuarial gains and losses	
			229,542	Other comprehensive income for the period, net of tax effect	
			$ 9,736,422	Total comprehensive income for the period	

(Concluded)

6) Specific optional exemptions

Except for allowed non-retrospective application and the following exemptions, the retrospective application of standalone financial reporting standards for the Bank's balance sheet on the transition date (January 1, 2012).

Investment in subsidiaries, associates and joint ventures

For the investment in subsidiaries, associates and joint ventures before the transition date, the Bank chose to disclose the amount recognized according to ROC GAAP on the balance sheet on January 1, 2012.

Share-based payment transactions

The Bank chose the exemption from retrospective treatment of all share-based transactions granted and vested prior to the transition date.

Deemed cost

The Bank measured the properties, and intangible assets on cost model under ROC GAAP and related rules.

Employee benefits

The Bank selected to recognize all previously unrecognized cumulative actuarial gains and losses related to employee benefit plan in retained earnings at the Transition Date.

In addition, the Bank selected to disclose the adjusted historical information in each accounting period from the transition date.

Cumulative translation differences

The Bank determined the balance of translation differences of foreign operations calculated under IFRSs at the Transition Date as zero. The balance of previously recognized cumulative translation adjustment was transferred into the Bank's retained earnings.

Assets and liabilities of subsidiaries and associates

The Bank becomes a first-time adopter later than some of its subsidiaries and associates; therefore, the Bank measures the assets and liabilities of these subsidiaries and associates at their book value as shown in their financial statements prepared respectively. However, the book value is subject to adjustments according the optional exemptions and accounting policies chosen by the Bank.

Leases

The Bank selected to determine whether arrangements in existence at the Transition Date contain lease elements based on facts and circumstances existing at the Transition Date.

The effects of the optional exemptions selected by the Bank and its subsidiaries are further disclosed in item 7, "Significant reconciliation items of IFRSs transition".

7) Significant reconciliation items of Standalone Financial Reporting Standards transition

The Bank has identified significant differences between the accounting policies set forth under ROC GAAP and IFRSs as follows:

a) Regular way purchases of financial assets

The Bank currently applies settlement date basis accounting to its regular way purchases of bonds and short-term bills (otherwise, trade date basis accounting is applied). With the adoption of International Financial Reporting Standards, trade date basis accounting shall apply to all regular way purchases of securities for consistency. As a result, receivables as of December 31, 2012 increased by $199,172 thousand while financial assets at FVTPL and payables decreased by $203,418 thousand and $62 thousand, respectively. Available-for-sale financial assets, receivables, prepaid taxes, payables, and deferred tax liabilities as of June 30, 2012 increased by $300,956 thousand, $152,943 thousand, $60 thousand, $453,730 thousand and $181 thousand, respectively (January 1, 2012: Nil). In addition, financial assets and liabilities at fair value through profit or loss decreased by $4,602 thousand for the year ended December 31, 2012, and gains on available-for-sale financial assets increased $48 thousand for the six months ended June 30, 2012.

b) Financial assets carried at cost

Under "Regulations Governing the Preparation of Financial Reports by Public Banks", financial assets carried at cost shall be recognized if, and only if: Equity investments those are not traded in Taiwan Stock Exchange or Gretai Securities Market and those the Bank cannot exercise significant influence. With the adoption of IFRSs, these equity investments shall be designated as financial assets at FVTPL or available for sale financial assets and measured at fair value.

As a result of Standalone Financial Reporting Standards adoption, available for sale financial assets as of December 31, 2012, June 30, 2012 and January 1, 2012 increased by $1,704,618 thousand, $1,764,843 thousand and $1,771,047 thousand, respectively, and equity investments under the equity method as of December 31, 2012, June 30, 2012 and January 1, 2012 increased by $2,236,944 thousand, $2,117,062 thousand and $2,293,120 thousand, respectively, and unrealized gain on financial assets as of December 31, 2012, June 30, 2012 and January 1, 2012 increased by $2,767,571 thousand, $2,684,894 thousand, and $2,714,653 thousand respectively. Financial assets carried at cost and cumulative translation adjustments as of December 31, 2012, June 30, 2012 and January 1, 2012 decreased by $1,408,801 thousand, $1,489,714 thousand and $1,490,570 thousand and $234,810 thousand, $292,704 thousand and $141,056 thousand, respectively.

c) Customer loyalty programmers

Under ROC GAAP, bonus payable is accrued when approved by the company's management. According to Standalone Accounting Standards, bonus would be measured at fair value and recorded as deferred revenue, and recognized as revenue at conversion.

Payables as of December 31, 2012, June 30, 2012 and January 1, 2012 decreased by $120,570 thousand, $110,970 thousand and $109,747 thousand, respectively, and other liabilities-deferred revenue increased by $120,570 thousand, $117,050 thousand and $109,747 thousand, respectively. Project promotion expense (recorded as other operating and administrative expense) and service revenue decreased by $1,223 thousand and $7,303 thousand for the six months ended June 30, 2012.

d) Employee benefits-short-term accumulating compensated absences

Short-term compensated absences are not pronounced under ROC GAAP, but usually recognized when actually paid. After transferring to International Financial Reporting Standards, an expense is recognized when employees provide services that entitle them to compensated absences in the future.

As of June 30, 2012, short-term accumulating compensated absences payables and employee benefits expense increased by $23,500 thousand.

e) Employee benefits - actuarial gains and losses on defined benefit plan

The Bank used actuarial valuation for defined benefit plans in compliance with International Financial Reporting Standards, and on January 1, 2012, it decreased the carrying amount of prepaid pension cost (included in other assets) and deferred tax liabilities by $66,421 thousand and $11,291 thousand, respectively.

Under ROC GAAP, actuarial gains and losses are amortized over the expected average remaining working lives of the participating employees under the corridor approach. However, under International Financial Reporting Standards, the Bank shall recognize the full amount of actuarial gains and losses as other comprehensive income immediately and charge to retained earnings in the statement of changes in shareholders' equity. The subsequent reclassification to current earnings is not permitted.

As of December 31, 2012 and June 30, 2012, the Bank decreased prepaid pension cost (classified under other assets) and deferred tax liabilities by $144,349 thousand and $65,103 thousand, and $24,539 thousand and $11,052, respectively, in accordance with above regulations. For the year ended December 31, 2012 the pension cost was decreased by $5,661 thousand and income tax expense was increased by $962 thousand. In addition, pension cost decreased by $1,408 thousand and income tax expense increased by $239 thousand for the six months ended June 30, 2012.

f) Employee benefits - other employee benefits

Under International Financial Reporting Standards, the Bank's policies regarding consolation benefit and favorable post-retirement savings are deemed as long term benefits to employees and are within the scope of IAS 19. Long term benefit obligation and benefit cost for these policies are recognized based on the result of actuarial valuation.

As of December 31, 2012, June 30, 2012 and January 1, 2012, the adoption of Standalone Financial Reporting Standards for the long term benefit provided by the Bank increased the employee benefit liability by $152,220 thousand, $115,971 thousand and $115,018 thousand, respectively, and decreased deferred income tax liability by $25,877 thousand, $19,714 thousand and $19,552 thousand, respectively. Employee benefit cost for year 2012 and for the six months ended June 30, 2012 increased by $24,005 thousand and $953 thousand while interest expense decreased by $12,708 thousand and nil and income tax expense decreased by $1,921 thousand and $162 thousand, respectively.

g) Property and equipment

In compliance with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and International Financial Reporting Standards, critical components of property, plant and equipment shall be identified and depreciated separately.

For the year ended 2012, the Bank increased depreciation expense and accumulated depreciation by $12,487 thousand and accumulated depreciation. For the six months ended June 30, 2012, the Bank decreased depreciation expense and accumulated depreciation by $5,552 thousand.

h) Deferred income tax asset/liability

Under ROC GAAP, the deferred tax liabilities and assets of the same taxable enterprise should be presented and reported on a net basis. However, under Standalone Financial Reporting Standards, an entity can offset its deferred tax assets against its deferred tax liabilities only when the following criteria are met at the same time: 1) an entity has the legal right to offset its current tax assets and liabilities; 2) the deferred tax assets/liabilities are generated by the same entity and generated in the same jurisdiction (or generated by different entities but one entity expects to realize significant portion of these deferred tax assets/liabilities on a net basis in one foreseeable period or expects to realize the deferred tax assets/liabilities in the same period.

As a result, as of December 31, 2012, June 30, 2012 and January 1, 2012, deferred tax assets increased by $809,000 thousand, $823,000 thousand and $748,000 thousand, respectively, and deferred tax liabilities increased by the same amounts which are under operating activity.

i) Differences in presentation

In order to comply the "Regulations Governing the Preparation of Financial Reports by Public Banks" and Standalone Financial Reporting Standards since 2013, certain accounts in the balance sheet and statement of other comprehensive income are reclassified in accordance with International Financial Reporting Standards.

8) Material adjustment to cash flow statement

According to ROC GAAP, interest and dividend received are classified to operating activity and financing activity. According to Standalone Financial Reporting Standards, the cash flow of interest and dividend should be disclosed independently, and should be classified as operating, investment, or financing activities. Under Standalone Financial Reporting Standards, interest collection, interest payment and dividend received for the six months ended June 30, 2012 amounted to $6,559,546 thousand, $2,462,057 thousand and $1,913,186 thousand.

There are no other material differences between the accounting policies under ROC GAAP and the accounting policies adopted under Standalone Financial Reporting Standards.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

OVERDUE LOANS AND RECEIVABLE
JUNE 30, 2013, DECEMBER 31, 2012, JUNE 30, 2012 AND JANUARY 1, 2012
(In Thousands of New Taiwan Dollars, %)

Date			June 30, 2013					June 30, 2012				
Business			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 496,307	$ 157,993,939	0.31	$ 1,811,240	364.94	$ 466,762	$ 125,168,630	0.37	$ 2,503,937	536.45
	Unsecured		1,535,130	149,337,359	1.03	3,607,066	234.97	411,772	145,563,496	0.28	3,044,138	739.28
Consumer banking	Housing mortgage (Note 4)		173,258	115,744,566	0.15	967,492	558.41	244,896	110,954,252	0.22	1,514,678	618.50
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small scale credit loans (Note 5)		14,739	826,934	1.78	22,272	151.11	16,526	1,122,426	1.47	58,176	352.03
	Other (Note 6)	Secured	39,973	78,377,463	0.05	575,919	1,440.77	38,809	60,701,818	0.06	550,128	1,417.53
		Unsecured	7,349	5,157,478	0.14	52,275	711.32	4,067	4,878,686	0.08	54,537	1,340.96
Total			2,266,756	507,437,739	0.45	7,036,264	310.41	1,182,832	448,389,308	0.26	7,725,594	653.14
			Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit card			15,084	2,808,133	0.54	149,216	989.23	13,042	2,723,335	0.48	136,657	1,047.82
Accounts receivable factored without recourse (Note 7)			-	1,464,217	-	14,642	-	-	1,438,201	-	14,382	-
Excluded NPL as a result of debt consultation and loan agreements (Note 8)			-					-				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)			-					-				
Excluded NPL as a result of consumer debt clearance (Note 9)			-					-				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)			57,250					56,978				

(Continued)

Date			December 31, 2012					January 1, 2012				
Business			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 498,288	$ 133,374,195	0.37	$ 2,824,090	566.76	$ 434,634	$ 111,309,452	0.39	$ 2,302,569	529.77
	Unsecured		285,954	143,756,723	0.20	2,796,730	978.03	279,970	147,812,213	0.19	2,542,246	908.04
Consumer banking	Housing mortgage (Note 4)		157,213	113,217,530	0.14	1,344,670	855.32	234,268	111,118,178	0.21	1,465,931	625.75
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small scale credit loans (Note 5)		15,098	986,335	1.53	60,326	399.56	17,977	1,194,867	1.50	62,603	348.24
	Other (Note 6)	Secured	58,567	68,377,337	0.09	688,132	1,174.95	18,274	53,329,189	0.03	424,054	2,320.53
		Unsecured	10,832	5,028,945	0.22	82,160	758.49	4,000	5,113,067	0.08	51,418	1,285.45
Total			1,025,952	464,741,065	0.22	7,796,108	759.89	989,123	429,876,966	0.23	6,848,821	692.41
			Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit card			12,409	2,390,307	0.52	134,607	1,084.75	13,622	2,497,397	0.55	113,173	830.81
Accounts receivable factored without recourse (Note 7)			-	1,516,266	-	15,163	-	-	1,683,924	-	16,839	-
Excluded NPL as a result of debt consultation and loan agreements (Note 8)			-					-				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)			-					-				
Excluded NPL as a result of consumer debt clearance (Note 9)			-					-				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)			58,224					60,602				

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

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

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

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

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

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

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

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

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

(Concluded)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

MARKETABLE SECURITIES HELD
JUNE 30, 2013
(In Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	June 30, 2013				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Equity investments under the equity method	1	$ 1,624,098	100.00	$ 1,624,098	
	Krinein Company	Indirect subsidiary	Equity investments under the equity method	2	467,758	100.00	467,758	
	Safehaven Investment Corporation	Indirect subsidiary	Equity investments under the equity method	1	46,209	100.00	46,209	
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Equity investments under the equity method	4	68,975	100.00	(23,834)	
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	75,608	45.00	75,608	
	CTS Travel International Ltd.	Indirect subsidiary	Equity investments under the equity method	600	6,574	100.00	6,574	
	Joy Tour Service Co., Ltd.	-	Financial assets carried at cost	100	1,000	8.33	-	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets carried at cost	24	859	-	-	
SCSB Life Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	5,394	4.13	-	
	Prism Communication International Limited	-	Financial assets carried at cost	1,250	-	-	-	
SCSB Property Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	5,393	4.13	-	
	Prism Communication International Limited	-	Financial assets carried at cost	1,250	-	-	-	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Equity investments under the equity method	N/A	591,981	100.00	591,981	
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Equity investments under the equity method	1,920	7,098,364	9.60	7,098,364	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Equity investments under the equity method	9,600	35,491,820	48.00	35,491,820	

Note: A consolidated entity; the related intercompany transaction was eliminated in the consolidated financial statements.

TABLE 3

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

RELATED INFORMATION OF INVESTEES
SIX MONTHS ENDED JUNE 30, 2013
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment (Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Shares (In Thousands)	Percentage of Ownership (%)	
Equity investments under the equity method										
Financial business										
SCSB Asset Management Ltd.	Taipei City	Purchase and management of creditor's rights of financial institutions	100.00	$ 1,091,371	$ (15,832)	110,000	-	110,000	100.00	
SCSB Life Insurance Agency	Taipei City	Insurance	100.00	147,734	34,167	5,000	-	5,000	100.00	
SCSB Property Insurance Agency	Taipei City	Insurance	100.00	92,647	2,666	5,000	-	5,000	100.00	
SCSB Marketing Ltd.	Taipei City	Marketing	100.00	9,365	327	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	209,635	5,315	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	42,590,184	1,956,614	11,520	-	11,520	57.60	
Non-financial business										
China Travel Service (Taiwan)	Taipei City	Travel services	99.99	180,478	(3,465)	38,943	-	38,943	99.99	
Kuo Hai Real Estate Management	Taipei City	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	44,466,863	1,944,440	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	285,847	2,816	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,624,098	1,506,525	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	467,758	301,514	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	46,209	134	1	-	1	100.00	
Prosperity Realty Inc.	America	Real estate services	100.00	68,975	-	4	-	4	100.00	
Silks Place Taroko	Hualien	Travel services	45.00	75,608	(10,579)	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taipei City	Travel services	99.99	6,574	55	600	-	600	99.99	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	591,981	(14,185)	N/A	-	N/A	100.00	

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

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

INVESTMENT IN MAINLAND CHINA
JUNE 30, 2013
(In Thousands of New Taiwan Dollars and Foreign Currency)

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying value as of June 30, 2013 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment as of June 30, 2013	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of June 30, 2013	Accumulated Inward Remittance of Earnings as of June 30, 2013
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	US$ 20,000	(Note 1, d)	US$ 20,000	$ -	$ -	US$ 20,000	100.00%	$ (14,185) (US$ 478)	$ 591,981 (US$ 19,740)	$ -
Bank of Shanghai	Approved by local government	US$ 22,953	(Note 1, d)	US$ 22,953	-	-	US$ 22,953	3.00%	-	5,277,525 (US$175,982)	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Approved by local government	US$ 36,339	(Note 1, d)	US$ 36,339	-	-	US$ 36,339	57.60%	68,088 (US$ 2,295)	1,556,177 (US$ 51,892)	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Approved by local government	US$ 18,348	(Note 1, d)	US$ 18,348	-	-	US$ 18,348	57.60%	(13,165) (US$ 444)	955,260 (US$ 31,854)	-

2. Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission MOEA (Note 2)
$2,928,126 (US$97,640)	$2,928,126 (US$97,640)	$52,697,735

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

a) Remittance via the third place
b) To set up a new company to invest
c) To invest an existing company in a third place that is invested by the Bank
d) To directly invest

Note 2: Under the “Regulatory Principles for Investments in Mainland China Enterprises by Banks, Financial Holding Companies, and Their Affiliated Enterprises”, when a Taiwan bank or its third-area subsidiary bank applies to establish a branch or subsidiary bank, or make equity investment in Mainland Area, or a subsidiary company with over 50 percent of total outstanding voting shares or capital owned by Taiwan bank makes investments in Mainland Area, the cumulative allocated operating capital and total amount of investment combined shall not exceed 15 percent of the bank's net worth at the time of application.

Note 3: Calculated by the exchange rate on June 30, 2013.