Far Eastern International Bank Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Far Eastern International Bank Ltd.

We have audited the accompanying consolidated balance sheets of Far Eastern International Bank Ltd. (the "Bank") and its subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and accounting principles generally accepted in the Republic of China.

March 20, 2013

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

ASSETS	Notes	2012 Amount	2011 Amount	Percentage Increase (Decrease) %
CASH AND CASH EQUIVALENTS	4	$ 5,599,451	$ 6,005,214	(7)
DUE FROM THE CENTRAL BANK AND OTHER BANKS	5, 30, 31	82,818,608	86,739,190	(5)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2, 6, 30, 34	16,110,835	13,806,866	17
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	2, 7, 30	23,741,992	850,505	2,692
RECEIVABLES, NET	2, 3, 8, 9	20,726,506	20,855,894	(1)
DISCOUNTS AND LOANS, NET	2, 3, 9, 30, 34	280,219,426	269,460,381	4
AVAILABLE-FOR-SALE FINANCIAL ASSETS	2, 10, 29, 31, 34	11,865,864	15,674,659	(24)
HELD-TO-MATURITY FINANCIAL ASSETS	2, 11, 34	2,224,301	3,927,905	(43)
INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD	2, 12, 29	2,372,398	2,474,458	(4)
DEBT INVESTMENTS WITH NO ACTIVE MARKET	2, 13, 34	10,713,828	9,293,780	15
OTHER FINANCIAL ASSETS	2, 9, 14, 34	3,236,853	2,884,083	12
PROPERTIES				
Cost				
Land	2, 15	1,581,625	1,581,625	-
Buildings and improvements		1,236,633	1,232,272	-
Computer equipment		1,371,103	1,288,640	6
Transportation equipment		6,234	7,975	(22)
Miscellaneous equipment		1,389,864	1,347,700	3
Total cost		5,585,459	5,458,212	2
Less: Accumulated depreciation		2,727,842	2,565,983	6
		2,857,617	2,892,229	(1)
Prepayments for properties		22,076	51,444	(57)
Net properties		2,879,693	2,943,673	(2)
INTANGIBLE ASSETS	2, 16	1,868,048	1,905,193	(2)
OTHER ASSETS	2, 17, 25	1,120,509	1,633,309	(31)
TOTAL		$ 465,498,312	$ 438,455,110	6

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2012 Amount	2011 Amount	Percentage Increase (Decrease) %
LIABILITIES				
Due to the Central Bank and other banks	18	$ 11,674,958	$ 11,785,731	(1)
Short-term loans	19	969,980	1,369,929	(29)
Financial liabilities at fair value through profit or loss	2, 6, 30, 31	3,745,032	4,081,035	(8)
Payables	20, 25, 26	5,708,177	4,691,225	22
Deposits and remittances	21, 29, 34	391,933,266	369,998,562	6
Bank debentures	2, 22, 34	23,072,123	20,230,280	14
Other financial liabilities	23, 34	950,909	854,450	11
Other liabilities	2, 9, 24	842,522	789,520	7
Total liabilities		438,896,967	413,800,732	6
SHAREHOLDERS' EQUITY	2, 10, 12, 27			
Capital stock, NT$10.00 par value, Authorized - 4,500,000 thousand shares Issued and outstanding - 2,242,260 thousand shares in 2012 and 2,118,560 thousand shares in 2011		22,422,596	21,185,604	6
Capital surplus				
Additional paid-in capital in excess of par		22,348	19,706	13
Arising from equity-method investment		9,302	9,302	-
Total capital surplus		31,650	29,008	9
Retained earnings				
Legal reserve		1,742,672	1,030,702	69
Special reserve		4,554	4,554	-
Unappropriated earnings		2,564,542	2,374,090	8
Total retained earnings		4,311,768	3,409,346	26
Equity adjustments				
Cumulative translation adjustments		9,131	12,762	(28)
Unrealized valuation gain (loss) on available-for-sale financial assets		(173,800)	17,658	(1,084)
Total equity adjustments		(164,669)	30,420	(641)
Total shareholders' equity		26,601,345	24,654,378	8
CONTINGENT LIABILITIES AND COMMITMENTS	2, 29, 31, 32			
TOTAL		$ 465,498,312	$ 438,455,110	6

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

	Notes	2012 Amount	2011 Amount	Percentage Increase (Decrease) %
INTEREST INCOME	2, 30, 34	$ 9,539,494	$ 8,079,256	18
INTEREST COST	34	5,560,748	4,199,879	32
NET INTEREST INCOME		3,978,746	3,879,377	3
NONINTEREST INCOME AND GAINS, NET				
Service fee income	2	2,504,730	2,360,438	6
Service charges		507,149	488,526	4
Net service fee income		1,997,581	1,871,912	7
Net gain on financial assets and liabilities at fair value through profit or loss	2, 6, 30, 34	1,027,270	684,242	50
Net gain on available-for-sale financial assets	2, 27	310,517	262,309	18
Investment loss recognized by the equity method	2, 12	(88,047)	(67,692)	30
Net foreign exchange gain (loss)	2	21,830	(13,215)	265
Net gain on reversal of provision (provision) for asset impairment loss	2, 13, 14, 30	44,803	(2,830)	1,683
Gain on nonperforming receivables recovered	2, 8	289,342	356,850	(19)
Commission income	2	587,560	404,092	45
Recovery of written-off credits	2	1,274,721	1,219,968	4
Others	13, 30	195,753	69,263	183
Total noninterest income and gains, net		5,661,330	4,784,899	18
NET PROFIT		9,640,076	8,664,276	11
PROVISION FOR POSSIBLE LOSSES	2, 9	897,341	834,135	8
OPERATING EXPENSES	2, 25, 27, 28, 30			
Personnel expense		3,366,501	2,985,371	13
Depreciation and amortization		253,351	257,102	(1)
Others		2,195,187	2,064,053	6
Total operating expenses		5,815,039	5,306,526	10
INCOME BEFORE INCOME TAX		2,927,696	2,523,615	16
INCOME TAX EXPENSE	2, 26	364,323	150,384	142
CONSOLIDATED NET INCOME		$ 2,563,373	$ 2,373,231	8
ATTRIBUTABLE TO				
Shareholders of the parent company		$ 2,563,373	$ 2,373,231	8
Minority interest		-	-	-
		$ 2,563,373	$ 2,373,231	8

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

		2012		2011	
	Notes	**Before Income Tax**	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)					
Basic	29	$ 1.28	$ 1.15	$ 1.11	$ 1.07
Diluted	29	$ 1.27	$ 1.14	$ 1.10	$ 1.06

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value and Per Share Amounts)

	Capital Stock (NT$10.00 Par Value) (Note 25)			Capital Surplus (Notes 2 and 25)		Retained Earnings (Note 25)			Other Shareholders' Equity		
	Authorized	Issued and Outstanding		Additional	From				Cumulative	Unrealized Valuation Gain (Loss) on Available-for-sale Financial Assets (Notes 2, 10, 12 and 25)	Total
	Shares	Shares	Amount	Paid-in Capital in Excess of Par	Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Translation Adjustments (Note 2)		Shareholders' Equity
BALANCE, JANUARY 1, 2011	4,500,000,000	2,007,148,966	$ 20,071,489	$ -	$ 9,302	$ 372,276	$ -	$ 2,194,754	$ 11,264	$ 148,026	$ 22,807,111
Appropriation of the 2010 earnings											
Legal reserve	-	-	-	-	-	658,426	-	(658,426)	-	-	-
Cash dividends - NT$0.250 per share	-	-	-	-	-	-	-	(501,787)	-	-	(501,787)
Stock dividends - NT$0.515 per share	-	103,368,172	1,033,682	-	-	-	-	(1,033,682)	-	-	-
Employees' bonus - stock	-	8,043,315	80,433	19,706	-	-	-	-	-	-	100,139
Translation adjustments - offshore banking unit and overseas branch	-	-	-	-	-	-	-	-	1,498	-	1,498
Change in unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(116,630)	(116,630)
Change in equity-method investees	-	-	-	-	-	-	4,554	-	-	(13,738)	(9,184)
Consolidated net income in 2011	-	-	-	-	-	-	-	2,373,231	-	-	2,373,231
BALANCE, DECEMBER 31, 2011	4,500,000,000	2,118,560,453	21,185,604	19,706	9,302	1,030,702	4,554	2,374,090	12,762	17,658	24,654,378
Appropriation of the 2011 earnings											
Legal reserve	-	-	-	-	-	711,970	-	(711,970)	-	-	-
Cash dividends - NT$0.250 per share	-	-	-	-	-	-	-	(529,640)	-	-	(529,640)
Stock dividends - NT$0.534 per share	-	113,131,129	1,131,311	-	-	-	-	(1,131,311)	-	-	-
Employees' bonus - stock	-	10,568,089	105,681	2,642	-	-	-	-	-	-	108,323
Translation adjustments - offshore banking unit and overseas branch	-	-	-	-	-	-	-	-	(3,631)	-	(3,631)
Change in unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(180,043)	(180,043)
Change in equity-method investees	-	-	-	-	-	-	-	-	-	(11,415)	(11,415)
Consolidated net income in 2012	-	-	-	-	-	-	-	2,563,373	-	-	2,563,373
BALANCE, DECEMBER 31, 2012	4,500,000,000	2,242,259,671	$ 22,422,596	$ 22,348	$ 9,302	$ 1,742,672	$ 4,554	$ 2,564,542	$ 9,131	$ (173,800)	$ 26,601,345

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 2,563,373	$ 2,373,231
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Provision for possible losses	897,341	834,135
Recovery of written-off credits	52,906	86,692
Depreciation	212,395	216,992
Amortization	40,956	40,110
Amortization of premium on financial assets	66,246	144,856
Net valuation loss (gain) on financial assets and liabilities at fair value through profit or loss	254,491	(361,498)
Net gain on available-for-sale financial assets	(310,517)	(262,309)
Reversal of employees' bonus payable	-	(4,585)
Investment loss recognized under the equity method	88,047	67,692
Cash dividends received from investments accounted for by the equity method	58,250	72,574
Net loss (gain) on disposal of properties	(18)	492
Provision (net gain on reversal of provision) for asset impairment loss	(44,803)	2,830
Decrease (increase) in financial assets at fair value through profit or loss	(2,558,402)	1,522,341
Decrease (increase) in receivables	146,563	(1,457,634)
Decrease (increase) in deferred income tax assets	186,112	(103,889)
Decrease in financial liabilities at fair value through profit or loss	(336,061)	(607,019)
Increase (decrease) in accrued pension cost	(5,388)	886
Increase in payables	963,692	563,945
Net cash provided by operating activities	2,275,183	3,129,842
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in due from the Central Bank and other banks	3,920,582	16,199,162
Increase in discounts and loans	(11,516,907)	(34,467,060)
Increase in securities purchased under resale agreements	(22,891,487)	(850,505)
Decrease in available-for-sale financial assets	3,864,911	1,295,903
Decrease (increase) in held-to-maturity financial assets	1,711,718	(1,197,877)
Increase in debt investments with no active market	(1,370,505)	(2,162,729)
Decrease (increase) in other financial assets	(488,302)	76,820
Acquisition of properties	(149,895)	(274,906)
Proceeds of the disposal of properties	709	1,131
Proceeds of the disposal of collaterals assumed	373,213	16,104
Decrease (increase) in other assets	(217)	158,019
Liquidated sum of financial assets carried at cost	1,408	-

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FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

	2012	2011
Acquisition of investments accounted for by the equity method	$ (55,652)	$ -
Net cash used in the acquisition of subsidiaries	(9,819)	(40,293)
Net cash used in investing activities	(26,610,243)	(21,246,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and other banks	(110,773)	(6,307,348)
Increase (decrease) in short-term loans	(399,949)	320,125
Increase in deposits and remittances	21,934,704	22,183,123
Issuance of bank debentures	3,000,000	3,500,000
Redemption of bank debentures	(86,440)	(85,780)
Increase in other financial liabilities	96,733	665,214
Increase in other liabilities	27,465	69,480
Cash dividends	(529,640)	(501,787)
Net cash provided by financing activities	23,932,100	19,843,027
EFFECTS OF EXCHANGE RATE CHANGES	(2,803)	3,744
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(405,763)	1,730,382
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,005,214	4,274,832
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,599,451	$ 6,005,214
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 5,429,726	$ 4,214,325
Income tax paid	$ 198,367	$ 311,805
NONCASH INVESTING AND FINANCING ACTIVITIES		
Stock dividends	$ 1,131,311	$ 1,033,682
Employees' bonus - stock	$ 108,323	$ 100,139

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FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

Fair values of the assets and liabilities acquired on, and the net effect on cash of, the acquisition of ING Securities Co., Ltd. and ING Insurance Brokers Co., Ltd. on December 14, 2011 were as follows (Note 1):

Assets	
Deposits in other banks	$ 185,008
Receivables, net	12,148
Properties, net	10,542
Other assets	82,946
Total assets	290,644
Liabilities	
Payables	46,722
Other liabilities	8,802
Total liabilities	55,524
Acquired cost	235,120
Cash paid for the acquisition of subsidiaries	185,008
Net effect on cash	$ (50,112)

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far Eastern International Bank Ltd. ("the Bank") obtained its license on January 11, 1992 and started its business on April 11, 1992. The Bank (a) accepts deposits and extends loans and guarantees; (b) issues letters of credit, handles domestic and foreign remittances and accepts commercial drafts; (c) invests in securities and acts as an agent for trading government bonds, corporate bonds and bank debentures; and (d) conducts relevant businesses that are authorized by the relevant authorities.

The operations of the Bank's Trust Department include pecuniary trust, securities trust, real estate trust, creditor's right of money or guarantee, movable property trust and ground right trust and related operations. These operations are regulated under the Banking Act and Trust Enterprise Act.

As of December 31, 2012, the Bank's operating units included the Business Department, International Banking Department, Trust Department, Credit Card Department, Offshore Banking Unit (OBU), and 53 domestic branches, as well as an overseas branch in Hong Kong.

The Bank's stock is listed on the Taiwan Stock Exchange.

The subsidiaries controlled directly by the Bank were as follows:

Investor Company	Investee Company	Nature of Businesses	Percentage of Ownership December 31	
			2012	2011
The Bank	Far Eastern Asset Management Co., Ltd. ("FEAMC")	Purchase, evaluation, auction and management of rights of financial institution creditors	100%	100%
	Far Eastern Life Insurance Agency Co., Ltd. ("FELIA")	Insurance agent	100%	100%
	Far Eastern Property Insurance Agency Co., Ltd. ("FEPIA")	Insurance agent	100%	100%
	Far Eastern International Securities Co., Ltd. ("FEIS")	Foreign securities broker, wealth management and offshore fund consulting	100%	100%
Far Eastern International Securities Co., Ltd.	Far Eastern Insurance Brokerage Co., Ltd. ("FEI Brokerage")	Insurance brokers	100%	100%

On August 29, 2011, the Bank acquired 100% of the common stock of ING Securities Co., Ltd. and its subsidiary ING Insurance Brokers Co., Ltd. from ING Insurance International B.V. for NT$235,120 thousand to expand the Bank's business, elevate operating efficiency and strengthen competitiveness; this transaction was settled on December 14, 2011. On January 3 and January 10, 2012, ING Securities Co., Ltd. and ING Insurance Brokers Co., Ltd. were renamed as Far Eastern International Securities Co., Ltd. and Far Eastern Insurance Brokerage Co., Ltd., respectively.

Fair values of the assets and liabilities acquired from Far Eastern International Securities Co., Ltd. and Far Eastern Insurance Brokerage Co., Ltd. on December 14, 2011 were as follows:

Assets	
Deposits in other banks	$ 185,008
Receivables, net	12,148
Properties, net	10,542
Other assets	82,946
Total assets	290,644
Liabilities	
Payables	46,722
Other liabilities	8,802
Total liabilities	55,524
Acquisition cost	$ 235,120

The operating results of Far Eastern International Securities Co., Ltd. and Far Eastern Insurance Brokerage Co., Ltd. started from December 14, 2011 were included in the consolidated income statements for the year ended December 31, 2012 and 2011. For comparison purposes, the following unaudited pro forma consolidated income statements for the year ended December 31, 2011 were prepared assuming the acquisition occurred on January 1, 2011:

Item	**Year Ended December 31, 2011**
Net interest income	$ 3,880,147
Noninterest income and gains, net	4,938,417
Net profit	8,818,564
Provision for possible losses	(834,135)
Operating expenses	(5,500,903)
Income before income tax	2,483,526
Income tax expense	(150,384)
Net income	$ 2,333,142

As of December 31, 2012 and 2011, the Bank and its subsidiaries had 2,606 and 2,648 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and accounting principles generally accepted in the Republic of China.

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

The Bank and its subsidiaries' significant accounting policies are summarized as follows:

Principles of Consolidation

In compliance with the Statement of Financial Accounting Standards (SFAS) No. 7 - "Consolidated Financial Statements," the consolidated financial statements as of and for the years ended December 31, 2012 and 2011 included all the direct and indirect subsidiaries of the Bank and other investees over which the Bank has control. All significant intercompany transactions have been eliminated upon consolidation.

Foreign-currency Transactions

Foreign-currency assets and liabilities are recorded in a currency other than the New Taiwan dollar, the Bank's functional or local currency. Foreign-currency items in income statements of domestic operating units are translated into New Taiwan dollars at prevailing exchange rates at the dates of the transactions. For overseas branches (including the OBU), income or losses from transactions settled in nonlocal currencies are translated into the local currency at exchange rates prevailing in the local exchange market at the dates of the transactions.

At the balance sheet date, foreign-currency monetary assets and liabilities are translated at prevailing exchange rates, and the exchange differences are recognized as gain or loss.

At the balance sheet date, foreign-currency nonmonetary assets and liabilities (such as equity instruments) that are measured at fair value are translated at prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
b. Recognized as gain or loss if the changes in fair value are recognized as gain or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at the exchange rates of the trade dates.

When foreign-currency items are settled, exchange differences arising from the application of different exchange rates are recognized as gain or loss for the current year.

Translation of Foreign Branches' Financial Statements

The financial statements of foreign branches (including the OBU) are translated into New Taiwan dollars at the following exchange rates:

a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;

b. The beginning balance of current year's earnings not yet remitted to the head office - the same as the ending balance of the prior years' earnings; and

c. Income and expenses - at average exchange rates for the current year.

Exchange differences arising from the translation of the financial statements of foreign branches are recognized as a cumulative translation adjustment under shareholders' equity.

Accounting Estimates

In accordance with the above regulations, laws and principles, certain estimates and assumptions have been used to determine the fair value of certain financial instruments, allowance for possible losses, reserve for guarantee obligations, depreciation, impairment, pension, income taxes, contingent losses and employees' bonus, remuneration to directors and supervisors, etc. Actual results may differ from these estimates.

Current and Noncurrent Assets and Liabilities

Accounts included in the consolidated balance sheets are not classified as current or noncurrent since the major components of the consolidated financial statements are from the banking sector, whose operating cycle cannot be reasonably identified. Nevertheless, accounts are properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 34 for the maturity analysis of assets and liabilities.

Financial Instruments at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss (FVTPL) are financial assets and liabilities that are held for trading or those that are designated on initial recognition as measured at fair value through profit or loss. FVTPL instruments are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately as expense. At each balance sheet date subsequent to initial recognition, financial assets and liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized as gain or loss in the year. On the derecognition of financial assets and liabilities at FVTPL, differences between the carrying amount and the sum of the consideration received and receivable or consideration paid and payable are recognized as gain or loss. Acquisition and disposal of financial assets are recognized and derecognized on a trade date basis, except government bonds, for which the settlement date basis is used.

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

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are derecognized or impaired, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. Acquisition and disposal of financial assets are recognized and derecognized on a trade date basis, except government bonds, for which the settlement date basis is used.

An impairment loss is recognized when there is objective evidence that the investment is impaired. Any decrease in impairment loss on an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale increases as a result of an event that occurred after the impairment loss was recognized, the decrease in impairment loss is reversed as gain of the year.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method. Acquisition and disposal of financial assets are recognized and derecognized on a settlement date basis.

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

Hedge Accounting

The Bank engages non-trading derivatives primarily as a tool for hedging against risks to financial assets and liabilities due to adverse market changes in interest rates, exchange rates and credit. The Bank's hedge accounting qualifies as a fair value hedge. The fair value hedge is mainly used to avoid the risk of adverse changes in fair value of interest-earning assets and interest-bearing liabilities due to fluctuations of interest rates or exchange rates. At the start of the hedge, there must be a formal designation of the derivative as a hedging instrument and documentation of the hedging relationship between the hedging instrument and the hedged item, the risk management objective, hedging strategies and how the Bank will assess the hedging instrument effectiveness.

Once the hedge is determined as a fair value hedge, the effect of changes in fair value of the hedged items will be offset by the gain or loss recognized from remeasuring the derivative hedging instrument at fair value, and the carrying amount of the hedged item is adjusted through the corresponding gain or loss on the hedging instrument.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted market prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks, are carried at their original cost. An impairment loss is recognized when there is objective evidence that the asset is impaired. No reversal of this impairment loss is allowed.

Debt Investments with No Active Market

Debt investments which with no active market are carried at amortized cost. The accounting treatment for these debt investments is the same as that for held-to-maturity financial assets, except for the absence of restriction on the timing of the disposal of these debt investments. An impairment loss is recognized when there is objective evidence that the investment is impaired.

Nonaccrual Loans

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the Banking Bureau under the Financial Supervisory Commission, overdue loans and other credits extended by the Bank, including their respective accrued interests, are classified as nonaccrual loans within six months after the expiration of the repayment period.

Nonaccrual loans arising from loans are classified as discounts and loans; others arising from guarantees, acceptances, accounts receivable - factoring and credit card receivables are classified as other financial assets.

Acquired Receivables

The aggregate purchase price and all necessary charges on loan acquisition are booked as the cost of the acquired receivables, and the fair value of each individual loan is the basis for cost allocation.

Marketing and handling expenses incurred after the acquisition date are expensed, including the expenses for applying for participating in auctions, court fees for collateral auctions, and appraisal expenses.

Allowance for Possible Losses and Reserve for Guarantee Obligations

In determining the allowance for possible losses and reserve for guarantee obligations, the Bank evaluates the risks on specific loans and assesses the collectability of loans, discounts, receivables, other financial assets and guarantee obligations on a portfolio basis.

The Bank evaluates possible losses on specific loans on the basis of the borrowers' financial situation, their ability to repay principals and interests, and the values of collaterals in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" (the "Regulations"). The Regulations require that loans should be categorized by collectability and specify the minimum allowance for possible losses and reserve for guarantee obligations using prescribed percentages. However, as required by the Banking Bureau's letter (Ref. No. 10010006830), loan coverage ratio should be more than 1 percent.

When a loan or receivable is considered uncollectible, it may be written off on the approval of the Bank's Board of Directors or Managing Directors. The subsequent collections of written-off loans are credited against the allowance account or recognized as other income.

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

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It becoming probable that the debtor will enter bankruptcy or financial reorganization.

Loans and accounts receivable that are assessed as not impaired individually are assessed for impairment by portfolio. Objective evidence of the impairment of a portfolio of loans and accounts receivable could include the Bank's past experience of collecting payments and an increase in the number of delayed payments in the portfolio, as well as changes in national or local economic conditions that correlate with defaults on loans and receivables.

The amount of the impairment loss recognized is the difference between the carrying amount of the loan and accounts receivable and the present value of estimated future cash flows discounted at the original effective interest rate after taking into consideration the collaterals and guarantees obtained. The carrying amount of the loans and accounts receivable is reduced through the use of an allowance account.

Securities Purchased/Sold Under Resale/Repurchase Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions.

Impairment of Assets

The carrying amount of investments accounted for by the equity method, properties, intangible assets and buildings and land held for sale is estimated based on its respecting recoverable amount. When an indication of significant impairment is identified, the excess of carrying amount of an asset over its recoverable amount is recognized as an impairment loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted carrying amount may not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized for the asset in prior years.

Investments Accounted for by the Equity Method

Equity investments of 20 percent or more of the investees' voting shares are accounted for by the equity method. The investments are stated at cost plus (or minus) a proportionate share in net income (losses) of the investees.

The acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill has to be tested for impairment annually instead of amortized. The fair value of the net identifiable assets acquired in excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

When the Bank and its subsidiaries do not subscribe for an investee's newly issued shares at the original percentage of ownership in the investee, the change in equity in the investee's net assets should be recorded as an adjustment to investments, with a corresponding amount debited or credited to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from equity-method investments is insufficient, the shortage is debited to retained earnings.

Cash dividends received are treated as a reduction of carrying amounts. Stock dividends received are recorded as an increase in the number of shares. The cost per share will be recalculated on the basis of the new number of shares held. Cost of shares sold is calculated at moving-average cost.

Properties

Properties are stated at cost less accumulated depreciation and accumulated impairment losses. Major additions and improvements to properties are capitalized, while repairs and maintenance are expensed as incurred.

Depreciation is provided on a straight-line basis over estimated useful lives as follows: buildings and improvements, 5 to 55 years; computer equipment, 3 to 7 years; transportation equipment, 3 to 7 years; and miscellaneous equipment, 3 to 20 years. Properties still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

Upon disposal of properties, the related cost, accumulated depreciation and accumulated impairment losses of the properties are derecognized. Any gain or loss is included in net profit of the year of disposal.

Intangible Assets

Intangible assets arising from mergers or acquisitions are initially recorded at fair value. Assets that are determined to have definite useful lives are amortized on a straight-line basis over 4 to 15 years, and those assets that are determined to have indefinite useful lives are tested for impairment annually. Events and circumstances are evaluated annually to determine whether the useful lives of intangible assets remain indefinite.

Buildings and Land Held for Sale

Buildings and land held for sale are carried at cost, and their recoverable amount is assessed at the end of each reporting period. If the recoverable amount of buildings and land held for sale is estimated to be less than their carrying amount, an impairment loss is recognized and charged to earnings. The reversal of an impairment loss is recognized under earnings. However, the adjusted carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for these assets in prior years.

Deferred Charges

Deferred charges are carried at cost, and are amortized on a straight-line basis over the period of economic life.

Pension Cost

Pension cost under the defined benefit plan is determined by actuarial valuations. Unrecognized net transition obligations and unrecognized prior service cost are amortized over 26 and 24 years, respectively.

Under the defined contribution plan, monthly contributions to employees' individual pension accounts at a specific percentage of salaries and wages are made. These payments are recognized as pension costs.

Income Tax

The inter-year allocation method is applied to income taxes, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

Income tax credits for research and development expenditures and personnel training expenditures are recognized when the expenses are incurred.

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

An additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of earnings.

Income Recognition

Interest income from discounts and loans is recorded on the accrual basis. For nonaccrual loans, interest income is recognized only when collections on these obligations are made. Under the regulations of the Banking Bureau under the Financial Supervisory Commission, the interest income on credits covered by agreements that extend their maturity is recorded as deferred income and recognized upon collection.

Service fee income is recognized as cash receipts when the earnings process has been completed and service fee income have been realized or are realizable.

Commission income is recognized when the significant risks have been transferred and the economic benefits associated with the transaction have been realized or are realizable.

The gain or loss on the disposal or recovery of acquired receivables is accounted for by the cost-recovery method. The administration revenue from managing acquired loans is recognized monthly on an accrual basis. The advance administration revenue is amortized on a straight-line method over the estimated recovery period.

Contingencies

A loss should be recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If a loss or liability due to a certain event is possible but the amount of loss cannot be reasonably estimated, a footnote disclosure of the circumstance that might give rise to the possible loss should be made.

Acquisition of Another Financial Institution's Business

The accounting for the Bank's acquisition of another financial institution's business is based on the SFAS No. 25 - "Business Combinations." The identifiable net assets and liabilities obtained through the acquisition are measured at the fair value at the transaction date. Goodwill arising from the acquisition cost exceeding the fair value of the identifiable net assets acquired has to be tested for impairment annually instead of being amortized. If the fair value of the identifiable net assets exceeds the acquisition cost, the excess is used to reduce the fair value of each of the noncurrent assets acquired in proportion to the respective fair values of the noncurrent assets, with any remaining excess recognized as an extraordinary gain.

Reclassifications

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

3. EFFECTS OF CHANGE IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Bank and its subsidiaries adopted the third revised SFAS No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost if the asset issuer or obligor has financial difficulties and the terms of obligations been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2012	2011
Cash on hand	$ 2,727,134	$ 2,448,923
Notes and checks for clearing	1,671,862	817,187
Deposits due from other banks	1,110,865	2,540,823
Balance with other banks	89,590	198,281
	$ 5,599,451	$ 6,005,214

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2012	2011
Due from the Central Bank - certificates of deposit (Note 31)	$ 63,190,000	$ 69,400,000
Loans to other banks	4,819,462	3,570,480
New Taiwan dollar reserve deposits - Type A	5,835,631	5,019,759
New Taiwan dollar reserve deposits - Type B	8,931,969	8,705,369
Foreign-currency reserve deposits	41,546	43,582
	$ 82,818,608	$ 86,739,190

The reserve deposits are required by law and determined at a prescribed percentage of the monthly average balances. The Type B reserve deposits can be withdrawn only when the balances are adjusted monthly. The Type A and foreign-currency reserve deposits can be withdrawn on demand but bear no interest.

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2012	**2011**
Financial assets held for trading		
Government bonds	$ 1,334,349	$ 1,722,733
Convertible bond option contracts	983,182	317,057
Convertible bond asset swap contracts	601,833	26,918
Interest rate swap contracts	351,567	358,907
Foreign-currency swap contracts	304,672	460,509
Currency option contracts	187,732	49,016
Cross-currency swap contracts	184,828	4,801
Credit default swap contract	145,330	32,090
Listed and OTC stocks	130,962	36,819
Beneficiary certificates	107,521	57,286
Others	99,301	84,220
	4,431,277	3,150,356
Financial assets designated as at fair value through profit or loss - convertible bonds	11,679,558	10,656,510
Total financial assets at fair value through profit or loss	$ 16,110,835	$ 13,806,866
Financial liabilities held for trading		
Convertible bond option contracts	$ 2,342,711	$ 1,971,854
Foreign-currency swap contracts	465,775	260,861
Convertible bond asset swap contracts	307,521	127,769
Interest rate swap contracts	203,635	182,081
Currency option contracts	184,378	48,384
Cross-currency swap contracts	140,767	719,979
Short sales of bonds payable	-	649,552
Others	100,245	120,555
Total financial liabilities at fair value through profit or loss	$ 3,745,032	$ 4,081,035

The Bank engages in derivative transactions mainly to trade, to accommodate customers' needs and to manage exposures due to exchange rate and interest rate fluctuations. The Bank's financial risk management strategy is to hedge most of its exposure to market risk.

Arising on the remeasurement of financial assets and liabilities at fair value through profit or loss, net losses of NT$254,491 thousand and net gains of NT$361,498 thousand were recognized in 2012 and 2011, respectively. Net disposal gains on financial assets and liabilities at fair value through profit or loss were NT$1,281,761 thousand and NT$322,744 thousand in 2012 and 2011, respectively.

Outstanding derivative contract (nominal) amounts as of December 31, 2012 and 2011 were as follows:

	December 31	
	2012	2011
Foreign-currency swap contracts	$ 103,946,913	$ 47,007,582
Interest rate swap contracts	87,925,783	44,438,500
Convertible bond option contracts	30,852,021	33,499,262
Cross-currency swap contracts	27,471,165	17,706,190
Convertible bond asset swap contracts	26,963,297	28,113,195
Currency option contracts	23,028,114	4,665,684
Credit default swap contracts	18,608,724	14,496,297
Non-deliverable forward contracts	11,036,127	8,036,471
Forward exchange contracts	7,886,180	7,583,875

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

As of December 31, 2012 and 2011, securities acquired for NT$23,741,992 thousand and NT$850,505 thousand, respectively, under resale agreements would be sold for NT$23,749,718 thousand and NT$850,565 thousand, respectively, by February 19, 2013 and January 2, 2012, respectively.

8. RECEIVABLES, NET

	December 31	
	2012	2011
Credit card	$ 15,521,385	$ 15,523,234
Factoring	2,830,761	3,412,000
Interest	640,301	603,691
Proceeds of disposal of acquired receivables	602,540	-
Acceptances	503,574	332,333
Spot exchange transactions	481,948	595,616
Proceeds of disposal of securities	415,243	70,918
Acquired receivables	145,553	747,619
Others	338,913	389,198
	21,480,218	21,674,609
Less: Allowance for possible losses (Note 9)	753,712	818,715
	$ 20,726,506	$ 20,855,894

In August 2009, the Bank acquired the credit card business of AIG Credit Card Co. (Taiwan), Ltd. for NT$2.67 billion. The acquired credit card business included account receivables amounting to NT$6.83 billion and written-off nonperforming receivables amounting to NT$12.68 billion. The gains on recovery of written-off nonperforming receivables were NT$238,799 thousand and NT$250,299 thousand in 2012 and 2011, respectively.

Far Eastern Asset Management Co., Ltd. disposed of its acquired receivables in 2012, and related proceeds of the disposal of acquired receivables and compensation for early settlement amounting to NT$602,540 thousand were collected in January 2013.

9. DISCOUNTS AND LOANS, NET

	December 31 2012	December 31 2011
Negotiations, discounts and overdraft	$ 211,493	$ 176,576
Short-term loans	62,306,524	67,654,241
Medium-term loans	92,298,012	84,002,593
Long-term loans	128,002,420	122,135,928
Nonaccrual loans	982,983	264,778
	283,801,432	274,234,116
Less: Allowance for possible losses	3,582,006	4,773,735
	$ 280,219,426	$ 269,460,381

As of December 31, 2012 and 2011, the balances of nonaccrual loans were NT$982,983 thousand and NT$264,778 thousand, respectively. The unrecognized interest incomes on nonaccrual loans were NT$33,608 thousand and NT$3,349 thousand in 2012 and 2011, respectively.

Movements of allowance for possible losses on discounts and loans and others were as follows:

	Discounts and Loans	Others	Total
Year ended December 31, 2012			
Balance, January 1, 2012	$ 4,773,735	$ 1,245,370	$ 6,019,105
Provision for possible losses	765,001	116,947	881,948
Amounts written-off	(1,965,455)	(219,069)	(2,184,524)
Amounts recovered	15,982	36,924	52,906
Effects of exchange rate changes	(7,257)	(71)	(7,328)
Balance, December 31, 2012	$ 3,582,006	$ 1,180,101	$ 4,762,107
Year ended December 31, 2011			
Balance, January 1, 2011	$ 3,607,543	$ 1,950,290	$ 5,557,833
Provision (reversal of provision) for possible losses	1,305,454	(515,595)	789,859
Amounts written-off	(191,772)	(231,407)	(423,179)
Amounts recovered	44,800	41,892	86,692
Effects of exchange rate changes	7,710	190	7,900
Balance, December 31, 2011	$ 4,773,735	$ 1,245,370	$ 6,019,105

For the years ended December 31, 2012 and 2011, the Bank had no written-off credits for which legal proceedings had not been initiated.

The provision for possible losses was as follows:

	Year Ended December 31 2012	2011
Provision for possible losses - discounts and loans	$ 765,001	$ 1,305,454
Provision (reversal of provision) for possible losses - others	116,947	(515,595)
Reserve for guarantee obligations	15,393	44,276
	$ 897,341	$ 834,135

The Bank's financial assets, which are covered by the SFAS No. 34 - "Financial Instruments: Recognition and Measurement," were assessed for impairment loss on the basis of the credit risk characteristics of financial assets. The results were as follows:

Discounts and loans

Item		December 31, 2012		December 31, 2011	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of individual impairment	Assessed individually	$ 4,581,612	$ 1,449,349	$ 5,188,537	$ 3,373,260
	Assessed by portfolio	1,837,366	718,466	2,143,385	450,059
Without objective evidence of individual impairment	Assessed individually	2,619,004	-	3,105,077	-
	Assessed by portfolio	274,763,450	1,414,191	263,797,117	950,416
Total		$ 283,801,432	$ 3,582,006	$ 274,234,116	$ 4,773,735

Others (including receivables, other financial assets and debt investments with no active market)

Item		December 31, 2012		December 31, 2011	
		Others	Allowance for Possible Losses	Others	Allowance for Possible Losses
With objective evidence of individual impairment	Assessed individually	$ 530,751	$ 440,925	$ 621,930	$ 438,556
	Assessed by portfolio	2,774,987	609,478	3,345,018	556,138
Without objective evidence of individual impairment	Assessed individually	12,600,812	-	9,204,321	-
	Assessed by portfolio	16,367,731	124,461	16,256,145	245,349
Total		$ 32,274,281	$ 1,174,864	$ 29,427,414	$ 1,240,043

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31 2012	2011
Government bonds	$ 10,355,436	$ 14,773,521
Listed and OTC stocks - domestic	807,991	776,673
- overseas	-	124,465
Negotiable certificates of deposit	452,394	-
Commercial paper	250,043	-
	$ 11,865,864	$ 15,674,659

The terms of government bond are summarized as follows:

	December 31	
	2012	2011
Aggregate par value	$ 10,154,600	$ 14,369,000
Coupon interest rates	0.88%-2.75%	0.88%-6.90%
Effective interest rates	0.91%-1.98%	0.91%-9.45%
Maturity	January 2013 - May 2022	January 2012 - August 2031

The terms of negotiable certificates of deposit and commercial paper are summarized as follows (as of December 31, 2011: Nil):

	Negotiable Certificates of Deposit	Commercial Paper
Aggregate par value	$451,400	$250,000
Coupon interest rates	0.87%-0.88%	0.76%-1.06%
Effective interest rates	0.74%-0.76%	0.74%-0.75%
Maturity	January 2013	January 2013

The assets pledged as collateral are shown in Note 31.

11. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2012	2011
Foreign corporate bonds	$ 989,133	$ 2,374,459
Foreign bank debentures	797,129	1,400,397
Foreign certificates of deposit	437,040	151,450
Government bonds	999	1,599
	$ 2,224,301	$ 3,927,905

The terms of foreign corporate bonds are summarized as follows:

	December 31	
	2011	2012
Aggregate par value - USD	24,000 thousand	59,000 thousand
- AUD	10,000 thousand	20,000 thousand
Coupon interest rates	0.44%-3.64%	0.51%-7.00%
Effective interest rates	1.70%-6.63%	0.46%-6.75%
Maturity	January 2013 - March 2014	January 2012 - March 2014

The terms of foreign bank debentures are summarized as follows:

	December 31 2012	December 31 2011
Aggregate par value - USD	21,000 thousand	40,000 thousand
- AUD	6,000 thousand	6,000 thousand
Coupon interest rates	1.06%-4.20%	0.66%-6.50%
Effective interest rates	1.55%-5.57%	0.61%-5.91%
Maturity	June 2014 - August 2015	January 2012 - March 2015

The terms of foreign certificates of deposit are summarized as follows:

	December 31 2012	December 31 2011
Aggregate par value - USD	15,000 thousand	5,000 thousand
Coupon interest rate (floating interest rate)	1.97%	1.54%
Maturity	March 2015	August 2012

The terms of government bonds are summarized as follows:

	December 31 2012	December 31 2011
Aggregate par value	1,000 thousand	1,600 thousand
Coupon interest rates	1.88%	1.88%-6.90%
Effective interest rates	1.89%	1.89%-5.70%
Maturity	March 2013	January 2012 - March 2013

12. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2012		2011	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Dah Chung Bills Finance Corp.	$ 1,416,008	22.06	$ 1,414,579	22.06
Yuan Long Stainless Steel Corp.	796,544	49.00	939,327	49.00
Deutsche Far Eastern Asset Management Co., Ltd.	159,846	40.00	120,552	40.00
	$ 2,372,398		$ 2,474,458	

In July 2012, Deutsche Far Eastern Asset Management Co., Ltd. ("Deutsche") decreased its capital to offset the deficit and issued new shares for cash. The Bank acquired some of these new shares for NT$55,652 thousand at its current percentage of ownership of Deutsche.

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

	Year Ended December 31	
	2012	2011
Yuan Long Stainless Steel Corp.	$ (143,879)	$ (146,280)
Dah Chung Bills Finance Corp.	72,190	83,368
Deutsche Far Eastern Asset Management Co., Ltd.	(16,358)	(4,780)
	$ (88,047)	$ (67,692)

13. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2012	2011
Convertible bond asset swap contracts - master agreement	$ 6,966,012	$ 4,647,900
Credit-linked notes - master agreement	2,563,968	3,331,234
Floating rate notes, net	1,183,848	1,232,798
Convertible bonds, net	-	81,848
	$ 10,713,828	$ 9,293,780

As of December 31, 2012 and 2011, the accumulated impairment losses on floating rate notes and convertible bonds were NT$160,567 thousand and NT$225,638 thousand, respectively. For the year ended December 31, 2012, a recovery of convertible bonds through redemption was recognized as (a) a gain of NT$57,306 thousand on reversal of impairment losses and (b) other income of NT$56,174 thousand.

14. OTHER FINANCIAL ASSETS

	December 31	
	2012	2011
Nonaccrual loans other than discounts and loans	$ 498,012	$ 507,131
Less: Allowance for possible losses (Note 9)	426,389	426,655
	71,623	80,476
Guarantee deposits for financial instrument agreements	1,892,383	1,669,282
Refundable deposits	513,971	509,539
Interbank clearing account	404,877	207,369
Derivative instruments held for hedging (Note 34)	180,242	252,233
Financial assets carried at cost	101,379	103,846
Others	72,378	61,338
	$ 3,236,853	$ 2,884,083

Financial assets carried at cost were as follows:

	December 31			
	2012		2011	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Domestic unquoted common stocks				
ERA Communications Co., Ltd.	$ 50,006	1.76	$ 50,006	1.76
Financial Information Service Co., Ltd.	45,500	1.14	45,500	1.14
An Feng Enterprise Co., Ltd.	3,000	10.00	3,000	10.00
Sunshine Asset Management Co., Ltd.	2,073	3.46	2,073	3.46
Taipei Forex Inc.	800	0.40	800	0.40
Taiwanpay Corp.	-	-	2,467	3.35
	$ 101,379		$ 103,846	

The above equity investments, which had no quoted prices in active market nor fair values that could be reliably measured, or which had transfer restrictions, were carried at cost.

In February 2012, the shareholders of Taiwanpay Corp. resolved that it should be liquidated and dissolved, and its residual properties were distributed in March 2012 and June 2012. As a result, the Bank received a total amount of NT$1,408 thousand, which was treated as a reduction of investment cost, and recognized an impairment loss of NT$1,059 thousand.

15. PROPERTIES

Accumulated depreciation was as follows:

	December 31	
	2012	2011
Buildings and improvements	$ 504,648	$ 479,089
Computer equipment	998,036	920,001
Transportation equipment	5,841	6,939
Miscellaneous equipment	1,219,317	1,159,954
	$ 2,727,842	$ 2,565,983

As of December 31, 2012 and 2011, properties had been insured for NT$3,853,072 thousand and NT$3,884,952 thousand, respectively.

16. INTANGIBLE ASSETS

	December 31	
	2012	2011
Operating rights	$ 1,538,210	$ 1,538,210
Fair value of core deposits	428,887	428,887
	1,967,097	1,967,097
Less: Accumulated amortization	99,049	61,904
	$ 1,868,048	$ 1,905,193

In April 2010, the Bank acquired the assets and liabilities, classified as Package B of the Chinfon Bank, through a bidding process. The acquired management and operation rights of Chinfon Bank's branches have indefinite useful life, while the fair value of core deposits is amortized over 4 to 15 years.

17. OTHER ASSETS

	December 31	
	2012	**2011**
Buildings and land held for sale	$ 48,429	$ 467,389
Less: Accumulated impairment	6,968	41,271
	41,461	426,118
Deferred income tax, net (Note 26)	894,437	1,080,548
Prepaid expenses	163,731	103,397
Deferred charges, net (Note 2)	19,819	20,692
Others	1,061	2,554
	$ 1,120,509	$ 1,633,309

18. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2012	**2011**
Call loans from banks	$ 11,259,482	$ 11,236,270
Due to banks	316,051	544,952
Overdraft	99,425	4,509
	$ 11,674,958	$ 11,785,731

19. SHORT-TERM LOANS

	December 31	
	2012	**2011**
Bank loans (interest rates: 1.32%-1.41% in 2012 and 1.30%-1.56% in 2011)	$ 920,000	$ 1,120,000
Commercial paper, net	49,980	249,929
	$ 969,980	$ 1,369,929

The status of commercial paper as of December 31, 2012 and 2011 was as follows:

	December 31	
	2012	**2011**
International Financial Securities Co.	$ 50,000	$ 50,000
Ta Chong Bank	-	200,000
	50,000	250,000
Less: Unamortized discount on commercial paper	20	71
	$ 49,980	$ 249,929
Interest rates	1.38%	0.77%-0.86%

20. PAYABLES

	December 31	
	2012	**2011**
Checks for clearing	$ 1,671,862	$ 817,187
Accrued expenses	1,252,816	1,444,275
Accrued interest	997,766	864,256
Acceptances	503,574	332,333
Payables on factoring business	499,185	457,695
Taxes payable	176,701	180,063
Securities settlement payables	166,815	102,244
Payables on consigned funds	111,972	137,291
Others	327,486	355,881
	$ 5,708,177	$ 4,691,225

21. DEPOSITS AND REMITTANCES

	December 31	
	2012	**2011**
Checking deposits	$ 2,974,630	$ 3,695,949
Demand deposits	31,614,166	28,301,271
Demand savings	52,960,380	50,602,247
Time savings	87,548,604	86,199,374
Negotiable certificates of deposit	23,138,500	24,478,500
Time deposits	193,672,326	176,716,076
Remittances	24,660	5,145
	$ 391,933,266	$ 369,998,562

22. BANK DEBENTURES

Item	Issuance Period	Note	December 31 2012	December 31 2011
Senior bank debentures - 10-year maturity; fourth issue in 2005	2005.08.26-2015.08.26	Interest payable on August 26 each year; fixed interest rate at 2.30%	$ 3,000,000	$ 3,000,000
Subordinated bank debentures - seven-year maturity; first issue in 2006	2006.12.27-2013.12.27	Interest payable on December 27 each year; floating interest rate	2,000,000	2,000,000
Subordinated bank debentures - seven-year maturity; first issue in 2007	2007.02.13-2014.02.13	A coupons: Interest payable on February 13 each year; floating interest rate B coupons: Interest payable on February 13 each year; fixed interest rate at 2.55%	2,000,000	2,000,000
Subordinated bank debentures - seven-year maturity; second issue in 2007	2007.03.12-2014.03.12	Interest payable on March 12 each year; floating interest rate	1,000,000	1,000,000
Subordinated bank debentures - five and a half years' maturity; third issue in 2007	2007.09.26-2013.03.26	Interest payable on September 26 each year (will be paid on March 26 in the last year); floating interest rate	2,000,000	2,000,000
Subordinated bank debentures - seven-year maturity; first issue in 2008	2008.06.17-2015.06.17	A coupons: Interest payable on June 17 each year; 3.90% fixed interest rate; B coupons: Interest payable on June 17 each year; floating interest rate	2,400,000	2,400,000
Subordinated bank debentures - seven-year maturity; first issue in 2010	2010.05.18-2017.05.18	Interest payable on May 18 each year; fixed interest rate at 2.98%	2,000,000	2,000,000
Subordinated bank debentures - seven-year maturity; second issue in 2010	2010.09.29-2017.09.29	Interest payable on September 29 each year; fixed interest rate at 2.10%	2,000,000	2,000,000
Subordinated bank debentures - seven-year maturity; first issue in 2011	2011.11.10-2018.11.10	Interest payable on November 10 each year; fixed interest rate at 1.95%	3,500,000	3,500,000
Subordinated bank debentures - seven-year maturity; first issue in 2012	2012.06.27-2019.06.27	Interest payable on June 27 each year; fixed interest rate at 1.75%	3,000,000	-
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2005; acquired from Chinfon Bank	2005.06.28-2012.06.28	Interest payable on sample interest in half a year; floating interest rate; repayable in five equal annual installments from the third year of issuance	4,460	90,900
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2002; acquired from Chinfon Bank	Matured on 2009.06.28		240	240
Total bank debentures			22,904,700	19,991,140
Add: Unrealized valuation loss (Notes 14, 23, 34)			167,423	239,140
			$ 23,072,123	$ 20,230,280

The hedging transactions on the above bank debentures are shown in Note 34.

23. OTHER FINANCIAL LIABILITIES

	December 31 2012	December 31 2011
Principals of structured notes	$ 730,962	$ 459,005
Deposits received	207,093	168,404
Derivative instruments held for hedging (Note 34)	12,819	13,093
Lease payable	35	78
Securities sold under repurchase agreements	-	213,870
	$ 950,909	$ 854,450

Under related laws and regulations, effective January 1, 2011, the principal received on structured financial instruments should not be classified as deposits. Thus, such principal is no longer included in the mandatory reserve deposits, in calculating various ratios or statutory limits.

24. OTHER LIABILITIES

	December 31	
	2012	2011
Accrued pension cost (Note 25)	$ 403,009	$ 408,397
Advance receipts	277,618	270,537
Reserve for guarantees (Note 9)	80,673	65,454
Temporary receipts	49,119	32,486
Others	32,103	12,646
	$ 842,522	$ 789,520

25. PENSION PLANS

Under a defined benefit plan based on the Labor Standards Law (LSL), the Bank recognizes pension liabilities based on the actuarial report. The Bank contributes amounts equal to 2% of total monthly salaries and wages to a pension fund. The pension fund is deposited in the Bank of Taiwan in the committee's name.

Far Eastern Life Insurance Agency Co., Ltd. contributes amounts equal to 2% of total monthly salaries and wages to a pension fund which is deposited in the Bank of Taiwan. Because the balance of the pension fund as of September 30, 2010 is sufficient for paying pension obligations, further contributions to the pension fund have been suspended since October 2010 with the approval of the Department of Labor.

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. For employees subjected to LPA, the Bank and its subsidiaries make contributions to their individual pension accounts at 6% of their salaries and wages monthly. Related pension costs were NT$104,747 thousand and NT$93,076 thousand in 2012 and 2011, respectively.

Other information on the Bank's defined benefit pension is summarized as follows:

a. Net pension cost

	2012	2011
Service cost	$ 11,858	$ 12,685
Interest cost	16,175	17,798
Amortization	4,056	3,408
Projected return on plan assets	(5,386)	(5,068)
Net pension cost	$ 26,703	$ 28,823

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2012 and 2011:

	December 31	
	2012	**2011**
Benefit obligation		
Vested benefit obligation	$ (105,785)	$ (90,935)
Non-vested benefit obligation	(576,302)	(488,400)
Accumulated benefit obligation	(682,087)	(579,335)
Additional benefit based on futures salaries	(285,699)	(246,662)
Projected benefit obligation	(967,786)	(825,997)
Fair value of plan assets	279,571	260,879
Funded status	(688,215)	(565,118)
Unrecognized net transitional obligation	5,914	6,570
Unrecognized prior service cost	(23,244)	(24,444)
Unrecognized net loss	302,536	174,595
Accrued pension cost	$ (403,009)	$ (408,397)
Vested benefit	$ 119,130	$ 103,424

c. Actuarial assumptions on pension obligation

	December 31	
	2012	**2011**
Discount rate used in determining present values	1.8%	2.0%
Future salary increase rate	2.5%	2.5%
Expected rate of return on plan assets	1.5%	2.0%

d. Summary of changes in the pension fund

	2012	**2011**
Balance, beginning of year	$ 260,879	$ 245,390
Contributions	18,614	18,290
Interest income	2,598	2,983
Payments during the year	(2,520)	(5,784)
Balance, end of year	$ 279,571	$ 260,879

26. INCOME TAX

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

	The Bank	FEAMC	FELIA	FEPIA	FEIS	FEI Brokerage	Total
Year ended December 31, 2012							
Income tax expense at the 17% statutory rate	$ 486,967	$ (22,705)	$ 59,803	$ 2,094	$ (3,568)	$ 288	$ 522,879
Tax effects of the net income of the OBU	(112,212)	-	-	-	-	-	(112,212)
Tax effect of adjusting items:							
Permanent differences	(169,730)	24,211	(85)	-	(288)	-	(145,892)
Temporary differences	106,343	(15)	-	-	12	4	106,344
Income tax payable before loss carryforwards	311,368	1,491	59,718	2,094	(3,844)	292	371,119
Loss carryforwards (used)	(311,368)	-	-	-	3,844	(292)	(307,816)
Additional income tax under the Alternative Minimum Tax Act	133,180	-	-	-	-	-	133,180
Current income tax expense	133,180	1,491	59,718	2,094	-	-	196,483
Deferred income tax adjustments							
Temporary differences	(106,343)	15	-	-	(12)	(4)	(106,344)
Loss carryforwards	288,593	-	-	-	(3,844)	292	285,041
Investment tax credits	3,428	-	-	-	-	-	3,428
Provision (reversal of provision) for valuation loss	(50,326)	-	-	-	3,884	(288)	(46,730)
Adjustments for prior years' tax	3,866	(131)	-	-	(28)	-	3,707
Overseas branch income tax	28,738	-	-	-	-	-	28,738
Income tax expense	$ 301,136	$ 1,375	$ 59,718	$ 2,094	$ -	$ -	$ 364,323
Year ended December 31, 2011							
Income tax expense at the 17% statutory rate	$ 418,930	$ (10,636)	$ 45,410	$ 1,465	$ (7,330)	$ (428)	$ 447,411
Tax effects of the net income of the OBU	(36,115)	-	-	-	-	-	(36,115)
Tax effect of adjusting items:							
Permanent differences	(359,152)	25,350	1,275	595	428	-	(331,504)
Temporary differences	(28,120)	(56)	-	-	559	18	(27,599)
Income tax payable before loss carryforwards	(4,457)	14,658	46,685	2,060	(6,343)	(410)	52,193
Loss carryforwards (used)	4,457	(13,013)	-	-	6,343	410	(1,803)
Additional income tax under the Alternative Minimum Tax Act	197,692	-	-	-	-	-	197,692
Current income tax expense	197,692	1,645	46,685	2,060	-	-	248,082
Deferred income tax adjustments							
Temporary differences	28,120	56	-	-	(559)	(18)	27,599
Loss carryforwards	11,008	13,013	-	-	(6,343)	(410)	17,268
Investment tax credits	4,641	-	-	-	-	-	4,641
Provision (reversal of provision) for valuation loss	(156,588)	-	-	-	6,874	428	(149,286)
Adjustments for prior years' tax	(2,277)	(4,139)	-	-	28	-	(6,388)
Overseas branch income tax	8,468	-	-	-	-	-	8,468
Income tax expense	$ 91,064	$ 10,575	$ 46,685	$ 2,060	$ -	$ -	$ 150,384

b. Deferred income tax net assets were as follows:

	December 31, 2012				
	The Bank	FEAMC	FEIS	FEI Brokerage	Total
Unused loss carryforwards	$ 882,700	$ -	$ 49,171	$ 685	$ 932,556
Unused investment tax credits	1,686	-	-	-	1,686
Allowance for possible losses in excess of the limit	286,491	890	-	-	287,381
Pension cost in excess of the limit	46,261	-	479	48	46,788
Unrealized gain on derivatives	(67,012)	-	-	-	(67,012)
Others	12,380	-	854	-	13,234
	1,162,506	890	50,504	733	1,214,633
Less: Valuation allowance	268,959	-	50,504	733	320,196
	$ 893,547	$ 890	$ -	$ -	$ 894,437

	December 31, 2011				
	The Bank	**FEAMC**	**FEIS**	**FEI Brokerage**	**Total**
Unused loss carryforwards	$ 1,171,293	$ -	$ 45,196	$ 977	$ 1,217,466
Unused investment tax credits	5,114	-	-	-	5,114
Allowance for possible losses in excess of the limit	244,420	905	-	-	245,325
Pension cost in excess of the limit	46,957	-	301	44	47,302
Unrealized gain on derivatives	(50,091)	-	-	-	(50,091)
Others	12,288	-	1,123	-	13,411
	1,429,981	905	46,620	1,021	1,478,527
Less: Valuation allowance	350,338	-	46,620	1,021	397,979
	$ 1,079,643	$ 905	$ -	$ -	$ 1,080,548

c. Information on the Bank's integrated income tax was as follows:

As of December 31, 2012 and 2011, the balances of imputation credits allocable to the shareholders were NT$11,122 thousand and NT$23,184 thousand, respectively.

The creditable ratios for the distribution of earnings of 2012 and 2011 were 5.63% (estimated) and 10.02%, respectively.

There were no unappropriated earnings generated before 1997.

d. As of December 31, 2012, the Bank and its subsidiaries had unused loss carryforwards, with expiry years as follows:

	Unused Amount		**Expiry Year**
The Bank	$ 478,475	(assessed)	2017
	381,450	(assessed)	2018
	22,775	(declared)	2021
	$ 882,700		
Far Eastern International Securities Co., Ltd.	$ 11,329	(assessed)	2018
	18,418	(assessed)	2019
	9,106	(assessed)	2020
	6,474	(declared)	2021
	3,844	(estimated)	2022
	$ 49,171		
Far Eastern Insurance Brokerage Co., Ltd.	$ 275	(assessed)	2020
	410	(assessed)	2021
	$ 685		

e. The income tax returns of the Bank, Far Eastern Asset Management Co., Ltd., Far Eastern Property Insurance Agency Co., Ltd., Far Eastern Life Insurance Agency and Far Eastern International Securities Co., Ltd. through 2010 had been assessed by the tax authorities. The income tax returns of Far Eastern Insurance Brokerage Co., Ltd. through 2011 had been assessed by the tax authorities.

27. SHAREHOLDERS' EQUITY

Appropriation of Earnings and Dividend Policy

The Bank's Articles of Incorporation provide that the appropriations from the Bank's annual earnings less its losses and all taxes and dues must be in the following order:

a. 30% as legal reserve;

b. Special reserve based on the relevant law or regulations; and

c. A portion to be retained on the basis of operational needs.

d. Any remainder:

	%
Shareholders' bonus	92
Remuneration to directors and supervisors	2
Employees' bonus	6
	100

The dividend policy of the Bank will be evaluated and adjusted after taking into account such factors as the present environment and future operation plans and its cash dividends should not be less than 10% of total dividends distributed.

The Banking Law provides that, unless legal reserve reached the Bank's paid-in capital, cash dividends are limited to 15% of paid-in capital.

Under the Company Law, legal reserve should be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. According to an amendment to the Company Law, when the Bank has no deficit and its legal reserve has exceeded 25% of its paid-in capital, the excess may be distributed in the form of stocks or cash.

The appropriations of earnings for 2011 and 2010, which were approved in the shareholders' meetings on June 26, 2012 and June 15, 2011, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2011	2010	2011	2010
Legal reserve	$ 711,970	$ 658,426		
Cash dividends	529,640	501,787	$ 0.250	$ 0.250
Stock dividends	1,131,311	1,033,682	0.534	0.515
	$ 2,372,921	$ 2,193,895		

The employees' bonus (in stocks) and the remuneration to directors and supervisors approved in the foregoing shareholders' meetings were NT$144,431 thousand and NT$133,519 thousand on the earnings of 2011 and 2010, respectively, and had no difference from the related estimates shown in the 2011 and 2010 financial statements.

The employees' stock bonus for 2011 of 10,568 thousand shares was determined at NT$10.25, the closing price of the Bank's common stock (after considering the effect of cash and stock dividends) of the day preceding the shareholders' meeting. As a result, the additional paid-in capital of 2012 increased by NT$2,642 thousand. The employees' stock bonus for 2010 of 8,043 thousand shares was determined at NT$12.45, the closing price of the Bank's common stock (after considering the effect of cash and stock dividends) of the day preceding the shareholders' meeting. As a result, the additional paid-in capital of 2011 increased by NT$19,706 thousand.

The appropriations of earnings for 2012 proposed by the board of directors on March 20, 2013 were as follows:

	Appropriation of Earnings	Dividends Per Share (Dollars)
Legal reserve	$ 769,012	
Special reserve	173,799	
Cash dividends	515,720	$ 0.230
Stock dividends	1,105,434	0.493
	$ 2,563,965	

The employees' bonus (in stocks) and the remuneration to directors and supervisors proposed in the foregoing board of directors meetings were NT$105,727 thousand and NT$35,243 thousand, respectively, on earnings of 2012. The proposed amounts were the same as the estimates made in 2012 according to the Bank's Article of Incorporation. If the actual amounts approved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

Under the Integrated Income Tax System, ROC-resident shareholders will be allocated a tax credit for the distribution of earnings that the Bank generated after January 1, 1998, the balance of which is maintained in the imputation credits account (ICA). The allocation of income tax credits is based on a creditable tax ratio, which is determined on the dividend ex-right date.

The Bank's foreign shareholders are not entitled to the foregoing tax credits, except those related to the 10% income tax on unappropriated earnings actually paid by the Bank. If dividends distributed to foreign shareholders are from the earnings subject to an additional 10% income tax, the tax can be used by the foreign shareholders to reduce the final withholding tax on their dividends income.

Information on the employees' bonus, remuneration to directors and supervisors is available on the Market Observations Post System Website of the Taiwan Stock Exchange.

Capital Surplus

The capital surplus from shares issued in excess of par (including treasury stock transactions) may be used to offset a deficit, or, if the Bank has no deficit, distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year). However, capital surplus arising from equity-method investments may not be used for any purpose.

Unrealized Gain or Loss on Financial Instruments

The movements of unrealized gain or loss on financial instruments included in shareholders' equity on December 31, 2012 and 2011 were as follows:

	Available-for-sale Financial Assets	Equity-method Investments	Total
Year ended December 31, 2012			
Balance, beginning of year	$ (12,539)	$ 30,197	$ 17,658
Changes in fair value	130,474	-	130,474
Transferred to profit or loss	(310,517)	-	(310,517)
Equity-method investments	-	(11,415)	(11,415)
Balance, end of year	$ (192,582)	$ 18,782	$ (173,800)
Year ended December 31, 2011			
Balance, beginning of year	$ 104,091	$ 43,935	$ 148,026
Changes in fair value	145,679	-	145,679
Transferred to profit or loss	(262,309)	-	(262,309)
Equity-method investments	-	(13,738)	(13,738)
Balance, end of year	$ (12,539)	$ 30,197	$ 17,658

28. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31	
	2012	2011
Personnel expenses		
Salary and bonus	$ 2,496,633	$ 2,219,999
Temporary employee service	257,466	201,507
Insurance	193,002	173,792
Employees' bonus and remuneration to directors and supervisors	147,267	149,160
Pension	131,450	121,899
Others	140,683	119,014
	$ 3,366,501	$ 2,985,371
Depreciation	$ 212,395	$ 216,992
Amortization	$ 40,956	$ 40,110

29. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share (EPS) was based on the net income of the Bank's shareholders; the numerators and denominators used in calculating basic and diluted earnings per share were as follows:

	NT$ (Numerator)		Shares	EPS (Dollars)	
	Before Income Tax	**After Income Tax**	**(Denominator) (In Thousands)**	**Before Income Tax**	**After Income Tax**
Year ended December 31, 2012					
Basic EPS					
Income attributable to common shareholders	$ 2,864,509	$ 2,563,373	2,234,521	$ 1.28	$ 1.15
Effect of dilutive potential common stock					
Employees' bonus	-	-	14,186		
Diluted EPS					
Income attributable to common shareholders plus effect of potential dilutive common stock	$ 2,864,509	$ 2,563,373	2,248,707	$ 1.27	$ 1.14
Year ended December 31, 2011					
Basic EPS					
Income attributable to common shareholders	$ 2,464,295	$ 2,373,231	2,226,120	$ 1.11	$ 1.07
Effect of dilutive potential common stock					
Employees' bonus	-	-	13,264		
Diluted EPS					
Income attributable to common shareholders plus effect of potential dilutive common stock	$ 2,464,295	$ 2,373,231	2,239,384	$ 1.10	$ 1.06

The weighted average number of shares outstanding for EPS calculation was retroactively adjusted for the issuance of stock dividends. This adjustment caused the basic and diluted after income tax EPS in 2011 to decrease from NT$1.12 to NT$1.07 and from NT$1.12 to NT$1.06, respectively.

Based on Interpretation 2008-169 issued by the Accounting Research and Development Foundation, employees' bonus for the current year should be considered in calculating the weighted-average number of shares outstanding used for calculating diluted EPS, and the number of bonus shares is estimated by dividing the entire amount of the bonus by the closing share price at the balance sheet date. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed as employees' bonus at their meeting in the following year.

30. RELATED-PARTY TRANSACTIONS

The Bank and its subsidiaries had business transactions with the following related parties:

Related Party	Relationship with the Bank and Its Subsidiaries
Yuan Long Stainless Steel Co., Ltd.	Equity-method investee of Far Eastern Asset Management Co., Ltd.
Far Eastern New Century Corp.	Chairman is the vice-chairman of the Bank
Ding Ding Integrated Marketing Service Co.	Chairman is the vice-chairman of the Bank
Asia Cement Corp.	Chairman is the vice-chairman of the Bank
Far Eastern Department Store Corp.	Chairman is the vice-chairman of the Bank
Yuan Ding Co., Ltd.	Chairman is the vice-chairman of the Bank
Far Eastern Geant Co., Ltd.	Chairman is the vice-chairman of the Bank
Bai Ding Investment Co.	Chairman is the vice-chairman of the Bank
Ding Ding Hotel Co., Ltd.	Chairman is the vice-chairman of the Bank
New Century InfoComm Tech Co., Ltd.	Chairman is the vice-chairman of the Bank
U-Ming Marine Transport Corp.	Chairman is the vice-chairman of the Bank
Far Eastern Resource Development Co., Ltd.	Chairman is the vice-chairman of the Bank
Oriental Union Chemical Corp.	Chairman is the vice-chairman of the Bank
Bai Yang Investment Co.	Director of the Board is the vice-chairman of the Bank
Dah Chung Bills Finance Corp.	Equity-method investee
Oriental Securities Corp. ("Oriental")	The chairman of Oriental's major shareholder is the vice-chairman of the Bank
Everest Textile Co., Ltd.	Chairman is a second-degree relative of the vice-chairman of the Bank
Far Eastern City Super Co., Ltd.	Chairman is a second-degree relative of the vice-chairman of the Bank
Far Eastern General Construction Inc. ("FEGC")	The chairman of FEGC's ultimate parent company is the vice-chairman of the Bank
Others	The Bank's supervisors, managers, chairman, vice-chairman, or their second-degree relatives

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

a. Loans to other banks

Related Party	Balance	Interest Rates	Interest Income
Dah Chung Bills Finance Corp.			
Year ended December 31, 2012	$ 570,000	0.41%-0.72%	$ 2,999
Year ended December 31, 2011	$ 425,000	0.40%-0.78%	$ 1,263

b. Loans

Category	Related Party	Maximum Balance	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Difference of Terms of Transactions from Those for Unrelated Parties
Year ended December 31, 2012							
Consumer loan	Three individuals	$ 1,257	$ 556	$ 556	$ -	Unsecured loan	Note
Loans for residential mortgage	Nine individuals	72,358	48,013	48,013	-	Real estate	Note
Others	Yuan Long Stainless Steel Co., Ltd.	1,850,000	1,845,000	1,845,000	-	Real estate and machinery	Note
	Bai Ding Investment Co.	454,000	454,000	454,000	-	Listed, OTC and unquoted stock	Note
	Bai Yang Investment Co.	383,000	383,000	383,000	-	Unquoted stock	Note
	U-Ming marine Transport Corp.	2,000,000	200,000	200,000	-	Listed stock	Note
	Far Eastern Geant Co., Ltd.	100,000	30,000	30,000	-	Real estate	Note
	Far Eastern New Century Corp.	37,701	5,264	5,264	-	Machinery	Note
	Everest Textile Co., Ltd.	90,899	4,413	4,413	-	Real estate	Note
	Far Eastern Department Store Corp.	550,000	-	-	-	Listed, OTC and unquoted stock	Note
	Asia Cement Corp.	30,000	-	-	-	Listed and OTC stock	Note
			$ 2,970,246	$ 2,970,246	$ -		
Year ended December 31, 2011							
Consumer loan	Two individuals	$ 1,101	$ 832	$ 832	$ -	Unsecured loan	Note
Loans for residential mortgage	Eight individuals	78,810	60,224	60,224	-	Real estate	Note
Others	Yuan Long Stainless Steel Co., Ltd.	1,850,000	1,820,000	1,820,000	-	Real estate and machinery	Note
	U-Ming marine Transport Corp.	1,315,000	1,270,000	1,270,000	-	Listed stock	Note
	Far Eastern Department Store Corp.	850,000	550,000	550,000	-	Listed, OTC and unquoted stock	Note
	Bai Ding Investment Co.	449,000	322,000	322,000	-	Listed, OTC and unquoted stock	Note
	Far Eastern New Century Corp.	219,217	4,048	4,048	-	Machinery	Note
	Everest Textile Co., Ltd.	88,457	170	170	-	Real estate	Note
	Asia Cement Corp.	995,000	-	-	-	Listed and OTC stock	Note
	Far Eastern Geant Co. Ltd.	460,000	-	-	-	Real estate	Note
	Oriental Union Chemical Corp.	40,000	-	-	-	Listed stock	Note
			$ 4,027,274	$ 4,027,274	$ -		

Note: The terms of the loans were no superior than those for unrelated parties.

Interest incomes on loans were NT$42,118 thousand and NT$30,118 thousand in 2012 and 2011, respectively, with interest rates of 1.10% to 2.28% and 0.73% to 2.74%, respectively.

c. Guarantees

Related Party	Maximum Balance	Ending Balance	Reserve for Guarantees	Interest Rates	Collateral
Year ended December 31, 2012					
Everest Textile Co., Ltd.	$ 311,676	$ 311,676	$ 1,558	0.60%-0.75%	Real estate
Ding Ding Hotel Co., Ltd.	46,000	43,000	215	0.50%	Certificates of deposit
Yuan Long Stainless Steel Co., Ltd.	60,000	30,000	150	0.60%	Real estate and machinery
Yuan Ding Co., Ltd.	14,000	11,000	55	0.50%	Unquoted stock
Far Eastern City Super Co., Ltd.	3,000	3,000	15	0.60%	Certificates of deposit
		$ 398,676	$ 1,993		

(Continued)

Related Party	Maximum Balance	Ending Balance	Reserve for Guarantees	Interest Rates	Collateral
Year ended December 31, 2011					
Everest Textile Co., Ltd.	$ 307,200	$ 307,200	$ 1,536	0.60%-0.75%	Real estate
Ding Ding Hotel Co., Ltd.	43,000	41,000	205	0.50%	Certificates of deposit
Yuan Long Stainless Steel Co., Ltd.	60,000	30,000	150	0.60%	Real estate and machinery
Yuan Ding Co., Ltd.	16,000	14,000	70	0.50%	Unquoted stock
Far Eastern City Super Co., Ltd.	3,000	3,000	15	0.60%	Certificates of deposit
U-Ming Marine Transport Corp.	300,000	-	-	0.40%	Listed stock
Far Eastern Geant Co., Ltd.	300,000	-	-	0.40%	Real estate
Far Eastern New Century Corp.	782	-	-	0.60%	Machinery
New Century InfoComm Tech Co., Ltd.	302	-	-	0.60%	Certificates of deposit
		$ 395,200	$ 1,976		

(Concluded)

d. Letters of credit issued

	December 31 2012	December 31 2011
Asia Cement Corp.	$ 7,118	$ -
Everest Textile Co., Ltd.	3,864	-
	$ 10,982	$ -

e. Securities Transactions - buy and sell

	Held for Trading		Available-for-Sale		Short Sales		Resale Agreements
	Buy	Sell	Buy	Sell	Buy	Sell	Bonds
Dah Chung Bills Finance Corp.							
Year ended December 31, 2012	$ 500,000	$ 550,000	$ 100,000	$ -	$ 350,000	$ 300,000	$ 26,344,203
Year ended December 31, 2011	$ 450,000	$ 250,000	$ 50,000	$ 100,000	$ 50,000	$ -	$ 1,100,110

f. Derivative financial instruments - convertible bond asset swap contracts

	Contract Period	Nominal Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
Dah Chung Bills Finance Corp.					
Year ended December 31, 2012	2011.01.14-2015.07.12	$ 360,000	$ (1,095)	Financial assets at fair value through profit or loss	$ 29
				Financial liabilities at fair value through profit or loss	2,173
Year ended December 31, 2011	2010.08.10-2014.09.15	372,000	686	Financial assets at fair value through profit or loss	80
				Financial liabilities at fair value through profit or loss	1,128

g. Deposits

	December 31			
	2012		2011	
	Amount	Interest Rate	Amount	Interest Rate
Deposits of related parties (each account balance did not exceed 5% of total deposits)	$ 35,424,892	0%-6.37%	$ 33,585,755	0%-6.37%

Interest cost of deposits were NT$192,050 thousand and NT$236,252 thousand in 2012 and 2011, respectively.

h. Operating expenses

	Year Ended December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
Rental - Yuan Ding Co., Ltd.	$ 75,403	1	$ 75,851	1
Rental - Far Eastern Geant Co., Ltd.	5,511	-	3,389	-
Rental - Far Eastern General Construction Inc.	878	-	360	-
Telecommunication - New Century InfoComm Tech Co., Ltd.	48,873	1	49,399	1
Service fee for stock affairs - Oriental Securities Corp.	8,143	-	8,280	-
Advertising expense - Ding Ding Integrated Marketing Service Co.	137,139	2	109,959	2
Advertising expense - Far Eastern Department Store Corp.	67,988	1	23,675	1
Advertising expense - Ding Ding Hotel Co., Ltd.	11,701	-	8,948	-
	$ 355,636	5	$ 279,861	5

The Bank and its subsidiaries rented part of their office premises from Yuan Ding Co., Ltd., Far Eastern Geant Co., Ltd. and Far Eastern General Construction Inc. The lease agreements were entered between both parties and the rents are paid on a monthly basis.

i. Disposal of buildings and land held for sale

In June 2012, Far Eastern Asset Management Co., Ltd. sold buildings and land held for sale, with book value of NT$278,000 thousand, to Far Eastern Resources Development Co., Ltd. for NT$278,131 thousand. Far Eastern Asset Management Co., Ltd. recognized a loss of NT$1,945 thousand after deducting the land value increment tax of NT$2,076 thousand.

j. Compensation of directors, supervisors and management personnel

	Year Ended December 31	
	2012	2011
Salaries and incentives	$ 88,090	$ 81,593
Employees’ bonus, remuneration to directors and supervisors	35,802	34,434
Special compensation	794	436
	$ 124,686	$ 116,463

31. PLEDGED ASSETS

	December 31	
	2012	2011
Due from the Central Bank and other banks - certificates of deposit	$ 3,000,000	$ 2,500,000
Available-for-sale financial assets - government bonds	2,647,600	671,100
	$ 5,647,600	$ 3,171,100

The certificates of deposit issued by the Central Bank have been pledged as collaterals to back the extension of intraday credit in the Central Bank’s real-time gross settlement system. The balance of intraday credit and the amount collateral may be varied at any time. Government bonds had been provided as the reserve for compensation of Trust Department as well as security bond for provisional seizures of the debtors’ properties.

32. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

In addition to those mentioned in Note 34, the Bank and its subsidiaries’ contingency liabilities and commitments resulting from operating activities as of December 31, 2012 are summarized as follows:

a. Leasing Agreement

Some sections of the Bank and its subsidiaries’ office premises are held under operating leases (the refundable deposit as of December 31, 2012 amounted to NT$84,481 thousand). Rentals are payable monthly and the leasing arrangements will expire between 2012 and 2022.

Minimum rental payments for the next five years are summarized as follows, excluding imputed interest:

Year	Amount
2013 (January 1, 2013 to December 31, 2013)	$ 308,277
2014 (January 1, 2014 to December 31, 2014)	276,609
2015 (January 1, 2015 to December 31, 2015)	173,925
2016 (January 1, 2016 to December 31, 2016)	119,575
2017 (January 1, 2017 to December 31, 2017)	51,823

b. Balance sheets and income statements of trust accounts and trust assets lists were as follows:

Balance Sheets of Trust Accounts

Assets	December 31 2012	December 31 2011	Liabilities	December 31 2012	December 31 2011
Deposits in banks	$ 4,022,155	$ 2,834,585	Payables	$ 2,088	$ 1,119
Funds	38,729,267	37,582,196	Income tax payable	134	101
Common stocks	4,662,675	4,860,825	Marketable securities in custody payable	2,159,304	3,592,151
Accounts receivable	2,217	1,704	Trust capital	47,335,993	45,161,450
Prepayment	15,841	-	Reserve and earnings	575,859	700,029
Real estate, net	274,663	464,334			
Marketable securities in custody	2,159,304	3,592,151			
Others	207,256	119,055			
Total	$ 50,073,378	$ 49,454,850	Total	$ 50,073,378	$ 49,454,850

Income Statements of Trust Accounts

	Year Ended December 31 2012	Year Ended December 31 2011
Trust revenue		
Interest	$ 26,105	$ 22,173
Cash dividends	1,163,338	1,148,730
Revenue from stock lending	2,978	-
	1,192,421	1,170,903
Trust expenses		
Management	27,065	26,548
Supervisor	314	260
Service charges	563	890
Taxes	333	28,652
Service fee for stock affairs	50	-
Service fee for stock lending	15	-
Realized investment loss	518,791	147,498
Unrealized investment loss	257,732	1,598,954
	804,863	1,802,802
Income (loss) before tax	387,558	(631,899)
Income tax	1,979	15,422
Net income (loss)	$ 385,579	$ (647,321)

Trust Asset Lists

Investment Portfolio	December 31 2012	December 31 2011
Deposits in banks	$ 4,022,155	$ 2,834,585
Funds	38,729,267	37,582,196
Common stocks	4,662,675	4,860,825
Accounts receivable	2,217	1,704
Prepayment	15,841	-
Real estate, net		
Land	122,832	304,025
Building	20,170	28,648
Construction in progress	131,661	131,661
Marketable securities in custody	2,159,304	3,592,151
Others	207,256	119,055
Total	$ 50,073,378	$ 49,454,850

As of December 31, 2012 and 2011, funds amounting to NT$726,776 thousand and NT$683,506 thousand, respectively, consisted of investments in overseas securities through Non-discretionary Pecuniary Trust of the OBU, which were recognized in the OBU's books.

33. SUBSEQUENT EVENTS

On February 7, 2013 (the "Issue Date"), the Bank issued five-year zero coupon convertible bonds (the "Bonds") with an aggregate principal of US$150,000 thousand which were listed on the Singapore Exchange Securities Trading Limited. The minimum lot size for the Bonds trading is US$200 thousand; other terms and conditions of the Bonds are described below:

a. Redemption at maturity

Unless the Bonds have been previously redeemed, converted or repurchased and canceled, the Bank shall redeem the Bonds at 101.89% of their principal amount in U.S. dollars on February 7, 2018 (the "Maturity Date"). But if this day is not a business day, bond redemption will be on the preceding business day.

b. Redemption at the option of the Bank

1) At any time on or after August 7, 2015, the Bank may redeem the Bonds in whole or piecemeal (being US$200 thousand in principal amount and integral multiples thereof) at the early redemption amount which represents the principal amount of the Bonds plus a gross yield of the principal amount of the Bonds if the closing price on the Taiwan Stock Exchange (the "TWSE") of the common shares, translated into U.S. dollars at the prevailing rate, within 20 out of 30 consecutive trading days, is at least 130% of the quotient of the early redemption amount divided by the number of common shares to be issued upon conversion of the Bonds on the applicable trading day based on the conversion price then in effect, translated into U.S. dollars at the fixed exchange rate.

2) The Bank may redeem all, but not a portion of, the Bonds at the early redemption amount if more than 90% of the principal amount of the Bonds has already been redeemed, converted or repurchased and canceled.

3) The Bank is obliged to pay additional amounts as a result of any change relating to taxation in the relevant jurisdiction or any change in the general application or official interpretation of tax laws or regulations, and this obligation cannot be avoided by the Bank even by taking reasonable measures.

The early redemption amount for the Bonds is so calculated to represent the bondholder a gross yield of 0.375% semi-annually.

c. Details of conversion

1) Converted shares: Newly issued common shares of the Bank (the "Shares")

2) Conversion period: Unless the Bonds have been previously redeemed, converted or repurchased and canceled, the Bonds are convertible, at the option of the bondholder at any time on or after March 20, 2013, which is the 41st calendar day after the Issue Date, and prior to the close of business on January 28, 2018, which is the 10th calendar day prior to the Maturity Date for bond conversion into Shares. In addition, conversion rights shall not be exercised during the following closed periods: (a) 60 days prior to the date of the annual general shareholders' meeting, 30 days prior to the date of the special general shareholders' meeting, or on the date at least 5 days prior to the record date for determination of shareholders entitled to receive annual dividend, bonus, or other benefits and rights; (b) from the date at least 15 business days prior to the record date for any free distribution of shares, cash dividend, or rights to subscribe for new shares in a rights offering until the distribution of these rights, or from the record date for capital reduction until 1 day prior to the resumption of trading of the reissued shares following the capital reduction; and (c) any other period as determined by ROC laws.

3) Conversion price: NT$15.24 per share (at the fixed exchange rate of NT$29.569 to US$1.00)

4) Adjustments to conversion price: On any stock dilution or events stated in the Offering Memorandum that occur after the Issue Date, the conversion price shall be adjusted in accordance with the formula stated in the Offering Memorandum.

5) Redemption at the option of the bondholders:

a) Unless the Bonds have been early redeemed, converted or repurchased, each bondholder has a put right to require the Bank to redeem in whole or in part only (being US$200 thousand in principal amount and integral multiples thereof) the Bonds at the early redemption amount on August 7, 2015.

b) In the event that Bank's shares cease to be listed or admitted to trading on the TWSE (a "Delisting"), the Bank shall notify the bondholders accordingly, and each bondholder shall have the right to require the Bank to redeem the Bondholder's Bonds, in whole or in part only (being US$200 thousand in principal amount and integral multiples thereof) at the Early Redemption Amount on the 20th business day after the date of this notice.

c) If the Bank has a change of control, the Bank shall notify the bondholders, and each bondholder shall have the right to require the Bank to redeem all or a part of the Bonds (being US$200 thousand in principal amount and integral multiples thereof) at the Early Redemption Amount on the 20th business day after the date of this notice.

34. FINANCIAL INSTRUMENTS

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

1) The carrying amounts of the following short-term financial instruments approximate their fair value because of their short maturities: cash and cash equivalents; due from the Central Bank and other banks; securities purchased under resale agreements; receivables, excluding income tax receivables; due to the Central Bank and other banks; short-term loans; payables, excluding income tax payables; and securities sold under repurchase agreements.

2) The fair values of financial instruments at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments. Fair values of derivative financial instruments are estimated on the basis of quotations from the pricing system of Reuters.

3) Discounts and loans, deposits, bank debentures and principals of structured notes are interest-earning assets or interest-bearing liabilities. Their carrying amounts approximate their fair values. The fair values of nonaccrual accounts and acquired receivables are based on their carrying amounts, net of allowance for possible losses.

4) Financial assets carried at cost are investments in unquoted stocks, which have no quoted prices in an active market and entail an unreasonably high cost to determine their fair values. Thus, no fair value of these assets is presented.

5) On financial assets and liabilities other than those listed above, their estimated future cash flows are equal to their carrying amounts. Thus, the carrying amounts of these assets and liabilities represent their fair value.

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

	Quoted Market Prices		Estimates Based on Valuation Techniques	
	December 31		December 31	
	2012	2011	2012	2011
Financial assets				
Financial assets at fair value through profit or loss	$ 13,231,813	$ 12,465,101	$ 2,879,022	$ 1,341,765
Available-for-sale financial assets	11,163,427	15,674,659	702,437	-
Other financial assets - derivative instruments held for hedging	-	-	180,242	252,233
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,698	3,745,032	4,079,337
Other financial liabilities - derivative instruments held for hedging	-	-	12,819	13,093
Bank debentures (applying hedge accounting)	-	-	4,767,423	4,839,140

c. In addition to the fair values of financial assets and liabilities using quoted market prices or estimates based on valuation techniques, other fair values of financial instruments were as follows:

	December 31			
	2012		2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Discounts and loans	$ 280,219,426	$ 280,219,426	$ 269,460,381	$ 269,460,381
Held-to-maturity financial assets	2,224,301	2,235,526	3,927,905	3,871,314
Debt investments with no active market	10,713,828	10,713,828	9,293,780	9,293,780
Other financial assets - financial assets carried at cost	101,379	101,379	103,846	103,846
Other financial assets - nonaccrual loans other than discounts and loans	71,623	71,623	80,476	80,476
Other financial assets - Financial Information Service Co., Ltd. account	404,877	404,877	207,369	207,369
Other financial assets - guarantee deposits for financial instrument agreements	1,892,383	1,892,383	1,669,282	1,669,282
Other financial assets - refundable deposits	513,971	514,002	509,539	509,544
Financial liabilities				
Deposits and remittances	391,933,266	391,933,266	369,998,562	369,998,562
Bank debentures (not applying hedge accounting)	18,304,700	18,304,700	15,391,140	15,391,140
Other financial liabilities - principals of structured notes	730,962	730,962	459,005	459,005
Other financial liabilities - lease payable	35	35	78	78
Other financial liabilities - deposits received	207,093	207,093	168,404	168,404

d. On the valuation of financial instruments with fair value determined by valuation techniques, there were gains of NT$502,119 thousand and NT$3,183,100 thousand in 2012 and 2011, respectively.

e. Interest incomes of financial assets other than those at fair value through profit or loss were NT$9,486,582 thousand and NT$8,024,283 thousand in 2012 and 2011, respectively. Interest costs of financial liabilities other than those at fair value through profit or loss were NT$5,551,182 thousand and NT$4,198,910 thousand in 2012 and 2011, respectively.

f. The fair value hierarchy of financial instruments was as follows:

	December 31, 2012			
Financial Instruments	Total	Level 1	Level 2	Level 3
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Government bonds	$ 1,334,349	$ 1,334,349	$ -	$ -
Listed and OTC stocks	130,962	130,962	-	-
Beneficiary certificates	107,521	107,521	-	-
Financial assets designated as at fair value through profit or loss	11,679,558	11,658,981	20,577	-

(Continued)

Financial Instruments	December 31, 2012 Total	Level 1	Level 2	Level 3
Available-for-sale				
Government bonds	$ 10,355,436	$ 10,355,436	$ -	$ -
Listed and OTC stocks	807,991	807,991	-	-
Negotiable certificates of deposit	452,394	-	452,394	-
Commercial paper	250,043	-	250,043	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading	2,858,445	-	2,680,152	178,293
Other financial assets				
Derivative instruments held for hedging	180,242	-	180,242	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held for trading	(3,745,032)	-	(3,677,723)	(67,309)
Other financial liabilities				
Derivative instruments held for hedging	(12,819)	-	(12,819)	-
Total	$ 24,399,090	$ 24,395,240	$ (107,134)	$ 110,984

(Concluded)

Financial Instruments	December 31, 2011 Total	Level 1	Level 2	Level 3
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Government bonds	$ 1,722,733	$ 1,722,733	$ -	$ -
Listed and OTC stocks	36,819	36,819	-	-
Beneficiary certificates	57,286	57,286	-	-
Financial assets designated as at fair value through profit or loss	10,656,510	10,648,263	8,247	-
Available-for-sale				
Government bonds	14,773,521	14,773,521	-	-
Listed and OTC stocks	901,138	901,138	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	(1,698)	(1,698)	-	-

(Continued)

Financial Instruments	December 31, 2011 Total	Level 1	Level 2	Level 3
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$	$	$	$
Held for trading	1,333,518	-	1,285,421	48,097
Other financial assets				
Derivative instruments held for hedging	252,233	-	252,233	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held for trading	(4,079,337)	-	(3,971,968)	(107,369)
Other financial liabilities				
Derivative instruments held for hedging	(13,093)	-	(13,093)	-
Total	$ 25,639,630	$ 28,138,062	$ (2,439,160)	$ (59,272)

(Concluded)

Note a: The above table shows the ways to determine the fair value of certain financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, hedging derivative financial assets and liabilities under other financial assets, etc. in terms of level of input to the entire fair value measurement of these financial instruments.

Note b: Level 1 inputs are observable inputs that reflect quoted prices for identical financial instruments in an active market. Based on paragraph 5 of the SFAS No. 34 - "Financial Instruments: Recognition and Measurement," a market is active if it has these characteristics: (1) products traded in the market are homogeneous; (2) willing buyers and sellers can be found immediately; and (3) the price information is publicly available.

Note c: Level 2 inputs are observable inputs other than quoted prices for identical assets or liabilities in active markets and consist of direct inputs (such as market prices) or indirect inputs (such as prices derived from market prices), for example:

1) Quoted prices for similar financial instruments in active markets - The fair values of financial instruments owned by the Bank are derived from prices of similar financial instruments that had been most recently traded. The determination of similarity is based on the characteristics and transaction conditions of financial instruments. Fair value measurement should be adjusted in accordance with the observable prices of similar financial instruments. The adjustment factors include the time-lag of the last trading prices of similar financial instruments, the differences in transaction conditions, transactions involving related parties, the relevance between the observable prices of similar financial instruments and prices of owned financial instruments.

2) Quoted prices of identical or similar financial instruments in non-active markets;

3) Valuation techniques with observable inputs (such as interest rates, curves of yield rates, volatility, and etc.), which are based on market data and can reflect the expectation of most market participants.

4) Inputs mostly of derived from the observable market data or inputs that can be corroborated by observable market data.

Note d: Level 3 inputs are unobservable items such as inputs derived through extrapolation or interpolation and thus cannot be corroborated by observable market data. For example, the fair values of credit derivative instruments with no active market are derived from the latest quoted prices of itself or similar instruments.

Note e: The classification of the financial instruments shown in the fair value hierarchy table should be consistent with the classification of these instruments in the balance sheet.

Note f: When using valuation techniques that include both observable and unobservable inputs, the Bank should assess whether the inputs have a significant effect on the fair value measurement results. If the unobservable inputs are significant to the fair value measurement results in its entirety, the fair values of these financial instruments should be categorized into Level 3.

Note g: If the valuation techniques or the fair value hierarchy of a financial instrument significantly change from previous reporting periods (for example, the fair value hierarchy changes from Level 1 to Level 2 or the unobservable inputs change, and thus changing the fair value measurement significantly, the significance of the change should be judged in terms of the investment amount, and the effect of current measurement on profits or losses, related assets and liabilities, or equity), the changes and reasons for making those changes should be disclosed.

Movement of Level 3 financial assets:

December 31, 2012

Item	Beginning Balance	Valuation	Increase in the Current Period		Decrease in the Current Period		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial assets at fair value through profit or loss							
Held for trading - derivative instruments	$ 48,097	$ 130,196	$ -	$ -	$ -	$ -	$ 178,293

December 31, 2011

Item	Beginning Balance	Valuation	Increase in the Current Period		Decrease in the Current Period		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial assets at fair value through profit or loss							
Held for trading - derivative instruments	$ 39,722	$ 8,375	$ -	$ -	$ -	$ -	$ 48,097

Movement of Level 3 financial liabilities:

December 31, 2012

Item	Beginning Balance	Valuation	Increase in the Current Period		Decrease in the Current Period		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out From Level 3	
Financial liabilities at fair value through profit or loss							
Held for trading - derivative instruments	$ 107,369	$ (40,060)	$ -	$ -	$ -	$ -	$ 67,309

December 31, 2011

Item	Beginning Balance	Valuation	Increase in the Current Period		Decrease in the Current Period		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out From Level 3	
Financial liabilities at fair value through profit or loss							
Held for trading - derivative instruments	$ 16,446	$ 52,214	$ 38,780	$ -	$ 71	$ -	$ 107,369

g. Financial risks

1) Market risk

a) Interest rate sensitivity analysis

The fair values of bonds, bills, loans and other similar financial instruments held by the Bank will fluctuate as market interest rates change. The related interest rate sensitivity analysis is shown in Note 38.

b) Net positions on foreign currencies:

	December 31	
	2012	**2011**
U.S. dollars	$ 37,485	$ 41,986
JPY	6,335	8,568
CNY	4,882	5,678

2) Credit risk

a) Maximum credit exposure

The Bank is exposed to credit risk if counter-parties or other parties default on contracts. To manage the risk, the Bank makes credit commitments and issues financial guarantees and standby letters of credit (L/C) only after careful evaluation of customers' creditworthiness. As of December 31, 2012 and 2011, about 68.44% and 66.69%, respectively, of total loans granted, and about 51.36% and 47.59%, respectively, of the aggregate guarantees were secured. Collaterals, mostly in the form of cash, marketable securities and other assets, may be required depending on the evaluation result. If the customers default, the Bank will execute its right on the collaterals to decrease its credit risk.

The maximum credit exposure of the Bank's off balance sheet commitments and guarantees were as follows (values of collaterals were not considered):

	December 31	
Items	**2012**	**2011**
Unused portion of credit card lines	$ 149,717,675	$ 133,113,662
Financial guarantees and standby L/Cs	12,389,045	10,031,345
Irrevocable loan commitments	9,980,841	7,507,001

b) Significant concentration of credit risk

The concentration of credit risk exists when counter-parties to financial transactions are individuals or groups engaging in similar activities or activities in the same region. The similarity would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. There was no significant concentration risk of the Bank's loans in a single customer or counter-party, but there were some risks from similar industries, and related information as of December 31, 2012 and 2011 is summarized as follows:

Credit Risk Profile by Industry Sector	December 31 2012	December 31 2011
Manufacturing	$ 41,015,594	$ 44,012,107
Finance and insurance	28,376,562	32,456,609
Transportation and warehousing	13,434,668	14,229,779
	$ 82,826,824	$ 90,698,495

3) Liquidity risk

As of December 31, 2012 and 2011, the Bank's NTD liquidity reserve ratios were 31.10% and 31.32%, respectively. The Bank has sufficient paid-in capital and working capital to meet all contract obligations. Therefore, the liquidity risk of funding of the Bank is low. In addition, the possibility of the Bank's derivative financial instruments, except for hedging contracts, not being liquidated quickly in value is low.

To match the contractual maturity profile with the interest rates for assets and liabilities is one of the Bank's basic management policies. Because of the uncertainties in their contractual terms and the difference in their nature, however, the maturities and interest rates for assets and liabilities cannot fully match with each other, resulting in gaps that may give rise to gain or loss.

The Bank's assets and liabilities were appropriately categorized by maturity dates for managing liquidity risk, as follows:

	December 31, 2012			
	Due within One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	$ 5,599,451	$ -	$ -	$ 5,599,451
Due from the Central Bank and other banks	82,818,608	-	-	82,818,608
Financial assets at fair value through profit or loss	4,971,108	11,139,727	-	16,110,835
Securities purchased under resale agreements	23,741,992	-	-	23,741,992
Receivables	21,480,218	-	-	21,480,218
Discounts and loans	82,447,159	80,382,660	120,971,613	283,801,432
Available-for-sale financial assets	3,830,832	6,427,306	1,607,726	11,865,864
Held-to-maturity financial assets	448,710	1,775,591	-	2,224,301
Debt investments with no active market	1,660,752	9,053,076	-	10,713,828
Other financial assets	1,434,100	2,127,763	-	3,561,863
	228,432,930	110,906,123	122,579,339	461,918,392

(Continued)

	December 31, 2012			
	Due within One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Liabilities				
Due to the Central Bank and other banks	$ 11,674,958	$ -	$ -	$ 11,674,958
Short-term loans	969,980	-	-	969,980
Financial liabilities at fair value through profit or loss	2,380,614	1,364,418	-	3,745,032
Payables	5,708,177	-	-	5,708,177
Deposits and remittances	315,090,895	76,842,371	-	391,933,266
Bank debentures	4,004,700	19,067,423	-	23,072,123
Other financial liabilities	730,997	219,912	-	950,909
	$ 340,560,321	$ 97,494,124	$ -	$ 438,054,445
Gap	$ (112,127,391)	$ 13,411,999	$ 122,579,339	$ 23,863,947

(Concluded)

	December 31, 2011			
	Due within One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	$ 6,005,214	$ -	$ -	$ 6,005,214
Due from the Central Bank and other banks	86,739,190	-	-	86,739,190
Financial assets at fair value through profit or loss	4,070,964	9,735,902	-	13,806,866
Securities purchased under resale agreements	850,505	-	-	850,505
Receivables	18,479,388	3,195,221	-	21,674,609
Discounts and loans	90,982,875	67,838,543	115,412,698	274,234,116
Available-for-sale financial assets	966,392	13,617,595	1,090,672	15,674,659
Held-to-maturity financial assets	1,950,601	1,977,304	-	3,927,905
Debt investments with no active market	1,847,024	7,446,756	-	9,293,780
Other financial assets	1,048,252	2,158,640	-	3,206,892
	212,940,405	105,969,961	116,503,370	435,413,736
Liabilities				
Due to the Central Bank and other banks	11,785,731	-	-	11,785,731
Short-term loans	1,369,929	-	-	1,369,929
Financial liabilities at fair value through profit or loss	2,300,497	1,780,538	-	4,081,035
Payables	4,691,225	-	-	4,691,225
Deposits and remittances	303,965,022	66,033,540	-	369,998,562
Bank debentures	91,140	20,139,140	-	20,230,280
Other financial liabilities	703,427	151,023	-	854,450
	324,906,971	88,104,241	-	413,011,212
Gap	$ (111,966,566)	$ 17,865,720	$ 116,503,370	$ 22,402,524

4) Cash flow risk on the interest rate fluctuations

Cash flow risk is the risk to future cash flows of the Bank's interest-earning assets and interest-bearing liabilities, which are affected by interest rate fluctuations. The Bank periodically assesses the interest rate risk and enters in interest rate swap contracts taking into account of the extent of risk and its business need, in order to mitigate cash flow risk on interest rate fluctuations.

The analysis of the Bank's interest-earning assets and interest-bearing liabilities categorized by the earlier of contractual maturity or repricing date is as follows:

	December 31, 2012				
	Between One Month and Three Months	**Between Three Months and Six Months**	**Between Six Months and One Year**	**After One Year**	**Total**
Assets					
Cash and cash equivalents - deposit in other banks	$ 810,850	$ -	$ -	$ -	$ 810,850
Due from the Central Bank and other banks	74,441,431	-	2,500,000	-	76,941,431
Financial assets at fair value through profit or loss	372,393	860,376	986,317	10,794,821	13,013,907
Securities purchased under resale agreements	23,741,992	-	-	-	23,741,992
Receivables	8,779,864	3,097,468	-	-	11,877,332
Discounts and loans (excluding nonaccrual loans)	173,980,068	108,367,052	92,341	378,988	282,818,449
Available-for-sale financial assets	1,002,601	-	2,020,014	8,035,258	11,057,873
Held-to-maturity financial assets	2,223,302	-	-	-	2,223,302
Debt investments with no active market	10,695,420	-	-	18,408	10,713,828
Other financial assets - guarantee deposits for financial instruments agreement	1,892,383	-	-	-	1,892,383
	297,940,304	112,324,896	5,598,672	19,227,475	435,091,347
Liabilities					
Due to the Central Bank and other banks	11,657,907	17,051	-	-	11,674,958
Deposits and remittances	167,985,870	138,415,626	79,236,494	3,804,580	389,442,570
Bank debentures	7,804,700	-	-	15,100,000	22,904,700
Other financial liabilities	730,962	-	-	-	730,962
	188,179,439	138,432,677	79,236,494	18,904,580	424,753,190
Gap	$ 109,760,865	$ (26,107,781)	$ (73,637,822)	$ 322,895	$ 10,338,157

	December 31, 2011				
	Between One Month and Three Months	**Between Three Months and Six Months**	**Between Six Months and One Year**	**After One Year**	**Total**
Assets					
Cash and cash equivalents - deposit in other banks	$ 2,462,528	$ -	$ -	$ -	$ 2,462,528
Due from the Central Bank and other banks	81,675,849	-	-	-	81,675,849
Financial assets at fair value through profit or loss	951,007	793,230	693,303	9,941,703	12,379,243
Securities purchased under resale agreements	850,505	-	-	-	850,505
Receivables	9,240,564	3,801,022	-	-	13,041,586
Discounts and loans (excluding nonaccrual loans)	170,580,296	102,720,396	274,876	393,770	273,969,338
Available-for-sale financial assets	62,081	-	3,173	14,708,267	14,773,521
Held-to-maturity financial assets	3,465,136	461,170	-	-	3,926,306
Debt investments with no active market	9,190,733	-	-	103,047	9,293,780
Other financial assets - guarantee deposits for financial instrument agreements	1,669,282	-	-	-	1,669,282
	280,147,981	107,775,818	971,352	25,146,787	414,041,938
Liabilities					
Due to the Central Bank and other banks	11,539,779	245,952	-	-	11,785,731
Deposits and remittances	163,407,728	134,153,257	67,205,226	1,906,339	366,672,550
Bank debentures	7,803,740	87,400	-	12,100,000	19,991,140
Other financial liabilities	672,875	-	-	-	672,875
	183,424,122	134,486,609	67,205,226	14,006,339	399,122,296
Gap	$ 96,723,859	$ (26,710,791)	$ (66,233,874)	$ 11,140,448	$ 14,919,642

h. Fair value hedges

The fair values of bank debentures issued by the Bank were exposed to the risk on interest rate fluctuations. The Bank used interest rate swap contracts to hedge against the risk. The terms of the interest rate swap contracts were as follows:

		December 31			
		2012		2011	
Hedged Item	Hedging Instrument	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Bank debentures	Interest rate swap contracts	$ 4,600,000	$ 167,423	$ 4,600,000	$ 239,140

35. MAJOR RISK MANAGEMENT STRATEGIES

The Bank's risk management policy is to form a risk management-oriented culture. The Bank has set up an independent risk control unit to implement and monitor a risk management system, to ensure every risk is under a tolerable level and to maximize the value to shareholders.

A risk management committee has been formed to examine and manage the Bank's risks, to evaluate risk acceptance and to assess the execution of risk management. Furthermore, the Bank has an independent risk management department, which is responsible for the establishment of risk management strategies and rules, statistical analysis of risk, and information management and reporting. The department consists of teams that directly manage risks with regard to their respective areas: Corporate banking and financial markets, consumer banking and credit card business groups, and small and medium enterprises. For integrated risk management, each operating unit of the Bank is required to present, first to the management department for review and then to the top Bank management for approval, all the related documents, including the credit authorization principles and procedures, new product development, levels and degree of authorization, etc.

36. CAPITAL ADEQUACY

			December 31, 2012		December 31, 2011	
			The Bank	Consolidation	The Bank	Consolidation
Eligible capital	Tier I capital		$ 25,122,063	$ 25,712,352	$ 22,920,986	$ 23,551,038
	Tier II capital		11,154,742	11,750,266	11,852,043	12,487,420
	Tier III capital		-	-	-	-
	Total eligible capital		36,276,805	37,462,618	34,773,029	36,038,458
Risk-weighted assets	Credit risk	Standardized approach	268,086,022	272,198,189	246,909,957	251,995,348
		Internal rating-based approach	-	-	-	-
		Asset securitization	-	-	-	-
	Operational risk	Basic indicator approach	12,326,475	11,876,975	11,744,788	11,458,613
		Standardized approach/alternative standardized approach	-	-	-	-
		Advanced measurement approach	-	-	-	-
	Market risk	Standardized approach	10,578,788	10,578,788	16,750,238	16,750,238
		Internal models approach	-	-	-	-
	Total risk-weighted assets		290,991,285	294,653,952	275,404,983	280,204,199
Capital adequacy ratio			12.47%	12.71%	12.63%	12.86%
Ratio of Tier I capital to risk-weighted assets			8.63%	8.72%	8.32%	8.40%
Ratio of Tier II capital to risk-weighted assets			3.84%	3.99%	4.31%	4.46%
Ratio of Tier III capital to risk-weighted assets			-	-	-	-
Ratio of common shareholders' equity to total assets			4.82%	4.82%	4.84%	4.83%
Leverage ratio			5.59%	5.70%	5.38%	5.51%

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

Note b: An annual report should include both the current year's and prior year's capital adequacy ratio, but a semiannual report should include the capital adequacy ratio of the most recent year.

Note c: 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 stock to total assets = Common stock/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").

Note d: Capital adequacy ratios have to be disclosed in the notes to consolidated financial statements, except those for the first and the third quarters.

37. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES (DISCLOSURES OF THE BANK)

	Year Ended December 31			
	2012		2011	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents - deposits due from other banks	$ 1,615,605	0.24	$ 2,079,147	0.22
Due from the Central Bank and banks	83,144,387	0.86	83,821,989	0.80
Financial assets at fair value through profit or loss - government bonds	1,590,743	1.78	2,062,837	1.91
Securities purchased under resale agreements	8,274,351	0.74	168,978	0.69
Receivables - credit card revolving balances	10,622,283	11.39	10,801,663	11.80

(Continued)

	Year Ended December 31			
	2012		2011	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Discounts and loans	$ 280,506,789	2.77	$ 255,376,853	2.48
Available-for-sale financial assets (excluding stocks)	9,889,048	1.19	15,811,816	1.32
Held-to-maturity financial assets	2,850,195	2.75	3,299,654	2.65
Debt investments with no active market	4,417,589	1.94	3,696,513	1.70
Guarantee deposits for financial instrument agreements	1,840,518	0.09	2,081,673	0.05
Interest-bearing liabilities				
Due to banks	14,102,027	1.07	12,784,226	1.08
Financial liabilities at fair value through profit or loss - short sales of bonds payable	811,169	1.18	69,219	0.49
Demand deposits	81,139,191	0.30	78,174,864	0.25
Time deposits	271,371,411	1.17	254,973,343	1.06
Negotiable certificates of deposit	22,028,867	0.95	20,255,713	0.88
Bank debentures	21,481,842	1.70	17,030,287	1.56
Other financial liabilities - principals of structured notes	748,398	2.78	368,166	0.97
Other financial liabilities - securities sold under repurchase agreements	25,677	0.54	36,069	0.10

(Concluded)

The above average balances were calculated at the average daily balance of interest-earning assets and interest-bearing liabilities for the year.

38. ASSET QUALITY OF LOANS, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES (DISCLOSURES OF THE BANK)

a. Asset quality of loans

Nonperforming loans and nonperforming receivables

Business \ Item			December 31, 2012				
			Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured		$ 863,888	$ 32,947,720	2.62%	$ 992,934	114.94%
	Unsecured		10,006	86,306,591	0.01%	855,151	8,546.38%
Consumer Banking	Residential mortgage (Note d)		186,867	108,423,628	0.17%	990,792	530.21%
	Cash card		-	-	-	-	-
	Small-scale credit loans (Note e)		192,776	14,971,799	1.29%	365,529	189.61%
	Others (Note f)	Secured	48,320	37,077,113	0.13%	330,229	683.42%
		Unsecured	15,250	4,074,581	0.37%	47,371	310.63%
Total			1,317,107	283,801,432	0.46%	3,582,006	271.96%
			Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit card			61,453	15,413,670	0.40%	710,066	1,155.46%
Accounts receivable factored without recourse (Note g)			-	2,830,761	-	13,863	-

Business			December 31, 2011 Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured		$ 133,629	$ 35,675,055	0.37%	$ 2,447,853	1,831.83%
	Unsecured		5,303	89,851,175	0.01%	898,344	16,940.30%
Consumer Banking	Residential mortgage (Note d)		227,571	105,697,900	0.22%	825,201	362.61%
	Cash card		-	-	-	-	-
	Small-scale credit loans (Note e)		192,345	13,805,008	1.39%	361,946	188.18%
	Others (Note f)	Secured	24,666	26,989,102	0.09%	210,089	851.74%
		Unsecured	29,036	2,215,876	1.31%	30,302	104.36%
Total			612,550	274,234,116	0.22%	4,773,735	779.32%
			Nonperforming Receivables	**Accounts Receivable**	**Ratio of Nonperforming Receivables**	**Allowance for Possible Losses**	**Coverage Ratio**
Credit card			34,168	15,530,088	0.22%	774,335	2,266.26%
Accounts receivable factored without recourse (Note g)			-	3,412,000	-	17,151	-

Note a: 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 cards 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 b: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming credit cards receivables: Nonperforming credit cards receivables ÷ Outstanding credit cards receivable balance.

Note c: Coverage ratio of allowance for possible losses for loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of allowance for possible losses for credit cards receivables: Allowance for possible losses for credit cards receivables ÷ Nonperforming credit cards receivables.

Note d: Residential mortgage is a loan given to the borrower who provides a house, to be purchased (or already owned) by the borrower or the spouse or the minor children of the borrower, as a mortgage to the Bank and will use the loan for house purchase or refurbishment.

Note e: Small-scale credit loans refer to the loans under the Banking Bureau's regulation, dated December 19, 2005 (Ref. No. 09440010950), excluding small-scale unsecured loans obtained through credit cards and cash cards.

Note f: Other loans of consumer banking refer to secured or unsecured loan, excluding residential mortgage, cash card, small scale credit loans and credit card.

Note g: 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 upon the factors' or insurance companies' rejection of claims.

Nonperforming loans and nonperforming receivables excluded from the information stated above

Business \ Item	December 31, 2012		December 31, 2011	
	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	Nonperforming Loans Excluded	Nonperforming Receivables Excluded
Loans not classified as NPL upon debt restructuring and performed as agreed (Note a)	$ 458,950	$ 1,157,342	$ 643,243	$ 1,575,374
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	563,620	1,368,460	535,484	1,415,117
Total	1,022,570	2,525,802	1,178,727	2,990,491

Note a: Supplementary disclosure related to the loans which need not be classified as NPL upon debt restructuring and performed as agreed, as stipulated in the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note b: Supplementary disclosure related to the loans which need not be classified as NPL upon performance of a debt discharge program and rehabilitation program, as stipulated in the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

b. Concentration of credit extensions

Ranking (Note a)	December 31, 2012		
	Group Entity (Note b) Industry and Code (Note a)	Total Balances of Credit Extensions (Note c)	Ratio of Credit Extensions to Net Worth (%)
1	A Group - 2499 - non-categorized and other basic metal manufacturing	$ 4,217,402	16%
2	B Group - 5232- ocean freight transportation forwarding services	2,973,840	11%
3	C Group - 6499 - non-categorized and other financial intermediaries	2,639,001	10%
4	D Group - 1700 - petroleum and coal product manufacturing	2,479,719	9%
5	E Group - 6499 - non-categorized and other financial intermediaries	2,418,693	9%
6	F Group - 1850 - artificial fiber	2,014,731	8%
7	G Group - 6499 - non-categorized and other financial intermediaries	1,860,285	7%
8	H Group - 2641 - liquid crystal panel and components manufacturing	1,736,418	7%
9	I Group - 6499 - non-categorized and other financial intermediaries	1,716,021	6%
10	J Group - 2641 - liquid crystal panel and components manufacturing	1,690,020	6%

Ranking (Note a)	December 31, 2011		
	Group Entity (Note b) Industry and Code (Note a)	Total Balances of Credit Extensions (Note c)	Ratio of Credit Extensions to Net Worth (%)
1	A Group - 2413 - steel rolling and extruding	$ 5,566,747	23%
2	D Group - 5010 - ocean water transportation	3,493,631	14%
3	K Group - 2611 - integrated circuits manufacturing	2,823,382	11%
4	H Group - 2641 - liquid crystal panel and components manufacturing	2,485,091	10%
5	F Group - 1850 - artificial fiber	2,259,714	9%
6	L Group - 2630 - printed circuits manufacturing	2,248,242	9%
7	M Group - 6499 - non-categorized and other financial intermediaries	2,046,291	8%
8	J Group - 2641 - liquid crystal panel and components manufacturing	2,002,101	8%
9	C Group - 6499 - non-categorized and other financial intermediaries	1,863,045	8%
10	G Group - 6499 - non-categorized and other financial intermediaries	1,811,764	7%

Note a: The rankings above represent the top 10 corporate entities except for government or state-owned enterprises, based on the total balance of credit extension granted by the Bank. The amount of credit extensions should be disclosed in aggregate for each group entity, the code and industry of which are also required. The industry of the group entities is designated as the industry of the individual group entity with the greatest risk exposure. The lines of industry should conform to the industry sub-categorization of 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 b: “Group Entity” is defined in Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.”

Note c: Credit extension balance includes various loans (import and export negotiations, discounted, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans, and nonaccrual loans), bills purchased, factored accounts receivable without recourse, acceptances and guarantees.

c. Interest rate sensitivity

Table 1: For New Taiwan dollar items

Interest Rate Sensitivity Analysis
December 31, 2012

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 253,480,225	$ 110,101,594	$ 5,506,331	$ 19,502,917	$ 388,591,067
Interest rate-sensitive liabilities	156,809,605	119,546,396	70,706,563	18,904,581	365,967,145
Interest rate sensitivity gap	96,670,620	(9,444,802)	(65,200,232)	598,336	22,623,922
Net worth					26,353,494
Ratio of interest rate-sensitive assets to liabilities					106.18%
Ratio of the interest-rate sensitivity gap to net worth					85.85%

Interest Rate Sensitivity Analysis
December 31, 2011

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 231,853,494	$ 104,937,888	$ 696,476	$ 24,456,197	$ 361,944,055
Interest rate-sensitive liabilities	150,954,515	118,967,341	59,999,402	14,006,339	343,927,597
Interest rate sensitivity gap	80,898,979	(14,029,453)	(59,302,926)	10,449,858	18,016,458
Net worth					24,542,500
Ratio of interest rate-sensitive assets to liabilities					105.24%
Ratio of the interest-rate sensitivity gap to net worth					73.41%

Table 2: For U.S. dollar items

Interest Rate Sensitivity Analysis
December 31, 2012

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,151,415	$ 73,165	$ 3,169	$ 13,921	$ 1,241,670
Interest rate-sensitive liabilities	842,195	576,977	261,103	-	1,680,275
Interest rate sensitivity gap	309,220	(503,812)	(257,934)	13,921	(438,605)
Net worth					12,894
Ratio of interest rate-sensitive assets to liabilities					73.90%
Ratio of the interest-rate sensitivity gap to net worth					(3,401.62%)

Interest Rate Sensitivity Analysis
December 31, 2011

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,256,664	$ 92,529	$ 9,075	$ 22,799	$ 1,381,067
Interest rate-sensitive liabilities	749,276	471,641	229,467	-	1,450,384
Interest rate sensitivity gap	507,388	(379,112)	(220,392)	22,799	(69,317)
Net worth					4,837
Ratio of interest rate-sensitive assets to liabilities					95.22%
Ratio of the interest-rate sensitivity gap to net worth					(1,433.06%)

Note a: Table 1 refers only to the New Taiwan dollar amounts held by the head office and domestic branches (i.e., excluding foreign currencies).

Note b: Table 2 refers to the total U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches, excluding contingent assets and liabilities.

Note c: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

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

Note e: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities.

d. Profitability

Items		2012	2011
Return on total assets	Before tax	0.65%	0.58%
	After tax	0.57%	0.56%
Return on equity	Before tax	11.42%	10.38%
	After tax	10.00%	10.00%
Net income ratio		26.59%	27.17%

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

Note b: Return on equity = Income before (after) income tax/Average equity.

Note c: Net income ratio = Income after income tax/Total net revenues.

e. Maturity analysis of assets and liabilities

1) For New Taiwan dollar items

December 31, 2012

(In Thousands of New Taiwan Dollars)

	Total	Amount for 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	$ 472,950,337	$ 141,398,187	$ 43,401,150	$ 29,079,834	$ 37,661,583	$ 221,409,583
Main capital outflow on maturity	479,803,703	86,260,569	88,694,541	72,943,294	109,832,711	122,072,588
Gap	(6,853,366)	55,137,618	(45,293,391)	(43,863,460)	(72,171,128)	99,336,995

December 31, 2011

(In Thousands of New Taiwan Dollars)

	Total	Amount for 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	$ 416,967,038	$ 94,487,890	$ 54,911,668	$ 31,082,913	$ 36,074,818	$ 200,409,749
Main capital outflow on maturity	420,134,673	58,045,403	64,376,666	77,596,601	114,959,051	105,156,952
Gap	(3,167,635)	36,442,487	(9,464,998)	(46,513,688)	(78,884,233)	95,252,797

Note: This table includes only the New Taiwan dollar amounts held by the head office and domestic branches.

2) For U.S. dollar items

December 31, 2012

(In Thousands of U.S. Dollars)

	Total	Amount for 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	$ 4,046,574	$ 1,296,990	$ 974,256	$ 607,656	$ 391,131	$ 776,541
Main capital outflow on maturity	4,028,405	1,440,646	778,882	688,030	653,831	467,016
Gap	18,169	(143,656)	195,374	(80,374)	(262,700)	309,525

December 31, 2011

(In Thousands of U.S. Dollars)

	Total	Amount for 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	$ 2,776,536	$ 975,097	$ 566,879	$ 174,925	$ 480,132	$ 579,503
Main capital outflow on maturity	2,784,337	771,715	554,010	439,863	717,083	301,666
Gap	(7,801)	203,382	12,869	(264,938)	(236,951)	277,837

Note: This table includes only the total U.S. dollar amounts held by the head office, domestic branches and OBU.

39. SEGMENT INFORMATION

Information provided to the Bank and its subsidiaries' chief operating decision makers for resource allocation and segment performance assessment focuses on nature of operation and profits. Based on Statement of Financial Reporting Standards No. 41 - "Operating Segments," the reportable segments were as follows:

a. Individual banking: Mainly includes consumer banking loans such as mortgages, credit loans, car loans, installment, etc.; credit cards; individual deposits; and wealth management;

b. Corporate banking: Mainly includes corporate-related business, foreign-currency business and financial market business;

c. Others: Any business not included in individual and corporate banking.

The accounting policies of each operating segment are the same as those stated in Note 2 to the consolidated financial statements.

Income and operating results

The income and operating results of the reportable segments of the Bank and its subsidiaries were as follows:

	Individual Banking	Corporate Banking (Including Overseas Branches)	Others	Total
Year ended December 31, 2012				
Net interest income	$ 3,632,863	$ 1,656,285	$ (1,310,402)	$ 3,978,746
Noninterest net income				
Net service fee income	1,616,889	229,000	151,692	1,997,581
Other net income	2,098,425	1,888,162	(322,838)	3,663,749
Net profit	7,348,177	3,773,447	(1,481,548)	9,640,076
Reversal of provision (provision) for possible losses	(809,479)	(471,168)	383,306	(897,341)
Operating expenses	(4,399,174)	(1,002,282)	(413,583)	(5,815,039)
Segment income (loss) before income tax	$ 2,139,524	$ 2,299,997	$ (1,511,825)	$ 2,927,696

(Continued)

	Individual Banking	Corporate Banking (Including Overseas Branches)	Others	Total
Year ended December 31, 2011				
Net interest income	$ 3,592,315	$ 1,532,439	$ (1,245,377)	$ 3,879,377
Noninterest net income				
Net service fee income	1,628,753	237,150	6,009	1,871,912
Other net income	1,810,654	1,326,451	(224,118)	2,912,987
Net profit	7,031,722	3,096,040	(1,463,486)	8,664,276
Reversal of provision (provision) for possible losses	446,729	(1,948,328)	667,464	(834,135)
Operating expenses	(4,154,527)	(913,011)	(238,988)	(5,306,526)
Segment income (loss) before income tax	$ 3,323,924	$ 234,701	$ (1,035,010)	$ 2,523,615

(Concluded)

Segment assets information

The Bank and its subsidiaries' measure of the assets and liabilities by segment is limited to the average amounts of deposits and loans. Thus, based on Interpretation 2010-151 issued by the Accounting Research and Development Foundation, segment asset information need not be disclosed.

Geographical information

The Bank and its subsidiaries did not disclose geographical information because the operating income generated from overseas branches was less than 10% of the operating income of the Bank and its subsidiaries.

40. INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary item						
USD	$ 1,267,880	29.136	$ 36,940,940	$ 1,386,155	30.29	$ 41,986,632
HKD	2,153,765	3.759	8,096,003	1,477,083	3.899	5,759,147
AUD	42,597	30.27	1,289,420	61,625	30.75	1,894,955
CNY	226,826	4.678	1,061,095	282,881	4.812	1,361,223
JPY	1,583,772	0.3375	534,523	2,745,405	0.3904	1,071,806
EUR	16,212	38.61	625,936	20,954	39.20	821,408
Nonmonetary item						
USD	-	-	-	4,109	30.29	124,465

(Continued)

	December 31					
	2012			2011		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**	**Foreign Currencies**	**Exchange Rate**	**New Taiwan Dollars**
Financial liabilities						
Monetary item						
USD	$ 1,721,852	29.136	$ 50,167,884	$ 1,475,987	30.29	$ 44,707,646
HKD	679,135	3.759	2,552,870	711,700	3.899	2,774,919
CNY	477,941	4.678	2,235,810	437,493	4.812	2,105,217
AUD	67,537	30.27	2,044,353	62,694	30.75	1,924,846
JPY	5,527,286	0.3375	1,865,459	4,473,755	0.3904	1,746,554
EUR	24,726	38.61	954,664	40,225	39.20	1,576,810
SGD	722	23.83	17,203	28,188	23.31	657,067
GBP	5,013	46.95	235,339	8,872	46.74	414,673
NZD	8,795	23.94	200,541	14,786	23.41	346,135
CAD	2,567	29.30	75,222	4,445	29.66	131,842

(Concluded)

41. PRE-DISCLOSURE OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Bank prepared its pre-disclose for the adoption of International Financial Reporting Standards (IFRSs) in the 2012 consolidated financial report as follows:

a. On May 14, 2009, the FSC announced the “Framework for the Adoption of International Financial Reporting Standards by Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IFRSs. IFRSs as used herein include the International Financial Reporting Standards, International Accounting Standards (IAS), and International Financial Reporting Interpretations Committee (IFRIC) Interpretations translated by the Accounting Research and Development Foundation (ARDF) and issued by the FSC. To comply with this framework, the Bank has set up a project team and made a plan to adopt the IFRSs. The implementation of this plan is led by the IFRS project team. The main contents of the plan and schedule, and status of execution as of December 31, 2012 are as follows:

Contents of Plan and Schedule	Responsible Department	Status of Execution
1) Setting up a cross-functional project team	IFRS project team	Completed
2) Setting up a plan for IFRSs adoption	IFRS project team	Completed
3) Identifying differences between ROC GAAP and IFRSs	IFRS project team	Completed
4) Identifying the consolidated entities	IFRS project team	Completed
5) Evaluating the effect of applications and exemptions based on IFRS 1 - “First-time Adoption of International Financial Reporting Standards”	IFRS project team	Completed

(Continued)

Contents of Plan and Schedule	Responsible Department	Status of Execution
6) Evaluating the adjustments that should be made on information systems	IFRS project team	Completed
7) Evaluating the adjustments that should be made on internal controls	IFRS project team	Completed
8) Selecting accounting policies based on IFRSs	IFRS project team	Completed
9) Selecting applications and exemptions based on IFRS 1	IFRS project team	Completed
10) Preparing an opening IFRS statement of financial position	IFRS project team	Completed
11) Preparing the comparative financial statements for 2012	IFRS project team	Completed
12) Modifying related internal control systems (including the financial reporting process and related information systems) and the operating manual	IFRS project team	Completed

(Concluded)

b. The Bank and its subsidiaries have assessed that some significant differences exist between ROC GAAP and IFRSs, as follows:

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

ROC GAAP		Effect of Transition to IFRSs	IFRSs		
Item	Amount		Amount	Item	Note
Cash and cash equivalents	$ 6,005,214	$ (2,900)	$ 6,002,314	Cash and cash equivalents	6) a)
Due from the Central Bank and other banks	86,739,190	-	86,739,190	Due from the Central Bank and other banks	
Financial assets at fair value through profit or loss	13,806,866	-	13,806,866	Financial assets at fair value through profit or loss	
	-	252,233	252,233	Derivative financial assets for hedging	6) 1)
Securities purchased under resale agreements	850,505	-	850,505	Securities purchased under resale agreements	
Receivables, net	20,855,894	1,094,919	21,950,813	Receivables, net	6) b), 6) c)
Discounts and loans, net	269,460,381	-	269,460,381	Discounts and loans, net	
Available-for-sale financial assets	15,674,659	(729,247)	14,945,412	Available-for-sale financial assets	6) b)
Held-to-maturity financial assets	3,927,905	-	3,927,905	Held-to-maturity financial assets	
Investments accounted for by the equity method	2,474,458	(2,071)	2,472,387	Investments accounted for by the equity method	6) d)
Debt investments with no active market	9,293,780	-	9,293,780	Debt investments with no active market	
Other financial assets	2,884,083	(249,333)	2,634,750	Other financial assets	6) a), 6) l)
Properties	2,943,673	-	2,943,673	Property and equipment, net	
Intangible assets	1,905,193	-	1,905,193	Intangible assets	
	-	1,098,026	1,098,026	Deferred income tax assets	6) c), 6) h), 6) l)
Other assets	1,633,309	(1,080,548)	552,761	Other assets	6) l)
Total	$ 438,455,110	$ 381,079	$ 438,836,189	Total	

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs	IFRSs Amount	IFRSs Item	Note
Due to the Central Bank and other banks	$ 11,785,731	$ -	$ 11,785,731	Due to the Central Bank and other banks	
Short-term loans	1,369,929	-	1,369,929	Short-term loans	
Financial liabilities at fair value through profit or loss	4,081,035	303,805	4,384,840	Financial liabilities at fair value through profit or loss	6) b)
	-	13,093	13,093	Derivative financial liabilities for hedging	6) l)
Payables	4,691,225	(195,905)	4,495,320	Payables	6) f), 6) g), 6) l)
	-	124,723	124,723	Income tax payable	6) l)
Deposits and remittances	369,998,562	-	369,998,562	Deposits and remittances	
Bank debentures	20,230,280	-	20,230,280	Bank debentures	
Other financial liabilities	854,450	(13,093)	841,357	Other financial liabilities	6) l)
	-	690,680	690,680	Provisions	6) h), 6) l)
Other liabilities	789,520	(379,819)	409,701	Other liabilities	6) f), 6) l)
Total liabilities	413,800,732	543,484	414,344,216	Total liabilities	
Capital stock	21,185,604	-	21,185,604	Capital stock	
Capital surplus	29,008	(9,302)	19,706	Capital surplus	6) e)
Retained earnings	3,409,346	(145,697)	3,263,649	Retained earnings	6) k)
Equity adjustments				Equity adjustments	
Cumulative translation adjustments	12,762	-	12,762	Exchange differences resulting from translating the financial statements of foreign operations	
Unrealized valuation gain on available-for-sale financial assets	17,658	(7,406)	10,252	Unrealized valuation loss on available-for sales financial assets	6) b)
Total shareholders' equity	24,654,378	(162,405)	24,491,973	Total shareholders' equity	
Total	$ 438,455,110	$ 381,079	$ 438,836,189	Total	

(Concluded)

2) Reconciliation of consolidated balance sheet as of December 31, 2012:

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs	IFRSs Amount	IFRSs Item	Note
Cash and cash equivalents	$ 5,599,451	$ (2,900)	$ 5,596,551	Cash and cash equivalents	6) a)
Due from the Central Bank and other banks	82,818,608	-	82,818,608	Due from the Central Bank and other banks	
Financial assets at fair value through profit or loss	16,110,835	-	16,110,835	Financial assets at fair value through profit or loss	
	-	180,242	180,242	Derivative financial assets for hedging	6) l)
Securities purchased under resale agreements	23,741,992	-	23,741,992	Securities purchased under resale agreements	
Receivables, net	20,726,506	54,676	20,781,182	Receivables, net	6) c)
Discounts and loans, net	280,219,426	-	280,219,426	Discounts and loans, net	
Available-for-sale financial assets	11,865,864	-	11,865,864	Available-for-sale financial assets	
Held-to-maturity financial assets	2,224,301	-	2,224,301	Held-to-maturity financial assets	
Investments accounted for by the equity method	2,372,398	(3,850)	2,368,548	Investments accounted for by the equity method	6) d)
Debt investments with no active market	10,713,828	-	10,713,828	Debt investments with no active market	
Other financial assets	3,236,853	(177,342)	3,059,511	Other financial assets	6) a), 6) l)
Properties	2,879,693	-	2,879,693	Property and equipment, net	
Intangible assets	1,868,048	-	1,868,048	Intangible assets	
	-	912,046	912,046	Deferred income tax assets	6) c), 6) h), 6) l)
Other assets	1,120,509	(894,437)	226,072	Other assets	6) l)
Total	$ 465,498,312	$ 68,435	$ 465,566,747	Total	
Due to the Central Bank and other banks	$ 11,674,958	$ -	$ 11,674,958	Due to the Central Bank and other banks	
Short-term loans	969,980	-	969,980	Short-term loans	
Financial liabilities at fair value through profit or loss	3,745,032	-	3,745,032	Financial liabilities at fair value through profit or loss	
	-	12,819	12,819	Derivative financial liabilities for hedging	6) l)
Payables	5,708,177	(147,806)	5,560,371	Payables	6) f), 6) g), 6) l)
	-	113,131	113,131	Income tax payable	6) l)

(Continued)

ROC GAAP Item	Amount	Effect of Transition to IFRSs	IFRSs Amount	IFRSs Item	Note
Deposits and remittances	$ 391,933,266	$ -	$ 391,933,266	Deposits and remittances	
Bank debentures	23,072,123	-	23,072,123	Bank debentures	
Other financial liabilities	950,909	(12,819)	938,090	Other financial liabilities	6) l)
	-	697,845	697,845	Provisions	6) h), 6) l)
Other liabilities	842,522	(426,677)	415,845	Other liabilities	6) f), 6) l)
Total liabilities	438,896,967	236,493	439,133,460	Total liabilities	
Capital stock	22,422,596	-	22,422,596	Capital stock	
Capital surplus	31,650	(9,302)	22,348	Capital surplus	6) e)
Retained earnings	4,311,768	(158,756)	4,153,012	Retained earnings	6) k)
Equity adjustments				Equity adjustments	
Cumulative translation adjustments	9,131	-	9,131	Exchange differences resulting from translating the financial statements of foreign operations	
Unrealized valuation loss on available-for-sale financial assets	(173,800)	-	(173,800)	Unrealized valuation loss on available-for sales financial assets	
Total shareholders' equity	26,601,345	(168,058)	26,433,287	Total shareholders' equity	
Total	$ 465,498,312	$ 68,435	$ 465,566,747	Total	

(Concluded)

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

ROC GAAP Item	Amount	Effect of Transition to IFRSs	IFRSs Amount	IFRSs Item	Note
Interest income	$ 9,539,494	$ 104,771	$ 9,644,265	Interest income	6) c), 6) j), 6) l)
Interest cost	5,560,748	(61,628)	5,499,120	Interest cost	6) i), 6) j)
Net interest income	3,978,746	166,399	4,145,145	Net interest income	
Noninterest income and gains, net					
Net service fee income	1,997,581	(13,219)	1,984,362	Net service fee income	6) f)
Net gain on financial assets and liabilities at fair value through profit or loss	1,027,270	43,346	1,070,616	Net gain on financial assets and liabilities at fair value through profit or loss	6) j)
Net gain on available-for-sale financial assets	310,517	(7,406)	303,111	Net gain on available-for-sale financial assets	6) b)
Investment loss recognized by the equity method	(88,047)	(1,328)	(89,375)	Share of the loss of associates accounted for by the equity method	6) d)
Foreign exchange gain	21,830	-	21,830	Foreign exchange gain	
Recovery of written-off credits	1,274,721	(1,274,721)	-	Recovery of written-off credits	6) l)
Others	1,117,458	(45,240)	1,072,218	Others	6) c)
Total noninterest income and gains, net	5,661,330	(1,298,568)	4,362,762	Total noninterest income and gains, net	
Net profit	9,640,076	(1,132,169)	8,507,907	Net profit	
Provision for possible losses	897,341	(1,155,087)	(257,746)	Reversal of provision for possible losses and reserve for guarantee obligations	6) l)
Operating expenses					
Personnel expense	3,366,501	48,876	3,415,377	Employee benefits	6) g), 6) h), 6) i)
Depreciation and amortization	253,351	-	253,351	Depreciation and amortization	
Others	2,195,187	(13,219)	2,181,968	Others	6) f)
Total operating expenses	5,815,039	35,657	5,850,696	Total operating expenses	
Income before income tax	2,927,696	(12,739)	2,914,957	Income before income tax	
Income tax expense	364,323	(131)	364,192	Income tax expense	6) c), 6) h)
Consolidated net income	$ 2,563,373	$ (12,608)	2,550,765	Consolidated net income	
				Other comprehensive income	
			(3,631)	Exchange differences resulting from translating the financial statements of foreign operations	6) l)
			(172,637)	Unrealized valuation losses on available-for-sale financial assets	6) l)
			(11,866)	Share of the other comprehensive income of associates accounted for by the equity method	6) d), 6) l)
			(188,134)	Other comprehensive income for the period, net of tax effect	
			$ 2,362,631	Total comprehensive income for the period	

4) Special reserve from cumulative translation adjustments and unrealized revaluation increments at the date of transition to IFRSs

   Under Rule No. 1010012865 issued by the FSC on April 6, 2012, the total amount of cumulative translation adjustments and unrealized revaluation increments credited to retained earnings should be reclassified to special reserve. However, if the amount of the increase in retained earnings that resulted from all IFRSs adjustments is smaller than the amount of unrealized revaluation increment and gain on cumulative translation differences reset to retained earnings, only the amount of the increase in retained earnings that resulted from all IFRSs adjustments will be reclassified to special reserve. Upon the use, disposal or reclassification of the related asset, the special reserve is reversed to retained earnings on a proportionate basis.

   The Bank and its subsidiaries did not have any unrealized revaluation increment and did not elect the exemption to reset cumulative translation difference; thus, they did not reclassify any amount to special reserve in the first time adoption of IFRSs.

5) The elected exemptions under IFRS 1

   An entity applying IFRSs for the first time to its consolidated financial statements should follow IFRS 1 - "First-time Adoption of International Financial Reporting Standards." Under IFRS 1, the Bank and its subsidiaries should establish accounting policies in compliance with IFRSs and retrospectively apply those accounting policies to prepare an initial balance sheet as of January 1, 2012, the date of transition to IFRSs. IFRS 1 grants limited exemptions from these retrospectively applied policies in specified areas. The Bank and its subsidiaries elected the following exemptions:

   <u>Business combinations</u>

   The Bank and its subsidiaries elected not to apply IFRS 3 - "Business Combination" retrospectively to past business combinations (i.e., those occurred before January 1, 2012). Thus, goodwill, other assets, liabilities and non-controlling interests related to past business combinations were recorded in accordance with previous GAAP.

   This exemption also applies to past acquisitions of investments in associates by the consolidated entity.

   <u>Employee benefits</u>

   The Bank and its subsidiaries elected to recognize all cumulative actuarial gains and losses in retained earnings at the date of transition to IFRSs.

   <u>Compound financial instruments</u>

   The Bank and its subsidiaries elected not to separate the components of compound financial instruments retrospectively because the liability component was no longer outstanding at the date of transition to IFRSs.

   The descriptions of the effects of aforementioned exemptions are shown in item 6) below.

6) The descriptions of material reconciliation items on IFRSs transition

The material differences between the Bank and its subsidiaries' existing accounting policies and the accounting policies to be adopted under IFRSs are as follows:

a) Time deposits with a maturity of more than three months

Under ROC GAAP, cash and cash equivalents include cash on hand, demand deposits, checking deposits, time deposits and certificates of deposit which can be redeemed or sold immediately without any loss of principal. Under IFRSs, cash equivalents are investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Therefore, only short-term investments that have a maturity of three months or less from the date of acquisition normally meet the definition of cash equivalents under IFRSs. Thus, time deposits with a maturity of more than three months are reclassified as other financial assets on IFRSs transition.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries reclassified the time deposits with a maturity of more than three months of NT$2,900 thousand to other financial assets.

b) Regular way transactions

Under ROC GAAP, financial assets are recognized and derecognized using trade date accounting except for government bonds, which are measured at settlement date accounting. Under IFRSs, financial assets in the same category should be recognized and derecognized using trade date accounting. As of January 1, 2012, accounts receivable increased by NT$1,033,052 thousand; available-for-sale financial assets decreased by NT$729,247 thousand; financial liabilities at fair value through profit or loss increased by NT$303,805 thousand; and other accounts in shareholders' equity decreased by NT$7,406 thousand. As of December 31, 2012, no adjustments should be made. In 2012, realized gain on available-for-sale financial assets decreased by NT$7,406 thousand.

c) Acquired receivables

Under ROC GAAP, receivables acquired by an asset management company are accounted for by the cost recovery method. Income shall not be recognized to the extent that the amounts received exceed the carrying amount of the acquired receivables. Under IFRSs, acquired receivables are measured at amortized cost. Interest income is recognized using the effective interest rate over the relevant period.

As of December 31, 2012 and January 1, 2012, accounts receivables increased by NT$54,676 thousand and NT$61,867 thousand, respectively; and deferred income tax assets decreased by NT$9,295 thousand and NT$10,517 thousand, respectively. In 2012, income tax expense and other net income decreased by NT$1,222 thousand and NT$45,240 thousand, respectively; and interest income increased by NT$38,049 thousand.

d) Investments accounted for by the equity method

To comply with the requirements of IFRSs, the Bank and its subsidiaries' associates accounted for by the equity method have also assessed the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs.

As of December 31, 2012 and January 1, 2012, investments accounted for by the equity method were decreased by NT$3,850 thousand and NT$2,071 thousand, respectively, to comply with the requirements of IFRSs. In 2012, share of the loss of associates accounted for by the equity method and share of the other comprehensive income of associates accounted for by the equity method decreased by NT$1,328 thousand and NT$451 thousand, respectively.

e) Capital surplus arising from equity-method investments

Under ROC GAAP, when an investor subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the investor records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. In compliance with the "Questions and Answers of IFRSs adoption" issued by the Taiwan Stock Exchange, the Bank reclassified aforementioned capital surplus to retained earnings. As a result, the capital surpluses decreased by NT$9,302 thousand as of December 31, 2012 and January 1, 2012.

f) Customer loyalty programmes

Under ROC GAAP, the liabilities arising from reward points are recognized when the reward points are granted. Under IFRIC 13 - "Customers Loyalty Programmes", some of the consideration received is allocated to award credits. The consideration allocated to the award credits should be measured by reference to their fair value and recognized as income when the obligations to supply award is fulfilled.

As of December 31, 2012 and January 1, 2012, payables decreased by NT$73,244 thousand and NT$106,517 thousand, respectively; other liabilities - deferred income increased by NT$73,244 thousand and NT$106,517 thousand, respectively. In 2012, both other expenses and service fee income decreased by NT$13,219 thousand.

g) Employee benefits - short-term accumulating compensated absences

ROC GAAP does not address the treatment of compensated absences. Companies usually recognize the cost when absences actually occur. Under IFRSs, such cost is recognized when employees render services that increase their entitlement to future compensated absences.

As of December 31, 2012 and January 1, 2012, accrued expenses increased by NT$38,569 thousand and NT$35,335 thousand, respectively. In 2012, salary expense increased by NT$3,234 thousand.

h) Employee benefits - actuarial gains and losses of the defined benefit plan

In compliance with IAS 19 - "Employee Benefits" and IFRS 1 - "First-time Adoption of International Financial Reporting Standards," the Bank had revalued its defined benefit plan. As a result, accrued pension liabilities and deferred income tax assets increased by NT$212,468 thousand and NT$36,119 thousand, respectively, as of January 1, 2012. As of December 31, 2012, accrued pension liabilities and deferred income tax assets increased by NT$206,048 thousand and NT$35,028 thousand, respectively. In 2012, pension cost decreased by NT$6,420 thousand and income tax expense increased by NT$1,091 thousand.

i) Employee benefits - employees' savings accounts with preferential interest rate

In compliance with IAS 19 - "Employee Benefits" and "Regulations Governing the Preparation of Financial Reports by Public Banks," the preferential interest rate costs in excess of the market interest rate costs is recognized as employee benefits expense.

For the year ended December 31, 2012, the Bank and its subsidiaries reclassified interest cost of NT$52,062 thousand, the preferential interest rate in excess of the market interest rate, to employee benefit expense.

j) Interest income and cost derived from financial instruments at fair value through profit and loss (FVTPL)

Under IFRSs, items in the statement of other comprehensive income are classified on the basis of nature; thus, interest income and cost derived from financial instruments at FVTPL should be reclassified as gain or loss on financial instruments at FVTPL.

In 2012, gain on financial assets and liabilities at fair value increased by NT$43,346 thousand; and the corresponding interest income and interest cost decreased by NT$52,912 thousand and NT$9,566 thousand, respectively.

k) Reconciliation of retained earnings

The differences between the retained earnings under ROC GAAP and those under IFRSs as of January 1, 2012 were NT$145,697 thousand, mainly resulted from (a) an increase of NT$7,406 thousand in regular way transactions; (b) an increase of NT$51,350 thousand in acquired receivables; (c) a decrease of NT$2,071 thousand in investments accounted for by the equity method; (d) an increase of NT$9,302 thousand in capital surplus arising from equity-method investments; (e) a decrease of NT$35,335 thousand in employee benefits - short-term accumulating compensated absences; and (f) a decrease of NT$176,349 thousand in employee benefits - actuarial gains and losses of the defined benefit plan.

l) Differences in presentation

In compliance with Regulations Governing the Preparation of Financial Reports by Public Banks, effective 2013, certain line items in the balance sheet and the statement of comprehensive income will be presented in accordance with IFRSs on or after the date of transitions to IFRS.

c. The above assessments are prepared in accordance with (a) the 2010 version of IFRSs translated by the ARDF and issued by the FSC and (b) the Regulations Governing the Preparation of Financial Reports by Public Banks amended and issued by the FSC on December 26, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the requirements of IFRSs. Actual results may differ from these assessments.

42. ADDITIONAL DISCLOSURES

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

1) Financings provided: Nil

2) Endorsement/guarantee provided: Nil

3) Marketable securities held: Table 1 (attached)

4) Marketable securities acquired and disposed of at cost or prices at least NT$300 million or 10% of the paid-in capital: Nil

5) Acquisition of individual real estate at costs of at least NT$300 million or 10% of the paid-in capital: Nil

6) Disposal of individual real estate at price of at least NT$300 million or 10% of the paid-in capital: Nil

7) Service charge discounts on transactions with related parties in aggregated amount of at least NT$5 million: Nil

8) Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: Nil

9) Sales of non-performing loans: Nil

10) Related information of investees on which the Bank exercises significant influence: Table 2 (attached)

11) Derivative transactions: Notes 6 and 34

12) Intercompany relationships and significant intercompany transaction: Table 3 (attached)

b. Investments in Mainland China

1) Names 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: Nil

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Holding Company	Type and Issuer of Securities Held	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
Far Eastern Asset Management Co., Ltd.	Common stock Yuan Long Stainless Steel Co., Ltd.	Equity-method investee	Investment accounted for by the equity method	98,000	$ 796,544	49%	$ 796,544	

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEES
DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	The Proportionate Share of The Bank and Its Affiliates in Investees				Note
						Present Shares (In Thousands)	Pro Forma Shares	Total		
								Shares (In Thousands)	Percentage of Ownership (%)	
Financial business										
Deutsche Far Eastern Asset Management Co., Ltd.	7F, No. 207 Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Securities investment trust funds	40.00	$ 159,846	$ (16,358)	12,000	-	12,000	40.00	
Far Eastern Life Insurance Agency Co., Ltd.	6F-3, No. 189 Yan Ping South Road, Taipei, Taiwan	Life insurance agent	100.00	356,360	292,067	3,000	-	3,000	100.00	
Far Eastern Property Insurance Agency Co., Ltd.	6F-3, No. 189 Yan Ping South Road, Taipei, Taiwan	Property insurance agent	100.00	17,356	10,220	350	-	350	100.00	
Dah Chung Bills Finance Corp.	12F, No. 116 Nanking East Road, Sec. 2, Taipei, Taiwan	Underwriting, dealing and brokering of short-term bills	22.06	1,416,008	72,190	95,524	-	95,524	22.07	
Far Eastern Asset Management Co., Ltd.	4F-1, No. 267 Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Purchase, evaluation, auction and management of creditor's rights to financial institutions	100.00	595,756	(134,933)	120,000	-	120,000	100.00	
Far Eastern International Securities Co., Ltd.	51F, No. 7, Xinyi Road, Sec. 5, Taipei, Taiwan	Foreign securities broker, wealth management and offshore fund consulting	100.00	211,104	(20,990)	20,000	-	20,000	100.00	
Far Eastern Insurance Brokerage Co., Ltd.	51F, No. 7, Xinyi Road, Sec. 5, Taipei, Taiwan	Insurance brokerage	100.00	4,686	1,693	900	-	900	100.00	
Taipei Foreign Exchange Agency Co., Ltd.	8F., No. 400, Bade Road, Sec. 2, Taipei, Taiwan	Foreign exchange, cross - currency swaps, etc.	0.40	800	-	80	-	80	0.40	
Sunshine Asset Management Co., Ltd.	15F., No. 218, Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Management of creditor's rights and rendering of commercial detective services	3.46	2,073	-	207	-	207	3.46	
Financial Information Service Co., Ltd.	No. 81, Kangning Road, Sec. 3, Taipei, Taiwan	Data processing service and electronic information supply	1.14	45,500	-	5,119	-	5,119	1.14	
Nonfinancial business										
An Feng Enterprise Co., Ltd.	3F., No. 139, Jhengjhou Road, Taipei, Taiwan	ATM maintenance, replacement and repair	10.00	3,000	-	300	-	300	10.00	
ERA Communications Co., Ltd.	2F., No. 39, Rueihu Road, Taipei, Taiwan	Cable TV network offering news, variety shows, etc.	1.76	50,006	-	2,238	-	2,238	1.76	
Yuan Long Stainless Steel Co., Ltd	No. 28, Daye South Road, Kaohsiung, Taiwan	Iron and steel rolls over extends and crowding, and secondary processing of steel products	49.00	796,544	(143,879)	200,000	-	200,000	100.00	

TABLE 3-1

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

No. (Note a)	Company Name	Counterparty	Flow of Transaction	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Net Profit or Consolidated Total Assets (Note b and c)
0	Far Eastern International Bank Ltd.	Far Eastern Asset Management Co., Ltd.	From parent company to subsidiary	Deposits and remittances	$ 14,157	Note c	-
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Deposits and remittances	401,356	Note c	0.09
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Receivables	6,085	Note c	-
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Service fee income	160,298	Note c	1.66
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Interest cost	4,636	Note c	0.05
		Far Eastern Property Insurance Agency Co., Ltd.	From parent company to subsidiary	Deposits and remittances	18,328	Note c	-
		Far Eastern Property Insurance Agency Co., Ltd.	From parent company to subsidiary	Service fee income	2,305	Note c	0.02
		Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Deposits and remittances	72,778	Note c	0.02
		Far Eastern Insurance Brokerage Co., Ltd.	From parent company to subsidiary	Deposits and remittances	1,977	Note c	-
1	Far Eastern Asset Management Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	14,157	-	-
2	Far Eastern Life Insurance Agency Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	401,356	-	0.09
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Payables	6,085	-	-
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Advertising expense	160,298	-	1.66
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Interest income	4,636	-	0.05
3	Far Eastern Property Insurance Agency Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	18,328	-	-
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Advertising expense	2,305	-	0.02

(Continued)

No. (Note a)	Company Name	Counterparty	Flow of Transaction	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Net Profit or Consolidated Total Assets (Note b and c)
4	Far Eastern International Securities Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	$ 72,778	-	0.02
5	Far Eastern Insurance Brokerage Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	1,977	-	-

Note a: Transacting parties are identified as follows: Number 0 - parent company; and number 1 and the following numbers - subsidiaries.

Note b: The ratio is calculated as follows: For asset and liability accounts = Transaction amount/Consolidated total assets; and for income and expenses = Transaction amount/Consolidated net profit.

Note c: The terms of intercompany transactions are not significantly different from those to third parties.

(Concluded)

TABLE 3-2

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars)

No. (Note a)	Company Name	Counterparty	Flow of Transaction	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Net Profit or Consolidated Total Assets (Note b and c)
0	Far Eastern International Bank Ltd.	Far Eastern Asset Management Co., Ltd.	From parent company to subsidiary	Deposits and remittances	$ 32,861	Note c	0.01
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Deposits and remittances	327,440	Note c	0.07
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Receivables	4,592	Note c	-
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Service fee income	65,657	Note c	0.75
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Interest cost	3,191	Note c	0.04
		Far Eastern Property Insurance Agency Co., Ltd.	From parent company to subsidiary	Deposits and remittances	14,780	Note c	-
1	Far Eastern Asset Management Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	32,861	-	0.01
2	Far Eastern Life Insurance Agency Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	327,440	-	0.07
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Payables	4,592	-	-
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Advertising expense	65,657	-	0.75
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Interest income	3,191	-	0.04
3	Far Eastern Property Insurance Agency Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	14,780	-	-

Note a: Transacting parties are identified as follows: Number 0 - parent company; and number 1 and the following numbers - subsidiaries.

Note b: The ratio is calculated as follows: For asset and liability accounts = Transaction amount/Consolidated total assets; and for income and expenses = Transaction amount/Consolidated net profit.

Note c: The terms of intercompany transactions are not significantly different from those to third parties.