Far Eastern International Bank Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
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, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. 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 consolidated financial position of the Bank and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Far Eastern International Bank Ltd. as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

March 4, 2014

<u>Notice to Readers</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 applied in the Republic of China.

For the convenience of readers, the independent 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 independent auditors' report and consolidated financial statements shall prevail.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Note 6)	$ 4,397,645	1	$ 5,596,551	1	$ 6,002,314	1
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 7, 40 and 41)	88,827,255	18	82,818,608	18	86,739,190	20
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 8, 40 and 46)	18,795,444	4	16,110,835	3	13,806,866	3
DERIVATIVE FINANCIAL ASSETS FOR HEDGING (Notes 4, 9, 24 and 46)	111,034	-	180,242	-	252,233	-
SECURITIES PURCHASED UNDER RESALE AGREEMENTS (Notes 4, 10 and 40)	23,006,325	5	23,741,992	5	850,505	-
RECEIVABLES, NET (Notes 4, 5, 11, 12 and 46)	20,672,272	4	20,781,182	4	21,950,813	5
DISCOUNTS AND LOANS, NET (Notes 4, 5, 12, 40 and 46)	292,517,032	59	280,219,426	60	269,460,381	61
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 13, 29, 41 and 46)	21,735,693	4	11,865,864	3	14,945,412	3
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 5, 14 and 46)	3,105,972	1	2,224,301	1	3,927,905	1
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Notes 4, 15 and 29)	2,365,826	-	2,368,548	1	2,472,387	1
DEBT INVESTMENTS WITH NO ACTIVE MARKET (Notes 4, 16 and 46)	8,477,868	2	10,713,828	2	9,293,780	2
OTHER FINANCIAL ASSETS, NET (Notes 4, 12, 17 and 46)	2,748,522	1	3,059,511	1	2,634,750	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	2,814,164	1	2,879,693	1	2,943,673	1
INTANGIBLE ASSETS, NET (Notes 4, 5 and 19)	1,830,904	-	1,868,048	-	1,905,193	1
DEFERRED TAX ASSETS (Notes 4, 5 and 38)	576,972	-	928,575	-	1,115,762	-
OTHER ASSETS, NET (Notes 4 and 20)	206,250	-	226,072	-	552,761	-
TOTAL	$ 492,189,178	100	$ 465,583,276	100	$ 438,853,925	100
LIABILITIES AND EQUITY						
LIABILITIES						
Due to the Central Bank and other banks (Note 21)	$ 13,782,129	3	$ 11,674,958	3	$ 11,785,731	3
Financial liabilities at fair value through profit or loss (Notes 4, 5, 8, 24, 40 and 46)	7,288,065	1	3,745,032	1	4,384,840	1
Derivative financial liabilities for hedging (Notes 4, 9, 24 and 46)	12,631	-	12,819	-	13,093	-
Payables (Notes 22 and 27)	13,502,992	3	5,560,371	1	4,495,320	1
Current tax liabilities (Notes 4 and 38)	10,870	-	113,131	-	124,723	-
Deposits and remittances (Notes 23, 40 and 46)	398,305,940	81	391,933,266	84	369,998,562	84
Bank debentures (Notes 4, 8, 9, 24 and 26)	27,103,885	6	23,072,123	5	20,230,280	5
Other financial liabilities (Notes 8, 13, 25, 40 and 46)	2,060,491	-	1,908,070	-	2,211,286	-
Provisions (Notes 4, 5, 12, 26 and 27)	754,125	-	697,845	-	690,680	-
Other liabilities (Note 28)	414,966	-	432,374	-	427,437	-
Total liabilities	463,236,094	94	439,149,989	94	414,361,952	94
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 4, 13, 15, 29 and 45)						
Share capital	23,621,182	5	22,422,596	5	21,185,604	5
Capital surplus	34,923	-	22,348	-	19,706	-
Retained earnings						
Legal reserve	2,511,684	-	1,742,672	-	1,030,702	-
Special reserve	179,722	-	4,554	-	4,554	-
Unappropriated earnings	2,903,770	1	2,405,786	1	2,228,393	1
Total retained earnings	5,595,176	1	4,153,012	1	3,263,649	1
Other equity						
Exchange differences on translating foreign operations	16,264	-	9,131	-	12,762	-
Unrealized gain (loss) on available-for-sale financial assets	(314,461)	-	(173,800)	-	10,252	-
Total other equity	(298,197)	-	(164,669)	-	23,014	-
Total equity	28,953,084	6	26,433,287	6	24,491,973	6
TOTAL	$ 492,189,178	100	$ 465,583,276	100	$ 438,853,925	100

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31				Percentage Increase (Decrease)
	2013		2012		
	Amount	%	Amount	%	%
INTEREST INCOME (Notes 4, 30 and 40)	$ 11,263,921	118	$ 9,644,265	113	17
INTEREST COST (Notes 30 and 40)	6,379,554	67	5,499,120	64	16
NET INTEREST INCOME	4,884,367	51	4,145,145	49	18
NONINTEREST INCOME AND GAINS, NET					
Net service fee income (Notes 4 and 31)	2,896,139	30	2,571,922	30	13
Net gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 8, 9, 32, 40 and 46)	1,097,798	12	1,070,616	13	3
Net gain on available-for-sale financial assets (Notes 4, 29 and 33)	47,402	-	303,111	4	(84)
Net foreign exchange gain (Note 4)	199,908	2	21,830	-	816
Net gain on reversal of provision for asset impairment loss (Notes 4, 16, 17 and 40)	780	-	44,803	-	(98)
Share of profit (loss) of associates (Notes 4 and 15)	61,148	1	(89,375)	(1)	168
Gain on nonperforming receivables acquired	242,560	3	289,342	3	(16)
Others (Notes 16, 34 and 40)	57,527	1	150,513	2	(62)
Total noninterest income and gains, net	4,603,262	49	4,362,762	51	6
NET PROFIT	9,487,629	100	8,507,907	100	12
REVERSAL OF PROVISION FOR POSSIBLE LOSSES AND GUARANTEE OBLIGATIONS RESERVE (Notes 4 and 12)	68,604	-	257,746	3	(73)
OPERATING EXPENSES					
Employee benefits expense (Notes 4, 27, 29 and 35)	3,544,628	37	3,415,377	40	4

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31				Percentage Increase (Decrease)
	2013		2012		
	Amount	%	Amount	%	%
Depreciation and amortization (Notes 4 and 36)	$ 230,519	3	$ 253,351	3	(9)
Other general and administrative expenses (Notes 37 and 40)	2,217,979	23	2,181,968	26	2
Total operating expenses	5,993,126	63	5,850,696	69	2
INCOME BEFORE INCOME TAX	3,563,107	37	2,914,957	34	22
INCOME TAX EXPENSE (Notes 4 and 38)	501,837	5	364,192	4	38
NET INCOME FOR THE YEAR	3,061,270	32	2,550,765	30	20
OTHER COMPREHENSIVE LOSS					
Exchange differences on translating foreign operations (Note 4)	7,133	-	(3,631)	-	296
Unrealized loss on available-for-sale financial assets (Notes 4 and 29)	(125,353)	(1)	(172,637)	(2)	(27)
Share of other comprehensive loss of associates (Notes 4 and 29)	(14,628)	-	(11,866)	-	23
Other comprehensive loss for the year	(132,848)	(1)	(188,134)	(2)	(29)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,928,422	31	$ 2,362,631	28	24
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 3,061,270	32	$ 2,550,765	30	20
Non-controlling interests	$ -	-	$ -	-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 2,928,422	31	$ 2,362,631	28	24
Non-controlling interests	$ -	-	$ -	-	-
EARNINGS PER SHARE (Note 39)					
Basic	$1.30		$1.09		
Diluted	$1.20		$1.08		

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 EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank							
			Retained Earnings			Other Equity		
	Share Capital (Notes 29 and 45)	Capital Surplus (Notes 29 and 45)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations (Note 4)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 4, 13, 15 and 29)	Total Equity
BALANCE, JANUARY 1, 2012	$ 21,185,604	$ 19,706	$ 1,030,702	$ 4,554	$ 2,228,393	$ 12,762	$ 10,252	$ 24,491,973
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	1,131,311	-	-	-	(1,131,311)	-	-	-
	1,131,311	-	711,970	-	(2,372,921)	-	-	(529,640)
Net income for the year ended December 31, 2012	-	-	-	-	2,550,765	-	-	2,550,765
Other comprehensive loss for the year ended December 31, 2012	-	-	-	-	(451)	(3,631)	(184,052)	(188,134)
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	2,550,314	(3,631)	(184,052)	2,362,631
Employees' bonus - stock	105,681	2,642	-	-	-	-	-	108,323
BALANCE, DECEMBER 31, 2012	22,422,596	22,348	1,742,672	4,554	2,405,786	9,131	(173,800)	26,433,287
Share of special reserve of an associate	-	-	-	1,368	-	-	-	1,368
Appropriation of the 2012 earnings								
Legal reserve	-	-	769,012	-	(769,012)	-	-	-
Special reserve	-	-	-	173,800	(173,800)	-	-	-
Cash dividends - NT$ 0.230 per share	-	-	-	-	(515,720)	-	-	(515,720)
Stock dividends - NT$ 0.493 per share	1,105,434	-	-	-	(1,105,434)	-	-	-
	1,105,434	-	769,012	173,800	(2,563,966)	-	-	(515,720)
Net income for the year ended December 31, 2013	-	-	-	-	3,061,270	-	-	3,061,270
Other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	680	7,133	(140,661)	(132,848)
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	3,061,950	7,133	(140,661)	2,928,422
Employees' bonus - stock	93,152	12,575	-	-	-	-	-	105,727
BALANCE, DECEMBER 31, 2013	$ 23,621,182	$ 34,923	$ 2,511,684	$ 179,722	$ 2,903,770	$ 16,264	$ (314,461)	$ 28,953,084

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,563,107	$ 2,914,957
Adjustments for:		
Depreciation	189,220	212,395
Amortization	41,299	40,956
Reversal of provision for possible losses and guarantee obligations reserve	(68,604)	(257,746)
Net valuation loss on financial assets and liabilities at fair value through profit or loss	927,647	254,491
Interest cost	6,379,554	5,499,120
Interest income	(11,263,921)	(9,644,265)
Dividend income	(75,482)	(86,040)
Shares of loss (profit) of associates	(61,148)	89,375
Net gain on reversal of provision for asset impairment loss	(780)	(44,803)
Recovery of written-off credits	1,380,855	1,207,993
Others	(28,545)	(181,117)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and other banks	(1,741,893)	(726,600)
Increase in financial assets at fair value through profit or loss	(3,612,256)	(2,558,402)
Decrease (increase) in receivables	107,630	(217,637)
Increase in discounts and loans	(13,392,924)	(11,108,906)
Decrease (increase) in available-for-sale financial assets	(10,047,589)	3,554,394
Decrease (increase) in held-to-maturity financial assets	(894,829)	1,711,719
Decrease (increase) in debt investments with no active market	2,236,740	(1,370,505)
Increase (decrease) in due to the Central Bank and other banks	2,107,171	(110,773)
Increase (decrease) in financial liabilities at fair value through profit or loss	3,108,608	(336,061)
Increase in payables	8,367,347	915,161
Increase in deposits and remittances	6,372,674	21,934,704
Interest received	11,265,053	9,673,900
Dividends received	75,482	86,040
Interest paid	(6,482,692)	(5,365,610)
Income tax paid	(233,167)	(198,304)
Net cash generated from (used in) operating activities	(1,781,443)	15,888,436
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of buildings and land held for sale	18,140	373,213
Acquisition of property and equipment	(123,497)	(149,895)
Proceeds from disposal of property and equipment	80	709
Decrease (increase) in other financial assets	92,578	(426,965)
Increase in other assets	(2,473)	(61,554)
Increase in an investment accounted for using equity method	-	(55,652)
Net cash used in the acquisition of subsidiaries	-	(9,819)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2013	**2012**
Dividends received from associates	$ 50,611	$ 58,250
Capital return from liquidation of financial assets measured at cost	-	1,408
Net cash generated from (used in) investing activities	35,439	(270,305)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of the issuance of Euro convertible bonds	4,481,250	-
Proceeds of the issuance of bank debentures	4,000,000	3,000,000
Redemption of bank debentures	(4,000,500)	(86,440)
Increase (decrease) in other financial liabilities	152,421	(303,216)
Increase (decrease) in other liabilities	(14,151)	142,510
Cash dividends	(515,720)	(529,640)
Net cash generated from financing activities	4,103,300	2,223,214
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(25,115)	(2,803)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,332,181	17,838,542
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	100,225,182	82,386,640
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 102,557,363	$ 100,225,182

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents in consolidated balance sheets	$ 4,397,645	$ 5,596,551	$ 6,002,314
Due from the Central Bank and other banks in accordance with the definition of “cash and cash equivalents” in IAS 7 “Statement of Cash Flows”	75,153,393	70,886,639	75,533,821
Securities purchased under resale agreements in accordance with the definition of “cash and cash equivalents” in IAS 7 “Statement of Cash Flows”	23,006,325	23,741,992	850,505
Cash and cash equivalents in consolidated statements of cash flows	$ 102,557,363	$ 100,225,182	$ 82,386,640

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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, 2013, the Bank's operating units included the Business Department, International Banking Department, Trust Department, Credit Card Department, Offshore Banking Unit (OBU), and 54 domestic branches, as well as an overseas branch in Hong Kong.

The functional currency of the Bank and its subsidiaries is New Taiwan dollars.

The Bank's shares are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 4, 2014.

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

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

The Bank and its subsidiaries applied the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB and endorsed by the Financial Supervisory Commission (the "FSC") (the 2010 IFRSs version).

On January 28, 2014, the FSC announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the 2013 IFRSs version (without IFRS 9).

As of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB included in the 2013 IFRSs version or has not announced the effective dates of the following new, amended and revised standards and interpretations issued by the IASB not included in 2013 IFRSs version.

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Included in the 2013 IFRSs Version	
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013
Not Included in the 2013 IFRSs Version	
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Effective date not determined
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Effective date not determined
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014

(Continued)

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above new, amended and revised standards and interpretations are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

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

Except for the following, the initial application of the above new, amended and revised standards and interpretations has not had any material impact on the Bank and its subsidiaries’ accounting policies:

1) IFRS 9 “Financial Instruments”

<u>Recognition and measurement of financial assets</u>

All recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the balance sheet date. However, the company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

<u>Recognition and measurement of financial liabilities</u>

The main changes in the measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability, is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the company presents all gains or losses on that liability in profit or loss.

Hedge accounting

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

Effective date

The amendments to IFRS 9 issued by the IASB included the introduction of the new hedge accounting model and the cancellation of the original mandatory effective date of January 1, 2015. IASB will add the appropriate effective date once the standard is complete with a new impairment model and the finalization of any limited amendments to classification and measurement.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The company considers whether it has control over other entities for consolidation. The company has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) IFRS 13 "Fair Value Measurement"

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

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

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

5) Revision to IAS 19 "Employee Benefits"

The amendments eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs.

6) Amendments to IAS 36 "Impairment of Assets"

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

7) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 8 "Operating Segments", IFRS 13 "Fair Value Measurement" and IFRS 24 "Related Party Disclosures" were amended in this annual improvement.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the company is a related party of the company. Consequently, the company is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

8) Annual Improvements to IFRSs: 2011-2013 Cycle

The standard IFRS 13 "Fair Value Measurement" was amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

c. Material impact on consolidated financial statements resulted from new, amended and revised standards and interpretations and the Regulations Governing the Preparation of Financial Reports by Public Banks in issue but not yet effective

As of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries were still assessing the impact of the initial application of the new, amended and revised standards and interpretations on their financial position and financial performance. Disclosures will be provided when the Bank completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market, and financial institutions under the supervision of FSC should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRS, IAS, IFRIC, and SIC endorsed by the FSC (collectively referred to as "Taiwan-IFRSs").

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Taiwan-IFRSs as endorsed by the FSC.

The Bank and its subsidiaries' consolidated financial statements for the year ended December 31, 2013 is its first IFRS consolidated financial statements. The date of transition to Taiwan-IFRSs was January 1, 2012. Refer to Note 50 for the impact of Taiwan-IFRSs conversion on the Bank and its subsidiaries' consolidated financial statements.

Basis of Preparation

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

The opening consolidated balance sheet as of the date of transition to Taiwan-IFRSs was prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable Taiwan-IFRSs have been applied retrospectively by the Bank and its subsidiaries except for some aspects where IFRS 1 prohibits retrospective application or grant optional exemptions to this general principle. For the exemptions that the Bank and its subsidiaries elected to use, please refer to Note 50.

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 their nature and sequenced by their liquidity. Please refer to Note 47 for the maturity analysis of assets and liabilities.

Basis of Consolidation

a. Principles of preparing consolidated financial statements

   The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries.

   When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank.

   Intercompany transactions, balances, income and expenses between the Bank and its subsidiaries have been eliminated upon consolidation.

b Subsidiaries included in consolidated financial statements

Subsidiaries included in consolidated financial statements were as follows:

			% of Ownership		
Investor Company	**Investee Company**	**Nature of Businesses**	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**
The Bank	Far Eastern Asset Management Co., Ltd. ("FEAMC")	Purchase, evaluation, auction and management of rights of financial institution creditors	100	100	100
	Far Eastern Life Insurance Agency Co., Ltd. ("FELIA")	Insurance agent	100	100	100
	Far Eastern Property Insurance Agency Co., Ltd. ("FEPIA")	Insurance agent	100	100	100
	Far Eastern International Securities Co., Ltd. ("FEIS")	Foreign securities broker, wealth management and offshore fund consulting	100	100	100
Far Eastern International Securities Co., Ltd.	Far Eastern Insurance Brokerage Co., Ltd. ("FEI Brokerage")	Insurance brokers	100	100	100

Acquisition of Another Financial Institution's Business

Acquisitions of another financial institution are accounted for using the purchase method if acquisitions comply with business combination. The consideration transferred in acquisitions of another financial institution is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the equity interests issued by the Bank in exchange for control of the acquiree.

Foreign Currency

Foreign-currency assets and liabilities are recorded in a currency other than the entity's functional currency. Foreign-currency items in comprehensive income 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), foreign-currency items in comprehensive income from transactions settled in currencies other than the entity's functional currency are translated into the entity's functional currency at prevailing exchange rates 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 comprehensive income if the changes in fair value are recognized in comprehensive income;

b. Recognized as gain or loss if the changes in fair value are recognized in gain or loss.

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

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

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 period.

Exchange differences arising from the translation of the financial statements of foreign branches are recognized as exchange differences on translating foreign operations.

Investment in Associates

An associate is an entity over which the Bank and its subsidiaries has significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. An investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Bank and its subsidiaries' share of the profit or loss and other comprehensive income of the associate. The Bank and its subsidiaries also recognize the changes in the Bank and its subsidiaries' share of equity of associates.

Property and Equipment

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

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

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

Intangible Assets

Intangible assets acquired in a business combination are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets with finite useful lives are reported at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment loss.

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 is estimated to be less than its carrying amount, an impairment loss is recognized immediately in profit or loss. A reversal of an impairment loss is recognized in profit or loss when an impairment loss subsequently is reduced.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Bank and its subsidiaries review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units under a reasonable and consistent basis.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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.

Financial Instruments

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

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

Financial assets

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

a. Measurement category

   Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

   1) Financial assets at fair value through profit or loss

      Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss. A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

      - Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

      - The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank and subsidiaries' documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss, including any dividend or interest earned on the financial asset.

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank and its subsidiaries have the positive intent and ability to hold to maturity.

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

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Interest income of available-for-sale bond investments calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss and are recognized in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit or loss.

4) Loans and receivables

Loans and receivables (including receivables, discounts and loans, nonaccrual loans other than discounts and loans, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment.

b. Impairment of financial assets

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

For all financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It is becoming probable that the borrower will undergo bankruptcy or financial reorganization; or
- Disappearance of an active market for that financial asset because of financial difficulties.

1) Financial assets carried at amortized cost

   For discounts and loans and receivables, assets are assessed for impairment on a collective basis even if they were assessed as not impaired individually. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on loans and receivables.

   For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2) Available-for-sale financial assets

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

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

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

3) Financial assets measured at cost

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of discounts and loans, receivables and nonaccrual loans other than discounts and loans, where the carrying amount is reduced through an allowance account.

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.

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 provision for possible losses.

c. Derecognition of financial assets

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

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

Equity instruments

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognized at the proceeds received, net of transaction costs.

Financial liabilities

a. Subsequent measurement

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

1) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading. Any gains or losses arising on remeasurement, including any dividend or interest paid on the financial liability, are recognized in profit or loss.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the best estimate of the obligation under the contract or the amount initially recognized less cumulative amortization recognized.

b. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Euro convertible bonds

Euro convertible bonds that contain both liability and conversion option derivative components are classified separately into respective items on initial recognition. The conversion option that will be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Bank's own equity instruments is classified as a conversion option derivative. At the date of issue, both the liability and conversion option derivative components are recognized at fair value.

In subsequent periods, the liability component of the Euro Convertible Bonds is measured at amortized cost using the effective interest method. The conversion option derivative is measured at fair value and the changes in fair value are recognized in profit or loss.

Transaction costs related to the issuance of Euro Convertible Bonds are included in the carrying amount of the liability component and are amortized over the lives of Euro Convertible Bonds using the effective interest method.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

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

Hedge Accounting

The Bank engages non-trading derivatives primarily as a tool for hedging against risks of 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.

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. Gains and losses measured at fair value of hedging instruments are recognized in profit or loss. The carrying amount of the hedged item is adjusted through the corresponding gain or loss on the hedging instrument.

Provisions

Provisions are recognized when the Bank and its subsidiaries have a present obligation as a result of a past event, it is probable that the Bank and its subsidiaries will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

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 loans are provided or services have been completed.

The gain or loss on the disposal or recovery of acquired receivables is accounted for by the effective interest 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.

Retirement Benefit Costs

The Bank’s contributions to defined contribution plans are recognized as expenses when employees have rendered service entitling them to the contributions.

For defined benefit plans, the cost of providing benefits is measured using the projected unit credit method. Actuarial gains and losses that exceed 10% of the greater of the present value of the Bank's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets.

Income Tax

Income tax expense represents the sum of tax currently payable and deferred tax expense.

a. Current tax expense

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

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

b. Deferred tax expense

   Deferred tax expense represents adjustments to deferred tax assets and liabilities.

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards, and unused tax credits for research and development expenditures and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Held-to-maturity financial assets

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

b. Estimated impairment of discounts and loans and receivables

When there is objective evidence of impairment loss, the Bank and its subsidiaries take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, an additional impairment loss may arise.

c. Estimated impairment of operation rights

Determining whether operation rights are impaired requires an estimation of the value in use of the cash-generating units to which operation rights have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

d. Fair value of financial instruments

The Bank's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. Other financial instruments were valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted equity instruments was based on assumptions supported by unobservable market prices or rates. Note 46 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Bank's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

e. Income tax

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are materially different from expected, an adjustment to deferred tax assets and income tax expense may arise.

f. Recognition and measurement of defined benefit plans

Provision for employee benefits and the resulting post-employment benefits under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 2,645,252	$ 2,727,134	$ 2,448,923
Deposits due from other banks	1,391,925	1,110,865	2,540,823
Notes and checks for clearing	312,914	1,671,862	817,187
Balance with other banks	47,554	86,690	195,381
	$ 4,397,645	$ 5,596,551	$ 6,002,314

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31, 2013	December 31, 2012	January 1, 2012
Due from the Central Bank - certificates of deposit (Note 41)	$ 60,630,000	$ 63,190,000	$ 69,400,000
Loans to other banks	10,254,670	4,819,462	3,570,480
New Taiwan dollar reserve deposits - Type A	8,217,629	5,835,631	5,019,759
New Taiwan dollar reserve deposits - Type B	9,673,862	8,931,969	8,705,369
Foreign-currency reserve deposits	51,094	41,546	43,582
	$ 88,827,255	$ 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.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the due from the Central Bank and other banks that were in accordance with the definition of IAS 7 "cash and cash equivalents" in IAS 7 "Statement of Cash Flows" were short-term, highly liquid investments that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value; these investments amounted to NT$75,153,393 thousand, NT$70,886,639 thousand and NT$75,533,821 thousand, respectively, and were included in cash and cash equivalents in the consolidated statements of cash flows.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Convertible bond asset swap contracts	$ 2,746,609	$ 1,421,828	$ 26,918
Government bonds	1,617,257	1,334,349	1,722,733
Foreign-currency swap contracts	882,925	304,672	460,509
Listed and OTC stocks	332,666	130,962	36,819
Interest rate swap contracts	309,544	351,567	358,907
Currency option contracts	268,332	187,732	49,016
Cross-currency swap contracts	198,031	184,828	4,801
Beneficiary certificates	149,162	107,521	57,286
Forward exchange contracts	84,486	59,995	51,235
Credit default swap contracts	73,067	145,330	32,090
Convertible bond option contracts	72,196	163,187	317,057
Others	21,865	39,306	32,985
	6,756,140	4,431,277	3,150,356
Financial assets designated as at fair value through profit or loss			
Convertible bonds	12,039,304	11,679,558	10,656,510
Total financial assets at fair value through profit or loss	$ 18,795,444	$ 16,110,835	$ 13,806,866
Financial liabilities held for trading			
Convertible bond option contracts	$ 5,104,453	$ 2,109,083	$ 1,971,854
Foreign-currency swap contracts	732,643	465,775	260,861
Conversion option derivative of Euro convertible bonds (Note 24)	443,859	-	-
Currency option contracts	267,657	184,378	48,384
Cross-currency swap contracts	261,269	140,767	719,979
Interest rate swap contracts	244,551	203,635	182,081
Forward exchange contracts	121,926	32,030	67,853
Convertible bond asset swap contracts	80,818	541,149	127,769
Credit default swap contracts	8,121	27,798	35,221
Short sale of bonds payable	-	-	953,357
Others	22,768	40,417	17,481
Total financial liabilities at fair value through profit or loss	$ 7,288,065	$ 3,745,032	$ 4,384,840

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.

Outstanding derivative contract (nominal) amounts were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Foreign-currency swap contracts	$ 153,416,684	$ 103,946,913	$ 47,007,582
Interest rate swap contracts	136,533,414	87,925,783	44,438,500
Currency option contracts	94,772,462	23,028,114	4,665,684
Cross-currency swap contracts	31,862,475	27,471,165	17,706,190
Convertible bond option contracts	25,498,215	30,852,021	33,499,262
Convertible bond asset swap contracts	20,136,950	26,963,297	28,113,195
Credit default swap contracts	20,062,578	18,608,724	14,496,297
Forward exchange contracts	10,438,487	7,886,180	7,583,875
Non-deliverable forward contracts	2,247,545	11,036,127	8,036,471
Commodity forward contracts	554,681	45,219	-

The net gain on financial instruments at fair value through profit or loss was as follows:

	For the Year Ended December 31	
	2013	2012
Net gain (loss) on financial instruments held for trading	$ (485,820)	$ 1,241,637
Net gain (loss) on financial assets designated as at fair value through profit or loss	1,583,618	(171,021)
	$ 1,097,798	$ 1,070,616

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2013	December 31, 2012	January 1, 2012
Derivative financial assets			
Fair value hedging - interest rate swap contracts	$ 111,034	$ 180,242	$ 252,233
Derivative financial liabilities			
Fair value hedging - interest rate swap contracts	$ 12,631	$ 12,819	$ 13,093

The Bank uses interest rate swap contracts to hedge against the risk of changes in fair value of domestic bank debentures arising from interest rate fluctuations. The nominal amount of interest rate swap contracts for hedging was NT$4,600,000 thousand all as of December 31, 2013, December 31, 2012 and January 1, 2012.

The net gain (loss) on hedging financial instruments and hedged items was as follows:

	For the Year Ended December 31	
	2013	2012
Net loss on hedging financial instruments	$ 69,020	$ 71,717
Net gain on hedged items	$ 69,020	$ 71,717

10. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Government bonds	$ 19,375,114	$ 15,166,522	$ 850,505
Negotiable certificates of deposit	2,124,136	4,206,422	-
Commercial paper	1,507,075	1,008,383	-
Treasury securities	-	3,360,665	-
	$ 23,006,325	$ 23,741,992	$ 850,505
Resale date	2014.01.02-2014.03.26	2013.01.02-2013.02.19	2012.01.02
Resale price	$ 23,012,026	$ 23,749,718	$ 850,565

11. RECEIVABLES, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Credit card	$ 15,688,762	$ 15,521,385	$ 15,523,234
Factoring	2,161,061	2,830,761	3,412,000
Proceeds from disposal of securities	1,434,927	415,243	1,103,970
Interest	696,221	640,301	603,691
Spot exchange transactions	457,605	481,948	595,616
Acceptances	384,110	503,574	332,333
Acquired receivables	190,983	200,229	809,486
Proceeds from disposal of acquired receivables	-	602,540	-
Others	343,677	338,913	389,198
	21,357,346	21,534,894	22,769,528
Less: Allowance for possible losses (Note 12)	685,074	753,712	818,715
	$ 20,672,272	$ 20,781,182	$ 21,950,813

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

12. DISCOUNTS AND LOANS, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Negotiations, discounts and overdraft	$ 159,359	$ 211,493	$ 176,576
Short-term loans	48,538,897	62,306,524	67,654,241
Medium-term loans	114,720,520	92,298,012	84,002,593
Long-term loans	132,602,309	128,002,420	122,135,928
Nonaccrual loans	759,427	982,983	264,778
	296,780,512	283,801,432	274,234,116
Less: Allowance for possible losses	4,263,480	3,582,006	4,773,735
	$ 292,517,032	$ 280,219,426	$ 269,460,381

Movements of allowance for possible losses on discounts and loans and others (including receivables and other financial assets) were as follows:

	Discounts and Loans	Others	Total
For the year ended December 31, 2013			
Balance, January 1, 2013	$ 3,582,006	$ 1,180,101	$ 4,762,107
Provision (reversal of provision) for possible losses	88,033	(220,599)	(132,566)
Amounts written-off	(413,844)	(219,480)	(633,324)
Amounts recovered	1,005,458	375,397	1,380,855
Effects of exchange rate changes	1,827	(689)	1,138
Balance, December 31, 2013	$ 4,263,480	$ 1,114,730	$ 5,378,210
For the year ended December 31, 2012			
Balance, January 1, 2012	$ 4,773,735	$ 1,245,370	$ 6,019,105
Provision (reversal of provision) for possible losses	17,915	(291,054)	(273,139)
Amounts written-off	(1,965,455)	(219,069)	(2,184,524)
Amounts recovered	763,068	444,925	1,207,993
Effects of exchange rate changes	(7,257)	(71)	(7,328)
Balance, December 31, 2012	$ 3,582,006	$ 1,180,101	$ 4,762,107

The provision (reversal of provision) for possible losses and guarantee obligations reserve were as follows:

	For the Year Ended December 31	
	2013	2012
Provision for possible losses - discounts and loans	$ 88,033	$ 17,915
Reversal of provision for possible losses - others	(220,599)	(291,054)
Provision for possible losses - reserve for guarantee obligations	63,962	15,393
	$ (68,604)	$ (257,746)

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For the years ended December 31, 2013 and 2012, the Bank had no written-off credits for which legal proceedings had not been initiated.

The Bank's financial assets were assessed for impairment loss on the basis of credit risk characteristics of financial assets. The results were as follows:

Discounts and loans

Item		December 31, 2013		December 31, 2012		January 1, 2012	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of individual impairment	Assessed individually	$ 3,431,546	$ 638,734	$ 4,581,612	$ 1,449,349	$ 5,188,537	$ 3,373,260
	Assessed by portfolio	1,678,136	522,824	1,837,366	718,466	2,143,559	450,059
Without objective evidence of individual impairment	Assessed individually	2,841,768	-	2,619,004	-	3,105,077	-
	Assessed by portfolio	288,829,062	3,101,922	274,763,450	1,414,191	263,796,943	950,416
Total		$ 296,780,512	$ 4,263,480	$ 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, 2013		December 31, 2012		January 1, 2012	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of individual impairment	Assessed individually	$ 651,446	$ 591,524	$ 691,318	$ 601,492	$ 847,568	$ 664,194
	Assessed by portfolio	2,357,854	577,306	2,774,987	609,478	3,345,018	556,138
Without objective evidence of individual impairment	Assessed individually	10,058,136	-	12,600,812	-	9,204,321	-
	Assessed by portfolio	16,217,289	90,491	16,367,731	124,461	16,256,145	245,349
Total		$ 29,284,725	$ 1,259,321	$ 32,434,848	$ 1,335,431	$ 29,653,052	$ 1,465,681

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Government bonds	$ 13,619,393	$ 10,355,436	$ 14,044,274
Commercial paper	5,045,261	250,043	-
Foreign bank debentures	1,243,923	-	-
Listed and OTC stocks - domestic	1,109,537	807,991	776,673
- overseas	-	-	124,465
Negotiable certificates of deposit	717,579	452,394	-
	$ 21,735,693	$ 11,865,864	$ 14,945,412

The terms of government bonds are summarized as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Aggregate par value	$ 13,704,600	$ 10,154,600	$ 13,319,000
Coupon interest rates	0.88%-2.38%	0.88%-2.75%	0.88%-6.90%
Effective interest rates	0.91%-1.99%	0.91%-1.98%	0.91%-9.45%
Maturity	2014.01-2043.02	2013.01-2022.05	2012.01-2031.08

The terms of commercial paper are summarized as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Aggregate par value	$ 5,046,500	$ 250,000	$ -
Coupon interest rates	0.65%-2.30%	0.76%-1.06%	-
Effective interest rates	0.65%-2.30%	0.74%-0.75%	-
Maturity	2014.01	2013.01	-

The terms of foreign bank debentures are summarized as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Aggregate par value	$ 1,242,015	$ -	$ -
Coupon interest rates	3.57%-3.71%	-	-
Effective interest rates	3.89%-4.35%	-	-
Maturity	2016.03-2017.09	-	-

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

	December 31, 2013	December 31, 2012	January 1, 2012
Aggregate par value	$ 716,000	$ 451,400	$ -
Coupon interest rate	0.76%	0.87%-0.88%	-
Effective interest rate	0.76%	0.74%-0.76%	-
Maturity	2014.01	2013.01	-

Some of the available-for-sale financial assets were traded with repurchase agreements, and the carrying amounts were NT$1,303,119 thousand and NT$210,105 thousand as of December 31, 2013 and January 1, 2012, respectively. (December 31, 2012: Nil)

The assets pledged as collateral are shown in Note 41.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Foreign corporate bonds	$ 1,150,099	$ 989,133	$ 2,374,459
Foreign bank debentures	1,057,373	797,129	1,400,397
Foreign certificates of deposit	898,500	437,040	151,450
Government bonds	-	999	1,599
	$ 3,105,972	$ 2,224,301	$ 3,927,905

The terms of foreign corporate bonds are summarized as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Aggregate par value - USD	$ 39,000,000	$ 24,000,000	$ 59,000,000
- AUD	-	10,000,000	20,000,000
Coupon interest rates	0.37%-2.50%	0.44%-3.64%	0.51%-7.00%
Effective interest rates	1.90%-3.85%	1.70%-6.63%	0.46%-6.75%
Maturity	2014.01-2018.05	2013.01-2014.03	2012.01-2014.03

The terms of foreign bank debentures are summarized as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Aggregate par value	- USD	$ 21,000,000	$ 21,000,000	$ 40,000,000
	- AUD	15,900,000	6,000,000	6,000,000
Coupon interest rates		0.99%-4.01%	1.06%-4.20%	0.66%-6.50%
Effective interest rates		1.55%-5.57%	1.55%-5.57%	0.61%-5.91%
Maturity		2014.06-2016.05	2014.06-2015.08	2012.01-2015.03

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

	December 31, 2013	December 31, 2012	January 1, 2012
Aggregate par value - USD	$ 30,000,000	$ 15,000,000	$ 5,000,000
Coupon interest rates	0.77%-1.84%	1.97%	1.54%
Maturity	2014.02-2015.03	2015.03	2012.08

The terms of government bonds are summarized as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Aggregate par value - NTD	$ -	$ 1,000,000	$ 1,600,000
Coupon interest rates	-	1.88%	1.88%-6.90%
Effective interest rates	-	1.89%	1.89%-5.70%
Maturity	-	2013.03	2012.01-2013.03

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a. Investments in associates:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Dah Chung Bills Finance Corp.	$ 1,421,984	22.06	$ 1,412,336	22.06	$ 1,412,508	22.06
Yuan Long Stainless Steel Corp.	799,971	49.00	796,544	49.00	939,327	49.00
Deutsche Far Eastern Asset Management Co., Ltd.	143,871	40.00	159,668	40.00	120,552	40.00
	$ 2,365,826		$ 2,368,548		$ 2,472,387	

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.

In November 2013, Far Eastern Asset Management Co., Ltd. (FEAMC) entered into a memorandum with Asia Cement Corp. (ACC) on FEAMC’s intent to sell Yuan Long Stainless Steel Corp. to ACC. As of the date that the consolidated financial statements were authorized for issue, the terms of this sale were being negotiated.

The summarized financial information of the Bank and its subsidiaries' associates is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 55,931,939	$ 46,660,371	$ 51,164,235
Total liabilities	$ 47,493,097	$ 38,232,757	$ 42,544,909

	For the Year Ended December 31	
	2013	2012
Net profit	$ 1,228,989	$ 510,198
Net income (loss)	$ 303,060	$ (10,592)
Other comprehensive loss	$ (65,806)	$ (56,172)

b. Share of profit (loss) of associates was as follows:

	For the Year Ended December 31	
	2013	2012
Dah Chung Bills Finance Corp.	$ 74,756	$ 71,465
Yuan Long Stainless Steel Corp.	3,975	(143,879)
Deutsche Far Eastern Asset Management Co., Ltd.	(17,583)	(16,961)
	$ 61,148	$ (89,375)

16. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2013	December 31, 2012	January 1, 2012
Convertible bond asset swap contracts - master agreement	$ 4,794,018	$ 6,966,012	$ 4,647,900
Credit-linked notes - master agreement	2,935,100	2,563,968	3,331,234
Floating rate notes, net	748,750	1,183,848	1,232,798
Convertible bonds, net	-	-	81,848
	$ 8,477,868	$ 10,713,828	$ 9,293,780

As of December 31, 2013, December 31, 2012 and January 1, 2012, the accumulated impairment losses, reducing the carrying amount, on floating rate notes and convertible bonds were $149,750 thousand, $160,567 thousand and $225,638 thousand, respectively. In April 2013, a recovery of convertible bonds through redemption was recognized as a gain of $780 thousand on reversal of impairment losses. In February 2012, a recovery of convertible bonds through redemption was recognized as (a) a gain of $57,306 thousand on reversal of impairment losses and (b) other income of $56,174 thousand.

17. OTHER FINANCIAL ASSETS, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Nonaccrual loans other than discounts and loans	$ 490,393	$ 498,012	$ 507,131
Less: Allowance for possible losses (Note 12)	429,656	426,389	426,655
	60,737	71,623	80,476
Guarantee deposits for financial instrument agreements	1,585,442	1,892,383	1,669,282
Refundable deposits	550,431	513,971	509,539
Deposits with original maturity more than 3 months	250,300	2,900	2,900
Interbank clearing account	200,233	404,877	207,369
Financial assets measured at cost	101,379	101,379	103,846
Others	-	72,378	61,338
	$ 2,748,522	$ 3,059,511	$ 2,634,750

Financial assets measured at cost were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic unquoted common stocks			
ERA Communications Co., Ltd.	$ 50,006	$ 50,006	$ 50,006
Financial Information Service Co., Ltd.	45,500	45,500	45,500
An Feng Enterprise Co., Ltd.	3,000	3,000	3,000
Sunshine Asset Management Co., Ltd.	2,073	2,073	2,073
Taipei Forex Inc.	800	800	800
Taiwanpay Corp.	-	-	2,467
	$ 101,379	$ 101,379	$ 103,846

The above equity investments, which had no quoted prices in active market or fair values that could be reliably measured, were measured 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.

18. PROPERTY AND EQUIPMENT, NET

	For the Year Ended December 31, 2013						
	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
Cost							
Beginning balance	$ 1,581,625	$ 1,236,633	$ 1,354,797	$ 6,234	$ 1,406,170	$ 22,076	$ 5,607,535
Additions	-	3,517	52,166	57	31,075	36,682	123,497
Disposals	-	(550)	(142,190)	(296)	(17,554)	-	(160,590)
Others	-	299	36,453	-	7,841	(43,913)	680
Ending balance	1,581,625	1,239,899	1,301,226	5,995	1,427,532	14,845	5,571,122

(Continued)

	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
	For the Year Ended December 31, 2013						
Accumulated depreciation							
Beginning balance	$ -	$ 504,648	$ 998,036	$ 5,841	$ 1,219,317	$ -	$ 2,727,842
Depreciation	-	25,181	102,482	191	61,366	-	189,220
Disposals	-	(550)	(142,140)	(296)	(17,751)	-	(160,737)
Others	-	23	466	-	144	-	633
Ending balance	-	529,302	958,844	5,736	1,263,076	-	2,756,958
Net ending balance	$ 1,581,625	$ 710,597	$ 342,382	$ 259	$ 164,456	$ 14,845	$ 2,814,164

(Concluded)

	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
	For the Year Ended December 31, 2012						
Cost							
Beginning balance	$ 1,581,625	$ 1,232,272	$ 1,288,640	$ 7,975	$ 1,347,926	$ 51,219	$ 5,509,657
Additions	-	4,021	57,110	56	63,919	24,789	149,895
Disposals	-	-	(39,102)	(1,797)	(9,093)	-	(49,992)
Others	-	340	48,149	-	3,418	(53,932)	(2,025)
Ending balance	1,581,625	1,236,633	1,354,797	6,234	1,406,170	22,076	5,607,535
Accumulated depreciation							
Beginning balance	-	479,089	920,001	6,940	1,159,954	-	2,565,984
Depreciation	-	25,544	117,781	602	68,468	-	212,395
Disposals	-	-	(39,091)	(1,701)	(8,881)	-	(49,673)
Others	-	15	(655)	-	(224)	-	(864)
Ending balance	-	504,648	998,036	5,841	1,219,317	-	2,727,842
Net ending balance	$ 1,581,625	$ 731,985	$ 356,761	$ 393	$ 186,853	$ 22,076	$ 2,879,693

The above items of property and equipment were depreciated on a straight-line basis over the following estimated useful lives:

Buildings and improvements	5 to 55 years
Computer equipment	3 to 7 years
Transportation equipment	3 to 7 years
Miscellaneous equipment	2 to 20 years

19. INTANGIBLE ASSETS, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Operating rights	$ 1,538,210	$ 1,538,210	$ 1,538,210
Fair value of core deposits	428,887	428,887	428,887
	1,967,097	1,967,097	1,967,097
Less: Accumulated amortization	136,193	99,049	61,904
	$ 1,830,904	$ 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.

20. OTHER ASSETS, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Buildings and land held for sale	$ 27,567	$ 48,429	$ 467,389
Less: Accumulated impairment	4,246	6,968	41,271
	23,321	41,461	426,118
Prepaid expenses	174,935	183,045	123,584
Others	7,994	1,566	3,059
	$ 206,250	$ 226,072	$ 552,761

21. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31, 2013	December 31, 2012	January 1, 2012
Call loans from banks	$ 13,441,942	$ 11,259,482	$ 11,236,270
Due to banks	309,011	316,051	544,952
Overdraft	31,176	99,425	4,509
	$ 13,782,129	$ 11,674,958	$ 11,785,731

22. PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Securities settlement payables	$ 8,836,221	$ 166,815	$ 102,244
Accrued expenses	1,408,468	1,218,141	1,373,093
Accrued interest	813,674	997,766	864,256
Payables on factoring business	691,079	499,185	457,695
Payables on consigned funds	431,101	111,972	137,291
Acceptances	384,110	503,574	332,333
Checks for clearing	312,914	1,671,862	817,187
Others	625,425	391,056	411,221
	$ 13,502,992	$ 5,560,371	$ 4,495,320

23. DEPOSITS AND REMITTANCES

	December 31, 2013	December 31, 2012	January 1, 2012
Checking deposits	$ 2,584,658	$ 2,974,630	$ 3,695,949
Demand deposits	46,239,336	31,614,166	28,301,271
Demand savings	54,822,689	52,960,380	50,602,247
Time savings	85,924,264	87,548,604	86,199,374
Negotiable certificates of deposit	24,392,500	23,138,500	24,478,500
Time deposits	184,325,934	193,672,326	176,716,076
Remittances	16,559	24,660	5,145
	$ 398,305,940	$ 391,933,266	$ 369,998,562

24. BANK DEBENTURES

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic bank debentures	$ 23,002,603	$ 23,072,123	$ 20,230,280
Euro convertible bonds	4,101,282	-	-
	$ 27,103,885	$ 23,072,123	$ 20,230,280

Domestic bank debentures

Item	Issuance Period	Note	December 31, 2013	December 31, 2012	January 1, 2012
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	$ 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	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	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	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	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	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	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	3,000,000	-
Subordinated bank debentures - seven-year maturity; first issue in 2013	2013.11.06-2020.11.06	Interest payable on November 6 each year fixed interest rate at 2.10%	4,000,000	-	-
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2005; acquired from Chinfon Bank	2005.06.28-2012.06.28	Interest payable on simple interest every half year; floating interest rate; repayable in five equal annual installments from the third year of issuance	3,960	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	240
Total bank debentures			22,904,200	22,904,700	19,991,140
Add: Unrealized valuation loss (Note 9)			98,403	167,423	239,140
			$ 23,002,603	$ 23,072,123	$ 20,230,280

The hedging transactions with regard to the above bank debentures are shown in Note 9.

Euro convertible bonds

On February 7, 2013 (the "Issue Date"), the Bank issued five-year unsecured zero coupon convertible bonds (the "Bonds") with an aggregate principal of US$150,000 thousand; these bonds were listed on the Singapore Exchange Securities Trading Limited. The minimum lot size for the Bonds trading is US$200 thousand. On the Issue Date, the liability component of the Bonds amounted to NT$4,009,661 thousand net of a discount of NT$471,589 thousand but including transaction costs of NT$38,252 thousand. The initial effective interest rate of the liability component was 2.63%. The conversion option derivative component of the Bonds amounted to NT$433,337 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. The early redemption amount for the Bonds is so calculated to provide the bondholder a gross yield of 0.375% semi-annually.

   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.

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 one 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) 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.

4) Conversion price: The original conversion price was NT$15.24 per share, which was adjusted to NT$14.24 per share on September 9, 2013 because dividends had been issued. The conversion price was further adjusted to NT$14.09 per share on January 28, 2014 because of the issuance of new shares for an overseas offering of Global Depository Receipts (at the fixed exchange rate of NT$29.569 to US$1.00).

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.

25. OTHER FINANCIAL LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Securities sold under repurchase agreements	$ 1,299,471	$ -	$ 213,870
Short-term loans	364,966	969,980	1,369,929
Principal of structured notes	214,247	730,962	459,005
Deposits received	181,807	207,093	168,404
Lease payable	-	35	78
	$ 2,060,491	$ 1,908,070	$ 2,211,286

The securities sold under repurchase agreements are as follows:
//

	December 31, 2013	December 31, 2012	January 1, 2012
Government bonds	$ 181,453	$ -	$ 213,870
Foreign bank debentures	1,118,018	-	-
	$ 1,299,471	$ -	$ 213,870
Repurchase date	2014.01.07-2014.01.24	-	2012.01.02
Repurchase price	$ 1,302,319	$ -	$ 213,870

The short-term loans are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Bank loans	$ 340,000	$ 920,000	$ 1,120,000
Commercial paper	24,966	49,980	249,929
	$ 364,966	$ 969,980	$ 1,369,929
Interest rates on bank loans	1.32%-1.38%	1.32%-1.41%	1.30%-1.56%

The status of commercial paper is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
International Bills Finance Corp.	$ 25,000	$ 50,000	$ 50,000
Ta Chong Bank	-	-	200,000
	25,000	50,000	250,000
Less: Unamortized discount on commercial paper	34	20	71
	$ 24,966	$ 49,980	$ 249,929
Interest rates	1.40%	1.38%	0.77%-0.86%

26. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Employee benefits - defined benefit plans	$ 609,401	$ 609,057	$ 620,865
Reserve for guarantee obligations	144,724	80,673	65,454
Contingency reserve	-	8,115	4,361
	$ 754,125	$ 697,845	$ 690,680

27. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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 in the Department of Labor at 6% of their monthly salaries and wages.

b. Defined benefit plans

The Bank adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

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 actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Measurement Date		
	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Discount rate	2.25%	1.75%	1.75%
Expected rate of return on plan assets	1.50%	1.50%	2.00%
Expected rate of salary increase	2.50%	2.50%	2.50%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2013	**2012**
Current service cost	$ 12,106	$ 12,169
Interest cost	16,881	14,700
Expected return on plan assets	(4,325)	(5,386)
Actuarial losses	1,059	-
Past service cost	(1,200)	(1,200)
	$ 24,521	$ 20,283

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 978,015	$ 857,300
Current service cost	12,106	12,169
Interest cost	16,881	14,700
Actuarial losses	21,361	109,843
Contributions from plan assets	(18,868)	(2,520)
Benefits paid	(4,568)	(13,477)
Closing defined benefit obligation	$ 1,004,927	$ 978,015

The amount included in the consolidated balance sheet arising from the Bank's obligation in respect of its defined benefit plans was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 1,004,927	$ 978,015	$ 857,300
Fair value of plan assets	(283,869)	(279,571)	(260,879)
Deficit	721,058	698,444	596,421
Unrecognized actuarial loss, net	(133,701)	(112,631)	-
Unrecognized past service cost	22,044	23,244	24,444
Employee benefits	$ 609,401	$ 609,057	$ 620,865

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 279,571	$ 260,879
Expected return on plan assets	4,325	5,386
Actuarial losses	(768)	(2,788)
Contributions from the employer	19,609	18,614
Contributions from plan assets	(18,868)	(2,520)
Closing fair value of plan assets	$ 283,869	$ 279,571

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	December 31, 2013	December 31, 2012	January 1, 2012
Equity instruments	44.77%	39.42%	40.75%
Debt instruments	31.58%	36.82%	35.25%
Deposits in banks	22.86%	23.69%	23.87%
Others	0.79%	0.07%	0.13%
	100.00%	100.00%	100.00%

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 1,004,927	$ 978,015	$ 857,300
Fair value of plan assets	$ 283,869	$ 279,571	$ 260,879
Deficit	$ 721,058	$ 698,444	$ 596,421
Experience adjustments on plan liabilities	$ (91,302)	$ (52,368)	$ -
Experience adjustments on plan assets	$ (768)	$ (2,788)	$ -

The Bank expects to make a contribution of NT$20,099 thousand and NT$19,609 thousand, respectively, to the defined benefit plans during the annual period beginning after 2013 and 2012.

28. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Advance receipts	$ 266,152	$ 277,618	$ 270,537
Deferred revenue - customer loyalty programmes	91,718	89,108	106,517
Temporary receipts	40,995	49,119	32,486
Others	16,101	16,529	17,897
	$ 414,966	$ 432,374	$ 427,437

29. EQUITY

a. Share capital

Ordinary shares

	December 31, 2013	December 31, 2012	January 1, 2012
Number of shares authorized (in thousands)	4,500,000	4,500,000	4,500,000
Amount of shares authorized	$ 45,000,000	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,362,118	2,242,260	2,118,560
Shares issued	$ 23,621,182	$ 22,422,596	$ 21,185,604

Ordinary common shares issued, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

The capital surplus arising from shares issued in excess of par and 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 investments accounted for using equity method may not be used for any purpose.

c. Retained 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:

1) 30% as legal reserve;

2) Special reserve based on the relevant law or regulations; and

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

4) 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 the 2012 and 2011, which were approved in the shareholders' meetings on June 19, 2013 and June 26, 2012, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2012	**2011**	**2012**	**2011**
Legal reserve	$ 769,012	$ 711,970		
Special reserve	173,800	-		
Cash dividends	515,720	529,640	$ 0.230	$ 0.250
Stock dividends	1,105,434	1,131,311	0.493	0.534
	$ 2,563,966	$ 2,372,921		

The employees' bonus (in stocks) and the remuneration to directors and supervisors approved in the foregoing shareholders' meetings were NT$140,970 thousand and NT$144,431 thousand on the earnings of 2012 and 2011, respectively, and were not different from the accrual amount recognized in the 2012 and 2011 financial statements.

The appropriations of earnings, employees' bonus and the remuneration to directors and supervisors for 2012 were proposed according to the Bank's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP").

The employees' stock bonus for 2012 of 9,315 thousand shares was determined at NT$11.35 per share, the closing price of the Bank's ordinary share (after considering the effect of cash and stock dividends) of the day preceding the shareholders' meeting. As a result, the capital surplus of 2013 increased by NT$12,575 thousand. The employees' stock bonus for 2011 of 10,568 thousand shares was determined at NT$10.25 per share, the closing price of the Bank's ordinary share (after considering the effect of cash and stock dividends) of the day preceding the shareholders' meeting. As a result, the capital surplus of 2012 increased by NT$2,642 thousand.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of shareholders' other equity items (including exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and the gain or loss on the hedging instrument relating to the effective portion of cash flow hedge) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under the Integrated Income Tax System, ROC-resident shareholders will be allocated imputation 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 imputation 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 imputation 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.

The appropriations of earnings for 2013 had been proposed by the Bank's Board of Directors on March 4, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 871,132	
Special reserve	124,400	
Cash dividends	681,780	$ 0.250
Share dividends	1,224,476	0.449
	$ 2,901,788	

The employees' bonus (in stocks) and the remuneration to directors and supervisors proposed in the foregoing Board of Directors meetings were NT$124,321 thousand and NT$41,440 thousand, respectively, on earnings of 2013. The proposed amounts were the same as the estimates made in 2013 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.

The appropriations of earnings, employees' bonus, and the remuneration to directors and supervisors for 2013 are subject to the resolution of the shareholders' meeting to be held on June 24, 2014.

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

d. Special reserve appropriated following Rule No. 1010012865 issued by the FSC

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the company has earnings and the original need to appropriate a special reserve is not eliminated.

The Bank had no unrealized revaluation increment, and cumulative translation adjustments had not been elected the use of exemptions under IFRS 1; therefore, no special reserve was appropriated on the first-time adoption of Taiwan-IFRSs.

On the first-time adoption of Taiwan-IFRSs, a company should appropriate to a special reserve an amount that is the same as the net debit balance of shareholders' other equity items that arose in the current year and were transferred to retained earnings. At the date of transitions to Taiwan-IFRSs, if the increase in retained earnings that resulted from all Taiwan-IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all Taiwan-IFRSs adjustments will be appropriated to special reserve. Distributions can be made out of any subsequent reversal of the debit to other equity items.

e. Other equity items

Movements of unrealized gain (loss) on available-for-sale financial assets under equity attributable to owners of the Bank were as follows:

	For the Year Ended December 31	
	2013	**2012**
Balance, beginning of the year	$ (173,800)	$ 10,252
Unrealized gain (loss) on available-for-sale financial assets	(130,621)	66,998
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	5,268	(239,635)
Share of unrealized loss on available-for-sale financial assets of associates	(15,308)	(11,415)
Balance, end of the year	$ (314,461)	$ (173,800)

30. NET INTEREST INCOME

	For the Year Ended December 31	
	2013	2012
Interest income		
Discounts and loans	$ 9,029,985	$ 7,439,321
Credit cards	936,003	936,654
Due from the Central Bank	607,783	674,492
Bonds	296,999	281,515
Recovered portion of written-off loans	205,346	119,634
Others	187,805	192,649
	11,263,921	9,644,265
Interest cost		
Deposits and remittances	3,311,560	3,557,707
Automobile financing obligations	2,414,119	1,367,675
Bank debentures	475,285	364,158
Others	178,590	209,580
	6,379,554	5,499,120
Net interest income	$ 4,884,367	$ 4,145,145

31. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2013	2012
Service fee income		
Consigned funds and insurance	$ 1,244,492	$ 1,089,828
Credit cards	952,297	999,655
Credit business	874,306	669,955
Others	354,111	319,633
	3,425,206	3,079,071
Service fee expense		
Agency service fee	102,093	92,627
Visa and Master	101,664	88,487
National Credit Card Center fee	85,029	73,726
Outsourcing fee for collection	75,169	76,525
Credit investigation	41,682	44,594
Interbank service fee	35,527	35,798
Others	87,903	95,392
	529,067	507,149
Net service fee income	$ 2,896,139	$ 2,571,922

32. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2013	2012
Net interest income	$ 63,406	$ 43,346
Dividends	8,676	8,326
Realized gains (losses)		
Derivative instruments	1,691,011	573,463
Convertible bonds	243,718	740,401
Others	18,634	(40,429)
	1,953,363	1,273,435
Gains (losses) on valuation		
Derivative instruments	(2,236,821)	669,882
Convertible bonds	1,311,632	(936,063)
Others	(2,458)	11,690
	(927,647)	(254,491)
Net gains	$ 1,097,798	$ 1,070,616

33. NET GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31	
	2013	2012
Dividends	$ 52,670	$ 63,476
Stocks	38,804	156,122
Bonds	(44,024)	83,513
Others	(48)	-
	$ 47,402	$ 303,111

34. NONINTEREST INCOME AND GAINS - OTHERS

	For the Year Ended December 31	
	2013	2012
Gains on financial assets measured at cost - cash dividends	$ 14,136	$ 14,238
Claim settlement of credit loan	10,770	13,189
Sponsorship from Visa	4,789	32,420
Gains on recovered debt investments with no active market	-	56,174
Gains on recovered security deposits	-	18,627
Others	27,832	15,865
	$ 57,527	$ 150,513

35. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2013	2012
Salaries and bonus	$ 2,675,133	$ 2,499,866
Employee insurance	206,153	193,002
Temporary employee	174,318	257,466
Employees' bonus, remuneration to directors and supervisors	172,540	147,267
Post-employment benefits	131,964	125,030
Others	184,520	192,746
	$ 3,544,628	$ 3,415,377

36. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2013	2012
Depreciation	$ 189,220	$ 212,395
Amortization	$ 41,299	$ 40,956

37. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2013	2012
Advertising	$ 474,946	$ 453,317
Rental	415,317	413,360
Tax and government fees	372,018	335,155
Telecommunications	173,559	170,323
Software	156,865	158,432
Others	625,274	651,381
	$ 2,217,979	$ 2,181,968

38. INCOME TAX EXPENSE

a. Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax expense		
Current period	$ 159,712	$ 173,298
Prior years	(9,478)	3,707
	150,234	177,005
Deferred tax expense	351,603	187,187
Income tax expense recognized in profit or loss	$ 501,837	$ 364,192

A reconciliation of accounting income and income tax expense is as follows:

	For the Year Ended December 31	
	2013	2012
Income before income tax	$ 3,563,107	$ 2,914,957
Income tax expense calculated at the statutory rate	$ 635,322	$ 520,668
Tax effect of adjusting items:		
Permanent differences	(182,079)	(257,816)
Temporary differences	199,103	56,336
Loss carryforwards used	(615,800)	(307,808)
Additional income tax under the Alternative Minimum Tax Act	96,386	133,180
Overseas branch income tax	26,780	28,738
Current income tax expense	159,712	173,298
Adjustments for prior years' tax	(9,478)	3,707
Deferred income tax expense		
Loss carryforwards	547,682	207,214
Temporary differences	(197,765)	(23,455)
Investment tax credits	1,686	3,428
Income tax expense recognized in profit or loss	$ 501,837	$ 364,192

The applicable tax rate used above is the corporate tax rate of 17% payable by the Bank and its subsidiaries in the ROC.

The outcome of the 2014 appropriation of the 2013 earnings is uncertain; thus, the potential tax consequences of the additional 10% tax on the 2013 unappropriated earnings could not be reliably estimated. As of December 31, 2013, the Bank and its subsidiaries had not recognized the additional tax at 10% of unappropriated earnings.

b. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets			
Tax refund receivable	$ 1,003	$ 167	$ 176
Current tax liabilities			
Income tax payable	$ 10,870	$ 113,131	$ 124,723

c. Deferred tax assets

The movements of deferred tax assets were as follows:

For the year ended December 31, 2013

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Ending Balance
Temporary differences			
Unused loss carryforwards	$ 613,741	$ (547,682)	$ 66,059
Unused investment tax credit	1,686	(1,686)	-

(Continued)

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Ending Balance
Allowance for possible losses in excess of the limit	$ 286,491	$ 93,345	$ 379,836
Pension cost in excess of the limit	81,289	56	81,345
Unrealized gain on financial instruments	(67,012)	105,806	38,794
Others	12,380	(1,442)	10,938
	$ 928,575	$ (351,603)	$ 576,972

(Concluded)

For the year ended December 31, 2012

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Ending Balance
Temporary differences			
Unused loss carryforwards	$ 820,955	$ (207,214)	$ 613,741
Unused investment tax credit	5,114	(3,428)	1,686
Allowance for possible losses in excess of the limit	244,420	42,071	286,491
Pension cost in excess of the limit	83,076	(1,787)	81,289
Unrealized gain on financial instruments	(50,091)	(16,921)	(67,012)
Others	12,288	92	12,380
	$ 1,115,762	$ (187,187)	$ 928,575

d. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards			
The Bank			
Expire in 2018	$ 994,577	$ 1,448,144	$ 2,060,812
Expire in 2021	133,968	133,968	-
	$ 1,128,545	$ 1,582,112	$ 2,060,812
Far Eastern International Securities Co., Ltd			
Expire in 2018	$ 66,641	$ 66,641	$ 66,641
Expire in 2019	108,343	108,343	108,343
Expire in 2020	53,563	53,563	53,563
Expire in 2021	38,085	38,085	37,312
Expire in 2022	22,380	22,613	-
Expire in 2023	10,935	-	-
	$ 299,947	$ 289,245	$ 265,859

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Far Eastern Insurance Brokerage Co., Ltd.			
Expire in 2019	$ -	$ -	$ 860
Expire in 2020	1,991	1,617	2,476
Expire in 2021	2,413	2,413	2,413
Expire in 2022	555	-	-
	$ 4,959	$ 4,030	$ 5,749

(Concluded)

e. Information about unused loss carryforwards

As of December 31, 2013, loss carryforwards comprised:

Expiry Year	Unused Amount
The Bank	
2018	$ 1,383,161 (assessed)
2021	133,968 (assessed)
	$ 1,517,129
Far Eastern International Securities Co., Ltd.	
2018	$ 66,641 (assessed)
2019	108,343 (assessed)
2020	53,563 (assessed)
2021	38,085 (assessed)
2022	22,380 (assessed)
2023	10,935 (estimated)
	$ 299,947
Far Eastern Insurance Brokerage Co., Ltd.	
2020	$ 1,991 (assessed)
2021	2,413 (assessed)
2023	555 (estimated)
	$ 4,959

f. Integrated income tax

Unappropriated earnings of the Bank were all generated from January 1, 1998.

	December 31, 2013	December 31, 2012	January 1, 2012
Imputation credits accounts	$ 25,978	$ 11,122	$ 23,184

The creditable ratios for the distribution of earnings of 2013 and 2012 were 4.21% (expected) and 8.25%, respectively.

Under the Income Tax Law, for distribution of earnings generated from January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Bank were calculated on the basis of the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Bank were based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance on October 17, 2013, when calculating imputation credits in the year of first-time adoption of Taiwan-IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from the first-time adoption of Taiwan-IFRSs.

g. Income tax assessments

The income tax returns of the Bank, Far Eastern Assets Management Co., Ltd., Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Insurance Brokerage Co., Ltd. through 2011 had been assessed by the tax authorities. The income tax returns of Far Eastern Property Insurance Agency Co., Ltd. and Far Eastern International Securities Company Ltd. through 2012 had been assessed by the tax authorities.

39. EARNINGS PER SHARE

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

Unit: NT$ Per Share

	For the Year Ended December 31	
	2013	**2012**
Basic EPS	$ 1.30	$ 1.09
Diluted EPS	$ 1.20	$ 1.08

The net income and weighted average number of ordinary shares outstanding for EPS calculation were as follows:

Net Income for the Year

	For the Year Ended December 31	
	2013	**2012**
Net income attributable to owners of the Bank	$ 3,061,270	$ 2,550,765
Effect of dilutive potential ordinary shares		
Interest and valuation on Euro convertible bonds	106,215	-
Net income used in the computation of diluted EPS	$ 3,167,485	$ 2,550,765

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2013	2012
Weighted average number of ordinary shares in the computation of basic EPS	2,355,713	2,344,683
Effect of dilutive potential ordinary shares		
Euro convertible bonds	279,897	-
Employees' bonus	14,299	14,200
Weighted average number of ordinary shares used in the computation of diluted EPS	2,649,909	2,358,883

The weighted average number of ordinary shares outstanding for EPS calculation was retroactively adjusted for the issuance of stock dividends. The basic and diluted after-tax EPS were adjusted retrospectively as follows:

	For the Year Ended December 31, 2012	
	After Adjustment	Before Adjustment
Basic EPS	$ 1.09	$ 1.14
Diluted EPS	$ 1.08	$ 1.13

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.

40. 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
Yuan Ding Investment Co.	Chairman is the vice-chairman of the Bank

(Continued)

Related Party	Relationship with the Bank and Its Subsidiaries
Bai Yang Investment Co.	Director of the Board is the vice-chairman of the Bank
Dah Chung Bills Finance Corp.	Equity-method investee
Far Eastern International Leasing Corp. (FEIL)	Chairman of FEIL's major shareholder is the vice-chairman of the Bank
U-Ming Marine Transport (Singapore) Private, Ltd	Chairman of parent company 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
Others	The Bank's supervisors, managers, chairman, vice-chairman, or their second-degree relatives

(Concluded)

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	Highest Balance in Current Year	Ending Balance	Interest Income	Interest Rates
Dah Chung Bills Finance Corp.				
For the year ended December 31				
2013	$ 1,200,000	$ 700,000	$ 871	0.39%-0.44%
2012	$ 1,275,000	$ 570,000	$ 2,999	0.41%-0.72%

b. Loans

Category	Related Party	Highest Balance in Current Year	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Transactions Terms Different from Those for Unrelated Parties
For the year ended December 31, 2013							
Consumer loans	Three individuals	$ 1,332	$ 1,012	$ 1,012	$ -	Unsecured loan	Note
Loans for residential mortgage	Thirteen individuals	90,502	79,936	79,936	-	Real estate	Note
Others	Yuan Long Stainless Steel Co., Ltd.	1,845,000	1,845,000	1,845,000	-	Real estate and machinery	Note
	Far Eastern International Leasing Corp.	847,000	650,000	650,000	-	Real estate	Note
	Yuan Ding Co., Ltd.	450,000	120,000	120,000	-	Unquoted stock	Note
	Far Eastern New Century Corp.	616,777	12,220	12,220	-	Machinery	Note
	Asia Cement Corp.	800,000	-	-	-	Listed and OTC stock	Note
	Bai Ding Investment Co.	500,000	-	-	-	Listed, OTC and unquoted stock	Note
	Bai Yang Investment Co.	383,000	-	-	-	Unquoted stock	Note
	Far Eastern Geant Co., Ltd.	200,000	-	-	-	Real estate	Note
	Yuan Ding Investment Co.	200,000	-	-	-	Unquoted stock	Note
	U-Ming Marine Transport Corp.	200,000	-	-	-	Listed stock	Note
	Everest Textile Co., Ltd.	194,305	-	-	-	Real estate	Note
			$ 2,708,168	$ 2,708,168	$ -		

(Continued)

Category	Related Party	Highest Balance in Current Year	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Transactions Terms Different from Those for Unrelated Parties
For the 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	$ -		

(Concluded)

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

	Interest Rate	Interest Income
For the year ended December 31		
2013	1.08%-2.38%	$ 41,468
2012	1.10%-2.38%	$ 42,118

c. Guarantees

Related Party	Highest Balance in Current Year	Ending Balance	Reserve for Guarantee Obligations	Interest Rate	Collateral
For the year ended December 31, 2013					
Ding Ding Hotel Co., Ltd.	$ 43,000	$ 38,000	$ 190	0.50%	Certificates of deposit
Yuan Long Stainless Steel Co., Ltd.	60,000	30,000	150	0.60%	Real estate and machinery
Everest Textile Co., Ltd.	311,676	12,514	63	0.75%	Real estate
Yuan Ding Co., Ltd.	11,000	11,000	55	0.50%	Unquoted stock
Far Eastern City Super Co., Ltd.	3,000	3,000	15	0.60%	Certificates of deposit
		$ 94,514	$ 473		
For the 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		

d. Letters of credit issued

	December 31, 2013	December 31, 2012	January 1, 2012
Everest Textile Co., Ltd.	$ 70,934	$ 3,864	$ -
Asia Cement Corp.	-	7,118	-
	$ 70,934	$ 10,982	$ -

e. Security transactions - buy and sell

	Held for Trading		Available-for-sale		Short Sales		Resale Agreement - Bonds	Repurchase Agreement - Bonds
	Buy	Sell	Buy	Sell	Buy	Sell		
Dah Chung Bills Finance Corp.								
For the year ended December 31								
2013	$ 2,050,000	$ 1,350,000	$ 50,000	$ -	$ 100,000	$ 200,000	$ 123,751,482	$ 349,828
2012	$ 500,000	$ 550,000	$ 100,000	$ -	$ 350,000	$ 250,000	$ 26,344,141	$ 50,065

f. Derivative financial instruments

Related Party	Derivative financial Instrument	Contract Period	Nominal Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
For the year ended December 31, 2013						
Asia Cement Corp.	Cross-currency swap contracts	2011.03.28 - 2016.05.10	$ 9,134,750	$ 119,911	Financial assets at fair value through profit or loss	$ 14,056
					Financial liabilities at fair value through profit or loss	99,748
U-Ming Marine Transport Corp.	Cross-currency swap contracts	2013.04.26 - 2014.11.07	6,648,900	15,922	Financial assets at fair value through profit or loss	4,870
					Financial liabilities at fair value through profit or loss	41,453
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.10.25 - 2022.10.25	969,631	(957)	Financial liabilities at fair value through profit or loss	987
Far Eastern New Century Corp.	Forward exchange contracts	2013.11.04 - 2014.04.07	787,683	(4,509)	Financial assets at fair value through profit or loss	7,446
					Financial liabilities at fair value through profit or loss	12,083
Dah Chung Bills Finance Corp.	Convertible bond asset swap contracts	2011.01.04 - 2016.12.20	348,000	1,316	Financial assets at fair value through profit or loss	45
					Financial liabilities at fair value through profit or loss	872
New Century InfoComm Tech Co., Ltd.	Foreign-currency swap contracts	2013.12.25 - 2014.01.10	149,750	(1,485)	Financial liabilities at fair value through profit or loss	500
For the year ended December 31, 2012						
U-Ming Marine Transport Corp.	Cross-currency swap contracts	2012.04.09 - 2013.11.08	8,624,256	23,701	Financial assets at fair value through profit or loss	134,699
Asia Cement Corp.	Cross-currency swap contracts	2011.03.28 - 2014.01.23	8,012,400	(3,665)	Financial assets at fair value through profit or loss	16,747
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.10.25 - 2022.10.25	943,278	(30)	Financial liabilities at fair value through profit or loss	30
Far Eastern New Century Corp.	Forward exchange contracts	2012.12.06 - 2013.01.30	164,439	(1,369)	Financial assets at fair value through profit or loss	904
					Financial liabilities at fair value through profit or loss	1,031
Dah Chung Bills Finance Corp.	Convertible bond asset swap contracts	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
New Century InfoComm Tech Co., Ltd.	Foreign-currency swap contracts	2012.12.17 - 2013.01.08	874,080	222	Financial assets at fair value through profit or loss	985

g. Deposits

	December 31, 2013		December 31, 2012	
	Amount	Interest Rate	Amount	Interest Rate
Deposits of related parties (each account balance did not exceed 5% of total deposits)	$ 33,539,756	0%-6.36%	$ 35,424,892	0%-6.37%

	For the Year Ended December 31	
	2013	2012
Interest expense	$ 381,459	$ 460,404

h. Operating expenses

	For the Years Ended December 31			
	2013		2012	
	Amount	% to Total	Amount	% to Total
Rental - Yuan Ding Co., Ltd.	$ 62,054	1	$ 75,403	2
Telecommunications - New Century InfoComm Tech Co., Ltd.	45,805	1	48,873	1
Advertising expense - Ding Ding Integrated Marketing Service Co.	196,307	3	137,139	2
Advertising expense - Far Eastern Department Store Corp.	37,955	1	67,988	1
Advertising expense - Ding Ding Hotel Co., Ltd.	16,930	-	11,701	-
	$ 359,051	6	$ 341,104	6

The Bank rented part of their office premises from Yuan Ding Co., Ltd. Based on the lease agreements, the rents were payable monthly.

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 key management personnel

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 140,313	$ 124,974
Post-employment benefits	2,085	1,754
	$ 142,398	$ 126,728

The compensation of key management personnel was determined by reference to a comprehensive consideration of the market level of payments in banking industry, personal performance, the Bank's long-term operating performance and future operational risk, etc. The remuneration committee evaluated the reasonableness of the compensation of management, and made recommendations to the Board of Directors.

41. PLEDGED ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Due from the Central Bank and other banks - certificates of deposit	$ 4,000,000	$ 3,000,000	$ 2,500,000
Available-for-sale financial assets - government bonds	2,625,000	2,647,600	671,100
	$ 6,625,000	$ 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 of collateral may vary at any time. The terms of 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.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in Note 46, the Bank and its subsidiaries' contingency liabilities and commitments resulting from operating activities as of December 31, 2013, December 31, 2012 and January 1, 2012 are summarized as follows:

a. Operating leases

The maturity analysis of rental payments under non-cancellable operating leases was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Within one year	$ 341,143	$ 308,276	$ 333,389
After one year but within five years	611,766	621,932	799,907
After five years	106,588	119,872	66,678
	$ 1,059,497	$ 1,050,080	$ 1,199,974

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

Balance Sheets of Trust Accounts

	December 31 2013	December 31 2012
Assets		
Deposits in banks	$ 6,906,582	$ 4,022,155
Accounts receivable	11,372	2,217
Prepayment	3,714	15,841
Funds	40,020,561	38,729,267
Common stocks	5,465,302	4,662,675
Real estate, net	395,188	274,663
Marketable securities in custody	2,543,801	2,159,304
Others	307,364	207,256
Total	$ 55,653,884	$ 50,073,378
Liabilities		
Payables	$ 2,696	$ 2,088
Income tax payable	134	134
Marketable securities in custody payable	2,543,801	2,159,304
Trust capital	51,669,151	47,335,993
Reserve and earnings	1,438,102	575,859
Total	$ 55,653,884	$ 50,073,378

Income Statements of Trust Accounts

	For the Year Ended December 31 2013	For the Year Ended December 31 2012
Trust revenue		
Interest	$ 36,572	$ 26,105
Cash dividends	1,404,805	1,163,338
Realized investment gain	112,495	-
Unrealized investment gain	598,885	-
Revenue from stock lending	2,875	2,978
Others	2,789	-
	2,158,421	1,192,421
Trust expenses		
Management	35,095	27,065
Supervision	309	314
Service charges	4,607	563
Taxes	507	333
Service fee for stock affairs	48	50
Service fee for stock lending	15	15
Realized investment loss	-	518,791
Unrealized investment loss	-	257,732
	40,581	804,863
Income before tax	2,117,840	387,558
Income tax	11,283	1,979
Net income	$ 2,106,557	$ 385,579

Trust Asset Lists

	December 31 2013	December 31 2012
Deposits in banks	$ 6,906,582	$ 4,022,155
Accounts receivable	11,372	2,217
Prepayment	3,714	15,841
Funds	40,020,561	38,729,267
Common stocks	5,465,302	4,662,675
Real estate, net		
Land	219,799	122,832
Building	43,728	20,170
Construction in progress	131,661	131,661
Marketable securities in custody	2,543,801	2,159,304
Others	307,364	207,256
Total	$ 55,653,884	$ 50,073,378

As of December 31, 2013 and 2012, funds amounting to NT$889,572 thousand and NT$726,776 thousand, respectively, had been recognized in the OBU's books as investments in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

43. SIGNIFICANT LOSSES FROM DISASTER

None.

44. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2013			December 31, 2012			January 1, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets									
Monetary items									
USD	$ 1,409,192	29.95	$ 42,205,172	$ 1,270,092	29.136	$ 37,005,170	$ 1,396,842	30.29	$ 42,310,685
HKD	1,363,522	3.862	5,265,919	2,153,765	3.759	8,096,003	1,477,083	3.899	5,759,147
CNY	279,670	4.948	1,383,805	226,826	4.678	1,061,095	282,881	4.812	1,361,223
EUR	15,664	41.28	646,599	16,212	38.61	625,936	20,954	39.20	821,408
JPY	1,774,757	0.2852	506,161	1,583,772	0.3375	534,523	2,745,405	0.3904	1,071,806
AUD	17,041	26.71	455,165	42,597	30.27	1,289,420	61,625	30.75	1,894,955
SGD	10,973	23.68	259,842	783	23.83	18,659	318	23.31	7,409
Non-monetary items									
USD	-	-	-	-	-	-	4,109	30.29	124,465
Financial liabilities									
Monetary items									
USD	1,851,006	29.95	55,437,580	1,721,852	29.136	50,167,884	1,486,017	30.29	45,011,451
AUD	77,398	26.71	2,067,309	67,537	30.27	2,044,353	62,694	30.75	1,927,846
CNY	335,990	4.948	1,662,476	477,941	4.678	2,235,810	437,493	4.812	2,105,217
HKD	401,518	3.862	1,550,663	679,135	3.759	2,552,870	711,700	3.899	2,774,919
JPY	4,809,643	0.2852	1,371,710	5,527,286	0.3375	1,865,459	4,473,755	0.3904	1,746,554
EUR	21,196	41.28	874,976	24,726	38.61	954,664	40,225	39.20	1,576,810
GBP	4,307	49.54	213,353	5,013	46.95	235,339	8,872	46.74	414,673
NZD	8,134	24.60	200,102	8,795	23.94	210,541	14,786	23.41	346,135
CAD	5,520	28.14	155,319	2,567	29.30	75,222	4,445	29.66	131,842
CHF	2,031	33.68	68,395	205	31.94	6,556	80	32.22	2,579
SGD	674	23.68	15,950	722	23.83	17,203	28,188	23.31	657,067

45. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In January 2014, the Bank issued Global Depository Receipts (GDRs) for a capital increase. The price of GDR per unit was US$7.4, equivalent to NT$11.25 per share. For the issuance of 18,250,000 units of GDR, the total capital increase by cash consisted of 365,000 thousand common shares, representing 20 common shares per GDR unit. The Bank received all the proceeds of GDR issuance on January 28, 2014.

46. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31, 2013	
	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents	$ 4,397,645	$ 4,397,645
Due from the Central Bank and other banks	88,827,255	88,827,255
Financial assets at fair value through profit or loss	18,795,444	18,795,444
Derivative financial assets for hedging	111,034	111,034
Securities purchased under resale agreements	23,006,325	23,006,325
Receivables, net	20,672,272	20,672,272
Discounts and loans, net	292,517,032	292,517,032
Available-for-sale financial assets	21,735,693	21,735,693
Held-to-maturity financial assets	3,105,972	3,122,487
Debt investments with no active market	8,477,868	8,477,868
Financial assets measured at cost	101,379	101,379
Other financial assets, net	2,647,143	2,647,126
Financial liabilities		
Due to the Central Bank and other banks	13,782,129	13,782,129
Financial liabilities at fair value through profit or loss	7,288,065	7,288,065
Derivative financial liabilities for hedging	12,631	12,631
Payables	13,502,992	13,502,992
Deposits and remittances	398,305,940	398,305,940
Bank debentures (applying hedge accounting)	4,698,403	4,698,403
Bank debentures (not applying hedge accounting)	22,405,482	22,405,482
Other financial liabilities	2,060,491	2,060,491

	December 31, 2012	
	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents	$ 5,596,551	$ 5,596,551
Due from the Central Bank and other banks	82,818,608	82,818,608
Financial assets at fair value through profit or loss	16,110,835	16,110,835
Derivative financial assets for hedging	180,242	180,242
Securities purchased under resale agreements	23,741,992	23,741,992
Receivables, net	20,781,182	20,781,182

(Continued)

	December 31, 2012	
	Carrying Amount	Fair Value
Discounts and loans, net	$ 280,219,426	$ 280,219,426
Available-for-sale financial assets	11,865,864	11,865,864
Held-to-maturity financial assets	2,224,301	2,235,526
Debt investments with no active market	10,713,828	10,713,828
Financial assets measured at cost	101,379	101,379
Other financial assets, net	2,958,132	2,958,163
Financial liabilities		
Due to the Central Bank and other banks	11,674,958	11,674,958
Financial liabilities at fair value through profit or loss	3,745,032	3,745,032
Derivative financial liabilities for hedging	12,819	12,819
Payables	5,560,371	5,560,371
Deposits and remittances	391,933,266	391,933,266
Bank debentures (applying hedge accounting)	4,767,423	4,767,423
Bank debentures (not applying hedge accounting)	18,304,700	18,304,700
Other financial liabilities	1,908,070	1,908,070

(Concluded)

	January 1, 2012	
	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents	$ 6,002,314	$ 6,002,314
Due from the Central Bank and other banks	86,739,190	86,739,190
Financial assets at fair value through profit or loss	13,806,866	13,806,866
Derivative financial assets for hedging	252,233	252,233
Securities purchased under resale agreements	850,505	850,505
Receivables, net	21,950,813	21,950,813
Discounts and loans, net	269,460,381	269,460,381
Available-for-sale financial assets	14,945,412	14,945,412
Held-to-maturity financial assets	3,927,905	3,871,314
Debt investments with no active market	9,293,780	9,293,780
Financial assets measured at cost	103,846	103,846
Other financial assets, net	2,530,904	2,530,909
Financial liabilities		
Due to the Central Bank and other banks	11,785,731	11,785,731
Financial liabilities at fair value through profit or loss	4,384,840	4,384,840
Derivative financial liabilities for hedging	13,093	13,093
Payables	4,495,320	4,495,320
Deposits and remittances	369,998,562	369,998,562
Bank debentures (applying hedge accounting)	4,839,140	4,839,140
Bank debentures (not applying hedge accounting)	15,391,140	15,391,140
Other financial liabilities	2,211,286	2,211,286

b. Methods and assumptions used to estimate the fair values of financial instruments are 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, net; due to the Central Bank and other banks; payables; and securities sold under repurchase agreements.

2) The fair values of financial instruments at fair value through profit or loss, derivative financial instruments for hedging, available-for-sale financial assets and held-to-maturity financial assets 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 principal of structured notes are interest-earning assets or interest-bearing liabilities. Their carrying amounts approximate their fair values. The fair values of nonaccrual loans and acquired receivables are based on their carrying amounts, net of allowance for possible losses.

4) Financial assets measured at cost are investments in stocks with no quoted prices in an active market. Thus, no fair value of these assets is presented.

5) Financial assets and liabilities other than those listed above are valued by using their estimated future cash flows as their carrying amounts. Thus, the carrying amounts of these assets and liabilities represent their fair value.

c. The definition of three levels of financial instruments at fair value

1) Level 1 inputs are observable inputs that reflect quoted prices for identical financial instruments in an active market. A market is active if it has these characteristics: Products traded in the market are homogeneous; willing buyers and sellers can be found immediately and the price information is publicly available. Listed and OTC stocks, beneficiary certificates, central government bonds, domestic convertible bonds, foreign bank debentures and derivative instruments with quoted prices in active markets are categorized into Level 1.

2) Level 2 inputs are observable inputs other than quoted prices for identical assets or liabilities in active markets, including direct inputs (such as market prices) or indirect inputs (such as prices derived from market prices). Commercial paper, negotiable certificates of deposit, foreign convertible bonds and most derivative instruments at fair value are categorized into Level 2.

3) Level 3 inputs are unobservable items such as inputs derived through extrapolation or interpolation and thus cannot be corroborated by observable market data. Some derivative instruments are categorized into Level 3.

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

Financial Instruments	December 31, 2013 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	$ 1,617,257	$ 1,617,257	$ -	$ -
Listed and OTC stocks	332,666	332,666	-	-
Beneficiary certificates	149,162	149,162	-	-
Financial assets designated as at fair value through profit or loss				
Convertible bonds	12,039,304	12,030,369	8,935	-
Available-for-sale				
Government bonds	13,619,393	13,619,393	-	-
Commercial paper	5,045,261	-	5,045,261	-
Foreign bank debentures	1,243,923	1,243,923	-	-
Listed and OTC stocks	1,109,537	1,109,537	-	-
Negotiable certificate of deposits	717,579	-	717,579	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading	4,657,055	-	4,571,329	85,726
Derivative instruments held for hedging	111,034	-	111,034	-
Liabilities				
Financial liabilities at fair value through profit or loss	(7,288,065)	-	(6,831,718)	(456,347)
Derivative instruments held for hedging	(12,631)	-	(12,631)	-
Total	$ 33,341,475	$ 30,102,307	$ 3,609,789	$ (370,621)

Financial Instruments	December 31, 2012 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				
Convertible bonds	11,679,558	11,658,981	20,577	-
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	-

(Continued)

Financial Instruments	December 31, 2012 Total	Level 1	Level 2	Level 3
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading	$ 2,858,445	$ -	$ 2,680,152	$ 178,293
Derivative instruments held for hedging	180,242	-	180,242	-
Liabilities				
Financial liabilities at fair value through profit or loss	(3,745,032)	-	(3,677,723)	(67,309)
Derivative instruments held for hedging	(12,819)	-	(12,819)	-
Total	$ 24,399,090	$ 24,395,240	$ (107,134)	$ 110,984

(Concluded)

Financial Instruments	January 1, 2012 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				
Convertible bonds	10,656,510	10,648,263	8,247	-
Available-for-sale				
Government bonds	14,044,274	14,044,274	-	-
Listed and OTC stocks	901,138	901,138	-	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Short sale of bonds payable	(953,357)	(953,357)	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading	1,333,518	-	1,285,421	48,097
Derivative instruments held for hedging	252,233	-	252,233	-
Liabilities				
Financial liabilities at fair value through profit or loss	(3,431,483)	-	(3,324,114)	(107,369)
Derivative instruments held for hedging	(13,093)	-	(13,093)	-
Total	$ 24,606,578	$ 26,457,156	$ (1,791,306)	$ (59,272)

Movement of Level 3 financial assets:

December 31, 2013

Item	Beginning Balance	Valuation	Increase in the Current Period: Purchase or Issue	Increase in the Current Period: Transfer-in	Decrease in the Current Period: Sale, Disposition or Settlement	Decrease in the Current Period: Transfer-out from Level 3	Ending Balance
Financial assets at fair value through profit or loss Held for trading - derivative financial instruments	$ 178,293	$ (92,567)	$ -	$ -	$ -	$ -	$ 85,726

December 31, 2012

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

Movement of Level 3 financial liabilities:

December 31, 2013

Item	Beginning Balance	Valuation	Increase in the Current Period: Purchase or Issue	Increase in the Current Period: Transfer-in	Decrease in the Current Period: Sale, Disposition or Settlement	Decrease in the Current Period: Transfer-out from Level 3	Ending Balance
Financial liabilities at fair value through profit or loss Derivative financial instruments	$ 67,309	$ (44,299)	$ 433,337	$ -	$ -	$ -	$ 456,347

December 31, 2012

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

e. Transfers between Level 1 and Level 2

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2013 and 2012.

f. The sensitivity analysis of reasonably possible alternative assumptions for fair value measurements categorized within Level 3

The Bank's fair value measurement of the financial instruments is reasonable; nevertheless, changes in the fair value measurement parameters may result in different measurement results. Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact on the profit or loss for the year would have been as follows:

Item	Impact on Gains and Losses	
	December 31, 2013	
	Favorable	Unfavorable
Assets		
Financial assets at fair value through profit or loss		
Held for trading - derivative financial instruments	$ 1,557	$ (1,557)
Liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	1,953	(2,402)

Item	Impact on Gains and Losses	
	December 31, 2012	
	Favorable	Unfavorable
Assets		
Financial assets at fair value through profit or loss		
Held for trading - derivative financial instruments	$ 3,770	$ (3,770)
Liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	996	(996)

Item	Impact on Gains and Losses	
	January 1, 2012	
	Favorable	Unfavorable
Assets		
Financial assets at fair value through profit or loss		
Held for trading - derivative financial instruments	$ 910	$ (889)
Liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	1,654	(1,732)

The favorable and unfavorable movement refers to the fluctuation of fair values, which is calculated on the basis of valuation techniques involving the use of input parameters. However, the table above does not reflect the correlation between input parameters and their volatility.

47. FINANCIAL RISK MANAGEMENT

a. Overview

The Bank's risk management policy is to form a risk management-oriented culture, and to use both qualitative and quantitative indexes from internal and external risk management regulations as operating strategies.

The Bank has set up an independent risk control department to implement and monitor risk management policies.

The Bank's risk management policies are established to identify and measure the risks faced by the Bank, to set appropriate risk limits and controls, to monitor risks and adherence to limits, and to achieve the target profit.

b. Risk management framework

The Board of Directors, the highest decision department of the Bank, has overall responsibility for the establishment and oversight of the Bank's risk management framework.

Asset and Liability Management Committee and Risk Management Committee have been formed to examine and manage the Bank's risks, to assess the execution of risk management and to evaluate risk tolerance. The general manager is the convener, and is responsible for appointing members of committees.

Furthermore, the Bank has an independent Risk Management Department comprising of corporate banking and consumer banking groups which directly manage credit extension risks with regard to their respective areas: corporate banking, financial markets, individual banking, consumer banking and credit card business groups. For integrated risk management, each business unit of the Bank is required to present, first, to the Risk Management Department for review and then to the Bank's top management for approval, all the related documents, including the credit extension principles and procedures, new product development, levels and degree of authorization, etc.

The Internal Audit Department undertakes regular reviews of risk management controls and procedures, including risk management framework, operating procedures of risk management, and provides timely suggestion and improvement.

c. Credit risk

1) Definition and scope of credit risk

Credit risk is the risk of financial loss to the Bank if a borrower, issuer or counterparty to a financial instrument fails to meet its contractual obligations due to its credit deterioration or other factors, such as a dispute between the borrower and its counterparty.

Credit risk includes all risks derived from on- and off-balance sheet business, and all credit risk related to products, businesses and positions.

2) Management policies on credit risk

The Bank shall identify risk factors and consider appropriate risk evaluation and control process prior to taking the existing or new business. For all credit risks identified on- and off-balance sheet, adequate credit limits are set based on the same borrower, counterparty, related party, group, or industry. The Bank shall establish review mechanism to track and assess changes in each borrower's or issuer's financial position; regularly assess and manage asset quality, also strengthen the management of unusual borrowers and make appropriate allowance for possible losses if applicable.

The credit risk management processes and valuation methods for credit extension (including loan commitments and guarantees) are as follows:

a) Classification of credit assets

Credit assets are grouped into 5 different categories according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans." Normal credit assets shall be classified as "Category One", the remaining credit assets shall be further classified based on the collateral for loans and past due status as follows: Category Two- Special Mention loans; Category Three- Substandard; Category Four- Doubtful, and Category Five -Unrecoverable. Moreover, the Bank establishes internal requirements, such as the "Principles Governing the Procedures to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans," to manage problematic credit extension and credit collection and management.

b) Credit quality

<u>Discounts and loans and receivables</u>

The Bank sets credit quality grades according to product features, business types, operating conditions, collaterals and credit rating. Credit risk from corporate banking is categorized according to the business types, collaterals, credit rating and financial position of borrowers; credit risk from consumer banking is assessed on a case-by-case basis, except for unsecured loans and credit card products, which are assessed by internal credit rating models.

<u>Interbank facilities, derivative financial instruments and investments in debt instruments</u>

Total trading limits are determined each year by reference to financial institutions' operating results, credit rating, rating on THE BANKER, net worth and background of shareholders, with summaries submitted to the Credit Committee, and to the Managing Directors for approval. In the month following the end of each quarter, reports on transaction limits for each financial institution and the quarterly balance are submitted to Credit Committee, and then to the general manager for approval.

Derivative financial instruments transactions entered into counterparties from banking sectors are those categorized as investment grade, and they are controlled using relevant transaction limits for each counterparty. For individual counterparty, its credit exposure is controlled using the limits placed on derivative instruments by both amounts and terms in the general credit approval process.

Credit risk for debt instruments is carried out by identifying the risk using the credit rating received external institutions, credit quality, geographic situations and counterparty credit risk.

3) Credit risk hedging and mitigation policies

a) To effectively reduce credit risk, terms of credit facilities are determined in the light of assessments of probability and amounts of default, collateral and guarantees are obtained, including bank deposit receipts, securities (such as treasury securities, government bonds, bank debentures, stocks and bonds guaranteed by financial institutions) and real estate such as land and buildings. Listed and OTC stocks are marked to market day to day, and changes in the value of their collaterals are monitored all the time; values of land and buildings are examined every time the contract is renewed.

Under the Bank's "Principles for Acceptance and Disposal of Collaterals," the Bank requires collaterals for nonperforming loans. For any loss on a nonperforming loan, the Bank will auction the collateral. If the minimum auction price of the collateral is too low and detrimental to the Bank's interests, i.e., the loan principal and interest cannot be covered, the Bank will actively seek buyers of the collateral. If the collateral is real estate, the Bank should dispose of it within the period prescribed under the Banking Law.

According to the Bank's "Principles for Acceptance and Disposal of Collaterals," collateral of nonperforming loans secured through compulsory enforcement or participating distribution, if the minimum auction price or liquidation price of the collateral is too low and damage the Bank's credit right, the Bank will participate in the auction or declare to undertake, for example, the minimum auction price is too low to compensate the principal and interest of loans but the collateral is not difficult to dispose in the future. For collaterals tender or undertaken, the Bank should actively seek buyers, and if the collateral is real estate, the Bank should dispose of it within the period prescribed under the Banking Law.

b) Reduce loans to non-target customers to mitigate credit risk.

c) Understand, control and monitor risks on a timely basis via credit limits prior to the credit being committed to customers, restrictive clauses in contracts, loans management, review mechanism to view changes of each case. Understand credit portfolios and overall credit risks the use of periodic reports and feedbacks.

d) Netting arrangement

Most of the Bank's transactions are settled on a gross basis; however, it sometimes enters into transactions to settle on a net basis, or enters into netting arrangements to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis to further reduce its credit risk.

4) Monitor maximum credit exposure on on-balance sheet assets and off-balance sheet items

For on-balance sheet assets, the carrying amounts represent the Bank's maximum exposure to credit risk, without taking into account the collaterals held or other credit enhancements. For off-balance sheet commitments and guarantees, their amounts represent the maximum exposure to credit risk, without taking into account the collaterals held or other credit enhancements. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the commitment facilities. The off-balance sheet commitments were as follows:

The carrying amount represents the Bank's maximum exposure to credit risk of the on-balance sheet assets, without taking into account of the collaterals held or other credit enhancements. The amounts of the maximum credit exposures of the off-balance commitments and guarantees, without taking into account the collaterals held, other credit enhancements or maximum irrevocable exposure were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Unused portion of credit card lines	$ 149,696,272	$ 149,717,675	$ 133,113,662
Financial guarantees and standby L/Cs	13,386,770	12,389,045	10,031,345
Irrevocable loan commitments	10,906,749	9,681,305	7,351,171

5) Monitor concentrations of credit risk

The concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaging in similar business activities and having similar economic features. The similarity would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank's concentrations of credit risk by industry, geography and type of collaterals were as follows:

a) By industry

The Bank's loans had no significant concentration risk of the Bank's loans in a single customer or counterparty, but there were some risks in relation to specific industries, as follows:

Credit Risk Profile by Industry Sector	December 31, 2013	December 31, 2012	January 1, 2012
Manufacturing	$ 37,669,346	$ 41,015,594	$ 44,012,107
Finance and insurance	24,137,512	28,376,562	32,456,609
Transportation and warehousing	13,097,447	13,434,668	14,229,779
	$ 74,904,305	$ 82,826,824	$ 90,698,495

b) By geography

The main businesses and customers of the Bank are in Taiwan; therefore, there is no significant geographic concentration risk.

c) By type of collaterals

	December 31, 2013		December 31, 2012		January 1, 2012	
Type of Collaterals	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Unsecured	$ 87,963,079	30	$ 89,237,277	31	$ 91,201,331	33
Secured						
Real estate	152,903,889	51	146,103,263	52	137,796,356	50
Movable property	35,848,045	12	26,453,020	9	21,125,139	8
Financial collateral	14,076,860	5	15,599,652	6	18,683,902	7
Others	5,988,639	2	6,408,220	2	5,427,388	2
	$ 296,780,512	100	$ 283,801,432	100	$ 274,234,116	100

6) Continually assess the assets held for credit quality and any impairment

Some of the financial assets held by the Bank and its subsidiaries, such as cash and cash equivalents, due from the central bank and other banks, financial assets at fair value through profit or loss, securities purchased under resale agreements, refundable deposits and operating deposits, are assessed with low credit risk due to the good credit rating of their counterparties.

An analysis of credit quality of financial assets other than those listed above is shown below:

a) Credit quality analysis of discounts and loans and receivables

December 31, 2013	Neither Past due Nor Impaired Amount					Past due but not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Possible Losses (D)		Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Special Mention	Subtotal (A)				With Objective Evidence of Individual Impairment	Without Objective Evidence of Individual Impairment	
Discounts and loans	$ 164,846,308	$ 75,058,919	$ 46,686,348	$ 307,963	$ 286,899,538	$ 4,771,292	$ 5,109,682	$ 296,780,512	$ 2,740,826	$ 1,522,654	$ 292,517,032
Receivables											
Credit card	5,644,156	2,265,984	4,972,301	44,201	12,926,642	324,389	2,348,091	15,599,122	557,024	73,507	14,968,591
Others	62,826	399,878	2,082,467	-	2,545,171	-	490,361	3,035,532	429,640	16,879	2,589,013

December 31, 2012	Neither Past due Nor Impaired Amount					Past due but not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Possible Losses (D)		Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Special Mention	Subtotal (A)				With Objective Evidence of Individual Impairment	Without Objective Evidence of Individual Impairment	
Discounts and loans	$ 162,132,274	$ 75,445,980	$ 36,652,230	$ 226,827	$ 274,457,311	$ 2,925,143	$ 6,418,978	$ 283,801,432	$ 2,167,815	$ 1,414,191	$ 280,219,426
Receivables											
Credit card	4,812,165	1,994,985	4,761,431	59,368	11,627,949	1,018,057	2,767,664	15,413,670	601,627	108,439	14,703,604
Others	704,870	388,220	2,241,245	-	3,334,335	-	498,011	3,832,346	426,386	16,022	3,389,938

January 1, 2012	Neither Past due Nor Impaired Amount					Past due but not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Possible Losses (D)		Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Special Mention	Subtotal (A)				With Objective Evidence of Individual Impairment	Without Objective Evidence of Individual Impairment	
Discounts and loans	$ 155,317,979	$ 70,397,282	$ 38,392,151	$ 132,076	$ 264,239,488	$ 2,662,532	$ 7,332,096	$ 274,234,116	$ 3,823,319	$ 950,416	$ 269,460,381
Receivables											
Credit card	4,804,794	2,034,691	4,933,859	85,350	11,858,694	335,240	3,336,154	15,530,088	547,807	226,528	14,755,753
Others	788,192	526,463	2,429,678	-	3,744,333	-	507,032	4,251,365	426,594	18,820	3,805,951

b) An analysis of credit quality of discounts and loans neither past due nor impaired by business types

December 31, 2013	Neither Past due Nor Impaired				
	Excellent	Good	Moderate	Special Mention	Total
Corporate banking					
Secured	$ 16,542,953	$ 12,613,104	$ 2,044,019	$ 4,858	$ 31,204,934
Unsecured	27,873,775	19,838,900	36,050,272	144,100	83,907,047
Consumer banking					
Housing mortgage	115,620,847	11,907,560	4,276,978	-	131,805,385
Credit loans	3,711,359	5,706,391	2,002,374	159,005	11,579,129
Others	1,097,374	24,992,964	2,312,705	-	28,403,043
Total	$ 164,846,308	$ 75,058,919	$ 46,686,348	$ 307,963	$ 286,899,538

December 31, 2012	Neither Past due Nor Impaired				
	Excellent	Good	Moderate	Special Mention	Total
Corporate banking					
Secured	$ 16,654,306	$ 13,335,427	$ 2,080,020	$ 661	$ 32,070,414
Unsecured	29,627,570	28,246,993	26,584,640	147,320	84,606,523
Consumer banking					
Housing mortgage	111,516,500	10,688,334	4,064,897	-	126,269,731
Credit loans	3,521,335	4,863,959	1,868,261	78,846	10,332,401
Others	812,563	18,311,267	2,054,412	-	21,178,242
Total	$ 162,132,274	$ 75,445,980	$ 36,652,230	$ 226,827	$ 274,457,311

January 1, 2012	Neither Past due Nor Impaired				
	Excellent	Good	Moderate	Special Mention	Total
Corporate banking					
Secured	$ 16,664,474	$ 12,515,380	$ 3,016,360	$ -	$ 32,196,214
Unsecured	28,920,785	32,899,496	27,462,695	-	89,282,976
Consumer banking				-	
Housing mortgage	105,880,837	10,145,112	3,970,087		119,996,036
Credit loans	2,988,199	3,914,833	1,700,138	132,076	8,735,246
Others	863,684	10,922,461	2,242,871	-	14,029,016
Total	$ 155,317,979	$ 70,397,282	$ 38,392,151	$ 132,076	$ 264,239,488

c) Loans and receivables past due but not impaired

Financial assets past due 90 days or less are not considered impaired unless there is objective evidence that an impairment loss has been incurred. Financial assets might become past due but not impaired by reasons of borrowers' late processing or other administrative delays.

The aging analysis of loans and receivables past due but not impaired was as follows:

Items	December 31, 2013		
	Past Due Up to 1 Month	Past Due Over 1 Month to 3 Months	Total
Discounts and loans			
Corporate banking	$ 11,340	$ 744	$ 12,084
Consumer banking			
Housing mortgage	2,286,657	201,609	2,488,266
Credit loans	420,598	71,088	491,686
Others	1,731,328	47,928	1,779,256
Receivables			
Credit card	269,231	55,158	324,389

Items	December 31, 2012		
	Past Due Up to 1 Month	Past Due Over 1 Month to 3 Months	Total
Discounts and loans			
Corporate banking	$ 13,460	$ -	$ 13,460
Consumer banking			
Housing mortgage	1,532,987	226,531	1,759,518
Credit loans	270,212	61,670	331,882
Others	758,548	61,735	820,283
Receivables			
Credit card	960,036	58,021	1,018,057

Items	January 1, 2012		
	Past Due Up to 1 Month	Past Due Over 1 Month to 3 Months	Total
Discounts and loans			
Corporate banking	$ 4,762	$ 80	$ 4,842
Consumer banking			
Housing mortgage	1,516,399	236,659	1,753,058
Credit loans	229,022	58,589	287,611
Others	572,557	44,464	617,021
Receivables			
Credit card	287,402	47,838	335,240

d) An analysis of credit quality of security investments

December 31, 2013	Neither Past due Nor Impaired					Past due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Possible Losses (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Special Mention	Subtotal (A)					
Available-for-sale financial assets										
Bonds	$ 14,863,316	$ -	$ -	$ -	$ 14,863,316	$ -	$ -	$ 14,863,316	$ -	$ 14,863,316
Commercial paper	-	5,045,261	-	-	5,045,261	-	-	5,045,261	-	5,045,261
Stocks	619,269	490,268	-	-	1,109,537	-	-	1,109,537	-	1,109,537
Negotiable certificates of deposit	-	717,579	-	-	717,579	-	-	717,579	-	717,579
Held-to-maturity financial assets										
Bonds	631,098	1,576,374	-	-	2,207,472	-	-	2,207,472	-	2,207,472
Others	449,250	449,250	-	-	898,500	-	-	898,500	-	898,500
Financial assets measured at cost	-	-	101,379	-	101,379	-	-	101,379	-	101,379
Debt investments with no active market	1,347,750	1,946,750	5,183,368	-	8,477,868	-	149,750	8,627,618	149,750	8,477,868
Total	$ 17,910,683	$ 10,225,482	$ 5,284,747	$ -	$ 33,420,912	$ -	$ 149,750	$ 33,570,662	$ 149,750	$ 33,420,912

December 31, 2012	Neither Past due Nor Impaired					Past due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Possible Losses (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Special Mention	Subtotal (A)					
Available-for-sale financial assets										
Bonds	$ 10,355,436	$ -	$ -	$ -	$ 10,355,436	$ -	$ -	$ 10,355,436	$ -	$ 10,355,436
Stocks	406,003	177,792	224,196	-	807,991	-	-	807,991	-	807,991
Negotiable certificate of deposit	-	452,394	-	-	452,394	-	-	452,394	-	452,394
Commercial paper	-	250,043	-	-	250,043	-	-	250,043	-	250,043
Held-to-maturity financial assets										
Bonds	616,217	1,171,044	-	-	1,787,261	-	-	1,787,261	-	1,787,261
Others	437,040	-	-	-	437,040	-	-	437,040	-	437,040
Financial assets measured at cost	-	-	101,379	-	101,379	-	-	101,379	-	101,379
Debt investments with no active market	4,661,760	3,651,300	2,382,360	-	10,695,420	-	178,975	10,874,395	160,567	10,713,828
Total	$ 16,476,456	$ 5,702,573	$ 2,707,935	$ -	$ 24,886,964	$ -	$ 178,975	$ 25,065,939	$ 160,567	$ 24,905,372

January 1, 2012	Neither Past due Nor Impaired					Past due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Possible Losses (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Special Mention	Subtotal (A)					
Available-for-sale financial assets										
Bonds	$ 14,044,274	$ -	$ -	$ -	$ 14,044,274	$ -	$ -	$ 14,044,274	$ -	$ 14,044,274
Stocks	448,675	238,442	214,021	-	901,138	-	-	901,138	-	901,138
Held-to-maturity financial assets										
Bonds	1,089,159	2,687,296	-	-	3,776,455	-	-	3,776,455	-	3,776,455
Others	-	151,450	-	-	151,450	-	-	151,450	-	151,450
Financial assets measured at cost	-	-	103,846	-	103,846	-	-	103,846	-	103,846
Debt investments with no active market	4,300,514	2,090,010	2,800,210	-	9,190,734	-	328,684	9,519,418	225,638	9,293,780
Total	$ 19,882,622	$ 5,167,198	$ 3,118,077	$ -	$ 28,167,897	$ -	$ 328,684	$ 28,496,581	$ 225,638	$ 28,270,943

d. Liquidity risk

1) Sources and definition of liquidity risk

Liquidity risk is the risk that the Bank is unable to liquidate assets or obtain loans to meet its obligations when they fall due as a result of customer deposits being early withdrawn, deteriorating access to and terms of interbank facilities, deteriorating delinquency by borrowers, or financial instruments not easily liquidated. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfill lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activities, systemic shocks and natural disasters.

2) Risk management policies on liquidity risk

The Bank's liquidity management processes, which are managed by an independent department, include:

a) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;

b) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

c) Monitoring the liquidity ratios of the consolidated balance sheet against internal and regulatory requirements; and

d) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next ten days, one month, two months…, one year and over one year respectively. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Related information is submitted regularly to the Bank's Asset and Liability Management Committee and the Board of Directors.

3) Financial assets held for liquidity risk management purposes

To support payment obligation and contingent funding in a stresses market environment, the Bank holds high-quality highly-liquid interest-earning assets comprising cash and cash equivalent, due from the central bank and other banks, financial assets at fair value through profit or loss, available-for-sale financial assets for which there is an active and liquid market.

4) Maturity analysis of non-derivative financial liabilities

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the date of the consolidated balance sheet.

December 31, 2013	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the Central Bank and other banks	$ 5,276,796	$ 7,606,591	$ 799,742	$ 99,000	$ -	$ 13,782,129
Payables	10,262,206	721,337	293,433	238,774	1,987,242	13,502,992
Deposits and remittances	69,838,851	89,149,107	64,052,879	93,327,672	81,937,431	398,305,940
Bank debentures	4,200	3,000,000	-	-	24,392,500	27,396,700
Other financial liabilities	1,700,252	118,235	27,217	33,014	181,807	2,060,525

December 31, 2012	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the Central Bank and other banks	$ 6,404,392	$ 4,961,049	$ 204,104	$ 104,794	$ 619	$ 11,674,958
Payables	2,501,457	967,341	297,810	387,785	1,405,978	5,560,371
Deposits and remittances	76,046,351	77,727,152	66,656,403	105,877,150	65,626,210	391,933,266
Bank debentures	4,700	2,000,000	-	2,000,000	18,900,000	22,904,700
Other financial liabilities	907,794	532,785	-	260,383	207,128	1,908,090

January 1, 2012	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the Central Bank and other banks	$ 3,676,780	$ 7,654,092	$ 258,487	$ 196,372	$ -	$ 11,785,731
Financial liabilities at fair value through profit or loss - short sales of bonds payable	953,357	-	-	-	-	953,357
Payables	1,603,410	587,690	329,253	390,166	1,584,801	4,495,320
Deposits and remittances	55,651,514	67,119,820	79,767,411	112,228,611	55,231,206	369,998,562
Bank debentures	3,740	-	87,400	-	19,900,000	19,991,140
Other financial liabilities	1,524,406	518,469	-	-	168,482	2,211,357

Note: The amounts disclosed in the table are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

In the maturity analysis of “Deposits and remittance” disclosed in the previous table, the cash flows are split into the maturity buckets in which the cash flows occur based on historical experience. If demand deposits are expected to be drawn down in the earliest period, cash outflows due in 30 days bucket might increase NT$91,059,744 thousand, NT$76,138,866 thousand and NT$70,966,075 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

5) Maturity analysis of derivative financial liabilities

Derivative instruments settled on a net basis

a) Foreign exchange derivatives: Foreign exchange options, non-deliverable forwards; and

b) Interest rate derivatives: Interest rate swap options, interest rate swaps and other interest rate contracts for which net cash flows are exchanges.

Maturity analysis of derivative financial liabilities that will be settled on a net basis is as follows:

December 31, 2013	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 1,116	$ 92	$ 7,401	$ 6,234	$ -	$ 14,843
Interest rate derivatives	4,632	24,012	7,243	18,059	532,820	586,766
Derivative financial liabilities held for hedging						
Interest rate derivatives	-	7,330	-	-	5,301	12,631
Total	$ 5,748	$ 31,434	$ 14,644	$ 24,293	$ 538,121	$ 614,240

December 31, 2012	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 423	$ 9,774	$ 22,750	$ 8,697	$ -	$ 41,644
Interest rate derivatives	3,292	712	21,238	32,287	263,682	321,211
Derivative financial liabilities held for hedging						
Interest rate derivatives	-	-	-	-	12,819	12,819
Total	$ 3,715	$ 10,486	$ 43,988	$ 40,984	$ 276,501	$ 375,674

January 1, 2012	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 771	$ 177	$ 2,707	$ 13,826	$ -	$ 17,481
Interest rate derivatives	1,810	303,360	462,768	17,082	265,702	1,050,722
Derivative financial liabilities held for hedging						
Interest rate derivatives	-	-	-	-	13,093	13,093
Total	$ 2,581	$ 303,537	$ 465,475	$ 30,908	$ 278,795	$ 1,081,296

Note: The amounts disclosed in the table are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

Derivative instruments on a gross basis

a) Foreign exchange derivatives: Foreign exchange swaps, foreign exchange options; and

b) Interest rate derivatives: Cross currency swaps.

Maturity analysis of derivative financial liabilities that will be settled on a gross basis is as follows:

December 31, 2013	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash outflow	$ 49,278,220	$ 9,000,034	$ 7,493,524	$ 5,236,919	$ 119,020	$ 71,127,717
Cash inflow	49,396,817	9,906,546	8,470,062	25,474,399	22,698,855	115,946,679
Interest rate derivatives						
Cash outflow	8,236,250	3,536,850	1,796,800	2,096,500	-	15,666,400
Cash inflow	8,140,000	3,410,995	1,792,750	2,067,800	-	15,411,545
Subtotal of cash outflow	57,514,470	12,536,884	9,290,324	7,333,419	119,020	86,794,117
Subtotal of cash inflow	57,536,817	13,317,541	10,262,812	27,542,199	22,698,855	131,358,224
Net cash flow	$ 22,347	$ 780,657	$ 972,488	$ 20,208,780	$ 22,579,835	$ 44,564,107

December 31, 2012	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash outflow	$ 29,966,083	$ 19,173,401	$ 9,861,603	$ 7,438,804	$ 93,134	$ 66,533,025
Cash inflow	31,445,448	19,857,803	10,327,491	13,148,617	2,234,381	77,013,740
Interest rate derivatives						
Cash outflow	-	-	-	-	7,635,145	7,635,145
Cash inflow	-	-	-	-	7,429,680	7,429,680
Subtotal of cash outflow	29,966,083	19,173,401	9,861,603	7,438,804	7,728,279	74,168,170
Subtotal of cash inflow	31,445,448	19,857,803	10,327,491	13,148,617	9,664,061	84,443,420
Net cash flow	$ 1,479,365	$ 684,402	$ 465,888	$ 5,709,813	$ 1,935,782	$ 10,275,250

January 1, 2012	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash outflow	$ 14,337,613	$ 8,656,727	$ 2,217,486	$ 4,238,000	$ -	$ 29,449,826
Cash inflow	15,139,119	9,199,652	2,297,900	4,781,826	1,208,923	32,627,420
Subtotal of cash outflow	14,337,613	8,656,727	2,217,486	4,238,000	-	29,449,826
Subtotal of cash inflow	15,139,119	9,199,652	2,297,900	4,781,826	1,208,923	32,627,420
Net cash flow	$ 801,506	$ 542,925	$ 80,414	$ 543,826	$ 1,208,923	$ 3,177,594

Note: The amounts disclosed in the table are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

6) Maturity analysis of off-balance sheet items

Maturity analysis of issued financial guarantee contracts on the basis of their earliest possible contractual maturity:

December 31, 2013	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	$ 10,906,749	$ -	$ -	$ -	$ -	$ 10,906,749
Irrevocable credit card commitments	149,696,272	-	-	-	-	149,696,272
Issued but unused letters of credit	1,029,701	-	-	-	-	1,029,701
Other guarantees	6,072,979	2,498,900	635,607	531,983	2,617,600	12,357,069
Total	$ 167,705,701	$ 2,498,900	$ 635,607	$ 531,983	$ 2,617,600	$ 173,989,791

December 31, 2012	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	$ 9,681,305	$ -	$ -	$ -	$ -	$ 9,681,305
Irrevocable credit card commitments	149,717,675	-	-	-	-	149,717,675
Issued but unused letters of credit	766,439	-	-	-	-	766,439
Other guarantees	4,990,451	1,908,500	627,000	200,000	3,896,655	11,622,606
Total	$ 165,155,870	$ 1,908,500	$ 627,000	$ 200,000	$ 3,896,655	$ 171,788,025

January 1, 2012	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	$ 7,351,171	$ -	$ -	$ -	$ -	$ 7,351,171
Irrevocable credit card commitments	133,113,662	-	-	-	-	133,113,662
Issued but unused letters of credit	1,059,748	-	-	-	-	1,059,748
Other guarantees	4,554,762	1,556,000	-	-	2,860,835	8,971,597
Total	$ 146,079,343	$ 1,556,000	$ -	$ -	$ 2,860,835	$ 150,496,178

e. Market risk

1) Definition and scope of market risk

Market risk is the risk that unfavorable changes in market prices, such as interest rates, foreign exchange rates, equity prices and commodity prices will affect the Bank's income or its holdings of on- and off-balance sheet positions. The Bank's market risk mainly comes from equity investment securities, interest rates and foreign exchange rates. Equity investment securities risk positions include domestic listed and OTC stocks and domestic convertible bonds; interest rate risk positions include bonds and interest rate derivative instruments, such as fixed and floating interest rate swap; foreign exchange rate risk positions include foreign currencies and related derivative instruments, such as spot exchange, forward exchange, foreign currency swap and option.

2) Management policies of market risk

The Bank develops appropriate management process to identify, measure and monitor market risk, and to effectively manage and control credit limits, valuation of profits and losses, sensitivities analysis and stress tests of each financial instrument positions. Besides, the Bank takes appropriate risk management strategy while facing market risk in its daily operating activities and management processes.

The Bank separates its exposure to market risk between trading and non-trading portfolios, which are managed, monitored and disclosed by the Risk Management Department. A summary report, including suggestion, is submitted regularly to the Risk Management Committee and the Board of Directors.

3) Management process of market risk

a) Identification and measurement of market risk

The Bank's risk measurement system, firstly, identifies market risk factors of exposure positions, and then, measures risks on- and off-balance sheet trading positions by examining the movement of the identified risk factors, such as interest rates, stock prices, foreign exchange rates and commodity prices.

The Bank's risk measurement system also applies sensitivity analysis (DV01, Delta and Vega) or different scenarios analysis to assess value changes of asset portfolios, and performs stress tests, as required by the authority, to measure exceptional losses incurred during extreme, but plausible, conditions.

b) Monitoring and reporting

To fully understand the management of market risk, information for execution of market risk management objectives, management of positions and profits and losses, sensitivity analysis and stress tests is submitted regularly to Risk Management Committee and the Board of Directors by the Risk Management Department. The Bank has explicit management process. It imposes trading limits and stop loss order on each transaction.

A stop loss order would be executed once a given stop price has been reached; otherwise, the trading unit should report, including reasons for not executing stop loss order and corresponding remedial action taken, to top management for approval.

4) Management of interest rate risk

Interest rate risk is the risk loss or changes in the fair values resulting from interest rate fluctuations. It includes interest rate related securities and derivative instruments.

The Bank separates the interest rate risk positions between trading book and banking book. Financial instruments and commodity positions held for trading purpose or to hedge against trading book positions are carried in trading book. Positions held for trading purpose are those held with the intention of profiting from actual or forecast spread. Positions not belonging to trading book are carried in banking book.

<u>Management of interest rate risk in trading book</u>

a) Management process

To limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions.

b) Valuation methods

Securities are marked-to-market, and the risk of interest rate related derivative instruments are measured using DV01 and Vega. Both stop loss limits are controlled on a daily basis.

<u>Management of interest rate risk in banking book</u>

Interest rate risk management of banking book is to improve interest risk management, capital efficiency and business operations.

a) Strategies

To improve its capacity to adapt to changes, the Bank measures, manages and hedges changes in its profits and losses and economic values of balance sheet items arising from interest rate fluctuations.

b) Management process

Prior to undertaking interest rates related business, the Bank identifies re-pricing and yield curve risks, and measures the possible impact of changes in interest rate on profits and losses. The Bank analyzes and monitors position limits and various risk management objectives in respect of interest rates on a quarterly basis, and the results are submitted regularly to the Asset and Liability Management Committee and the Board of Directors.

If the risk management objectives are found to be in excess of designated limits during the monitoring process, the Bank will report to the Asset and Liability Management Committee and propose remedial action to be taken.

c) Valuation methods

Interest rate risk measures the re-pricing risk arising from different maturity or re-pricing dates of assets and liabilities carried in the banking book. To stabilize long-term profitability taken into account of business growth, the Bank sets up various monitoring indexes, such as the ratio of interest rate sensitivity gap over total assets, for key holding periods. Those indexes are reported to and reviewed by management periodically.

5) Management of foreign exchange risk

a) Definition of foreign exchange risk

Foreign exchange risk is the risk of loss or changes in fair value arising from open positions in currency due to exchange rate fluctuations. Foreign exchange transactions include spot exchange, forward exchange, non-deliverable forward and foreign currency option between New Taiwan dollars and a foreign currency or between two foreign currencies.

b) Foreign exchange risk management policies, process and valuation methods

To manage foreign exchange risk and limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions. Spot exchange, forward exchange, non-deliverable forward and foreign currency option are controlled collectively using Delta; foreign currency option is controlled using Vega. The stop loss limits are controlled on a daily basis.

6) Management of equity securities market risk

a) Definition of equity price risk

Equity price risk is the risk arising from open positions in equity securities as a result of fluctuations in the market prices of individual securities.

b) Management processes of equity price risk

The Bank sets gross limits on overall positions, by industries, and by groups. For listed and OTC stocks and beneficiary certificates, the Bank sets the limit of investment in each stock and stop loss/gain limits on overall and particular positions, which are monitored daily.

A stop loss/gain order would be executed once a given stop price has been reached; otherwise, traders should report to the manager of its department, including reasons for not executing stop loss/gain order.

c) Measurement

The Bank manages price risk on the basis of closing prices of equity securities.

7) Valuation techniques of market risk

Stress tests

Stress tests are performed by the Risk Management Department at least once a year to assess the impact of risk factors that have become extremely volatile on asset portfolios carried in trading books and risk tolerance, and to ensure that the Bank will be able to handle potential losses incurred during extreme, but plausible, events.

The Bank applies market risk factors sensitivities analysis to analyze the impact on asset that could arise under extreme scenarios:

a) Interest rate: Evaluate impacts on the values of interest-rate-based securities if yield curves move in parallel manner.

b) Foreign exchange: Evaluate impacts on changes in foreign exchange rates.

c) Equity securities: Evaluate impacts on changes in stock prices and its related derivatives volatility.

d) Commodity: Evaluate impacts on changes in commodity prices and its related derivatives volatility.

The Bank will submit the results of stress tests to the Board of Directors and Risk Management Committee as a reference of the Bank's ability to encounter adverse economic conditions.

Sensitivity analysis

a) Interest rate risk

Interest rate factor sensitivities (DV01 or PVBP) are, at the balance sheet date, the impact on the discounted future cash flows of bonds and interest-rate-based derivative instruments for 1 basis points (bps) parallel shift in all yield curves.

Assuming all other variables remain constant, there would be a decrease in pre-tax profits of $1,914 thousand or an increase of $1,465 thousand for the ended December 31, 2013, where the interest rate increases (decreases) by 1 bps. There would be a decrease (increase) in pre-tax profits of $426 thousand for the year ended December 31, 2012. There would be a decrease (increase) of $6,386 thousand and $3,039 thousand in other comprehensive income for the years ended December 31, 2013 and 2012, respectively.

b) Foreign exchange risk

Foreign exchange rate factor sensitivities (FX Delta) are, at the balance sheet date, the impact on the values of foreign exchange positions for a 1% change in foreign exchange rates.

Where the foreign exchange increases (decreases) by 1%, assuming all other variables remain constant, there would be an increase (decrease) in pre-tax profits of $327,210 thousand for the year ended December 31, 2013. There would be an increase (decrease) in pre-tax profits of $307,184 thousand for the year ended December 31, 2012.

c) Equity securities price risk

Equity price factor sensitivities are, at the balance sheet date, the impact on the values of open positions in equity securities for a 1% change in stock market prices.

Where the equity prices increase (decrease) by 1%, assuming all other variables remain constant, there would be an increase (decrease) in pre-tax profits of NT$142,475 thousand for the year ended December 31, 2013. There would be an increase (decrease) in pre-tax profits of $146,260 thousand for the year ended December 31, 2012. There would be an increase (decrease) of $11,095 thousand and $8,080 thousand in other comprehensive income for the years ended December 31, 2013 and 2012, respectively.

8) Concentration of foreign exchange risk

For information of concentration of foreign currency exposures at the balance sheet date are shown in Note 44.

f. Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality of loans

Nonperforming loans and nonperforming receivables

Business \ Item			December 31, 2013				
			Nonperforming Loans (Note a)	**Loans**	**Ratio of Nonperforming Loans (Note b)**	**Allowance for Possible Losses**	**Coverage Ratio (Note c)**
Corporate Banking	Secured		$ 683,919	$ 33,492,451	2.04%	$ 858,111	125.47%
	Unsecured		12,826	85,087,569	0.02%	1,177,351	9,179.41%
Consumer Banking	Residential mortgage (Note d)		129,852	108,959,120	0.12%	1,243,113	957.33%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		206,995	16,336,493	1.27%	365,978	176.81%
	Others (Note f)	Secured	49,679	37,956,817	0.13%	434,241	874.09%
		Unsecured	5,404	14,948,062	0.04%	184,686	3,417.58%
Total			1,088,675	296,780,512	0.37%	4,263,480	391.62%
			Nonperforming Receivables	**Accounts Receivable**	**Ratio of Nonperforming Receivables**	**Allowance for Possible Losses**	**Coverage Ratio**
Credit card			39,256	15,599,122	0.25%	630,531	1,606.21%
Accounts receivable factored without recourse (Note g)			-	2,161,061	-	13,791	-

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		$ 871,834	$ 34,597,922	2.52%	$ 1,005,640	115.35%
	Unsecured		11,271	86,692,419	0.01%	863,058	7,657.33%
Consumer Banking	Residential mortgage (Note d)		186,867	108,257,443	0.17%	990,155	529.87%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		192,776	14,971,798	1.29%	364,313	188.98%
	Others (Note f)	Secured	40,374	35,593,097	0.11%	318,136	787.97%
		Unsecured	13,985	3,688,753	0.38%	40,704	291.05%
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 \ Item			January 1, 2012				
			Nonperforming Loans (Note a)	**Loans**	**Ratio of Nonperforming Loans (Note b)**	**Allowance for Possible Losses**	**Coverage Ratio (Note c)**
Corporate Banking	Secured		$ 136,993	$ 36,541,927	0.37%	$ 2,458,868	1,794.89%
	Unsecured		12,654	90,151,628	0.01%	904,487	7,147.83%
Consumer Banking	Residential mortgage (Note d)		227,571	105,671,044	0.22%	821,554	361.01%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		192,345	13,805,008	1.39%	359,604	186.96%
	Others (Note f)	Secured	21,302	26,149,086	0.08%	203,293	954.34%
		Unsecured	21,685	1,915,423	1.13%	25,929	119.57%
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-accrual 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 receivables 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 loans, 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

Item / Business	December 31, 2013	
	Nonperforming Loans Excluded	Nonperforming Receivables Excluded
Loans not classified as NPL upon debt restructuring and performed as agreed (Note a)	$ 336,679	$ 869,163
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	617,379	1,335,762
Total	954,058	2,204,925

Item / Business	December 31, 2012	
	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
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	563,620	1,368,460
Total	1,022,570	2,525,802

Item / Business	January 1, 2012	
	Nonperforming Loans Excluded	Nonperforming Receivables Excluded
Loans not classified as NPL upon debt restructuring and performed as agreed (Note a)	$ 643,243	$ 1,575,374
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	535,484	1,415,117
Total	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).

2) Concentration of credit extensions

Ranking (Note a)	December 31, 2013		
	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 - 6499 - non-categorized and other financial intermediaries	$ 2,954,572	10
2	B Group - 2413 - steel rolling and extruding	2,722,306	9
3	C Group - 5232 - ocean freight transportation forwarding services	2,704,050	9
4	D Group - 2613 -semiconductor packaging and testing industry	2,325,952	8
5	E Group - 1850 - artificial fiber	2,272,093	8
6	F Group - 3510 - electronic power supply industry	1,907,900	7
7	G Group - 6499 - non-categorized and other financial intermediaries	1,855,695	6
8	H Group - 2699 - non-categorized and other parts and components manufacturing	1,819,371	6
9	I Group - 6499 - non-categorized and other financial intermediaries	1,807,757	6
10	J Group - 6811 - real estate leasing industry	1,644,128	6

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	B Group - 2499 - non-categorized and other basic metal manufacturing	$ 4,217,402	16
2	C Group - 5232 - ocean freight transportation forwarding services	2,973,840	11
3	A Group - 6499 - non-categorized and other financial intermediaries	2,639,001	10
4	K Group - 1700 - petroleum and coal product manufacturing	2,479,719	9
5	G Group - 6499 - non-categorized and other financial intermediaries	2,418,693	9
6	E Group - 1850 - artificial fiber	2,014,731	8
7	L Group - 6499 - non-categorized and other financial intermediaries	1,860,285	7
8	M Group - 2641 - liquid crystal panel and components manufacturing	1,736,418	7
9	N Group - 6499 - non-categorized and other financial intermediaries	1,716,021	6
10	O Group - 2641 - liquid crystal panel and components manufacturing	1,690,020	6

Ranking (Note a)	January 1, 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	B Group - 2413 - steel rolling and extruding	$ 5,566,747	23
2	K Group - 5010 - ocean water transportation	3,493,631	14
3	P Group - 2611 - integrated circuits manufacturing	2,823,382	12
4	M Group - 2641 - liquid crystal panel and components manufacturing	2,485,091	10
5	E Group - 1850 - artificial fiber	2,259,714	9
6	D Group - 2630 - printed circuits manufacturing	2,248,242	9
7	I Group - 6499 - non-categorized and other financial intermediaries	2,046,291	8
8	O Group - 2641 - liquid crystal panel and components manufacturing	2,002,101	8
9	A Group - 6499 - non-categorized and other financial intermediaries	1,863,045	8
10	L 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.

3) Interest rate sensitivity

Table 1: For New Taiwan dollar items

Interest Rate Sensitivity Analysis
December 31, 2013

(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	$ 260,953,971	$ 121,028,199	$ 4,401,458	$ 22,164,593	$ 408,548,221
Interest rate-sensitive liabilities	154,343,200	131,243,929	63,713,243	22,514,955	371,815,327
Interest rate sensitivity gap	106,610,771	(10,215,730)	(59,311,785)	(350,362)	36,732,894
Net worth					28,500,442
Ratio of interest rate-sensitive assets to liabilities					109.88%
Ratio of interest rate-sensitivity gap to net worth					128.89%

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 interest rate-sensitivity gap to net worth					85.85%

Interest Rate Sensitivity Analysis
January 1, 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	$ 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 interest rate-sensitivity gap to net worth					73.41%

Note a: The New Taiwan dollar amounts held by the Bank.

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

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

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

Table 2: For U.S. dollar items

Interest Rate Sensitivity Analysis
December 31, 2013

(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	$ 1,410,040	$ 76,741	$ 1,811	$ 16,286	$ 1,504,878
Interest rate-sensitive liabilities	1,165,852	642,234	99,718	150,000	2,057,804
Interest rate sensitivity gap	244,188	(565,493)	(97,907)	(133,714)	(552,926)
Net worth					25,516
Ratio of interest rate-sensitive assets to liabilities					73.13%
Ratio of interest rate-sensitivity gap to net worth					(2,166.98%)

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 interest rate-sensitivity gap to net worth					(3,401.62%)

Interest Rate Sensitivity Analysis
January 1, 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	$ 1,256,664	$ 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 interest rate-sensitivity gap to net worth					(1,433.06%)

Note a: The total U.S. dollar amounts held by the Bank, excluding contingent assets and liabilities.

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

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

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

4) Profitability

Items		For Year Ended December 31, 2013	For Year Ended December 31, 2012
Return on total assets	Before tax	0.74%	0.64%
	After tax	0.64%	0.56%
Return on equity	Before tax	12.87%	11.45%
	After tax	11.05%	10.02%
Net income ratio		32.27%	29.98%

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.

5) Maturity analysis of assets and liabilities

a) For New Taiwan dollar items

December 31, 2013

(In Thousands of New Taiwan Dollars)

	Total	Amount for Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to one Year	Over one Year
Main capital inflow on maturity	$ 526,438,358	$ 102,897,040	$ 79,884,556	$ 40,751,607	$ 31,699,709	$ 34,169,403	$ 237,036,043
Main capital outflow on maturity	532,097,824	51,590,560	55,866,937	115,517,387	71,415,914	104,731,253	132,975,773
Gap	(5,659,466)	51,306,480	24,017,619	(74,765,780)	(39,716,205)	(70,561,850)	104,060,270

December 31, 2012

(In Thousands of New Taiwan Dollars)

	Total	Amount for Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to one Year	Over one Year
Main capital inflow on maturity	$ 472,950,337	$ 55,040,883	$ 86,357,304	$ 43,401,150	$ 29,079,834	$ 37,661,583	$ 221,409,583
Main capital outflow on maturity	479,803,703	25,815,138	60,445,431	88,694,541	72,943,294	109,832,711	122,072,588
Gap	(6,853,366)	29,225,745	25,911,873	(45,293,391)	(43,863,460)	(72,171,128)	99,336,995

January 1, 2012

(In Thousands of New Taiwan Dollars)

	Total	Amount for Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to one Year	Over one Year
Main capital inflow on maturity	$ 416,967,038	$ 43,713,010	$ 50,774,880	$ 54,911,668	$ 31,082,913	$ 36,074,818	$ 200,409,749
Main capital outflow on maturity	420,134,673	18,032,016	40,013,387	64,376,666	77,596,601	114,959,051	105,156,952
Gap	(3,167,635)	25,680,994	10,761,493	(9,464,998)	(46,513,688)	(78,884,233)	95,252,797

Note: This table refers to the New Taiwan dollar amounts held by the Bank.

b) For U.S. dollar items

December 31, 2013

(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	$ 5,537,675	$ 2,200,168	$ 1,452,976	$ 702,668	$ 559,903	$ 621,960
Main capital outflow on maturity	5,583,964	2,969,093	972,137	704,181	527,490	411,063
Gap	(46,289)	(768,925)	480,839	(1,513)	32,413	210,897

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	$ 4,284,117	$ 1,395,021	$ 974,256	$ 619,656	$ 401,131	$ 894,053
Main capital outflow on maturity	4,267,959	1,532,606	885,793	688,615	653,929	507,016
Gap	16,158	(137,585)	88,463	(68,959)	(252,798)	387,037

January 1, 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	$ 3,091,512	$ 1,078,065	$ 596,969	$ 216,338	$ 521,166	$ 678,974
Main capital outflow on maturity	3,113,858	886,681	747,768	440,660	717,083	321,666
Gap	(22,346)	191,384	(150,799)	(224,322)	(195,917)	357,308

Note: This table refers to the U.S. dollar amounts held by the Bank.

48. CAPITAL MANAGEMENT

The Bank shall include all risks in the capital adequacy assessment according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks". The Bank makes the capital planning based on the operating plans and budget target approved by the Board of Directors, the developing strategies, capital adequacy, dividend policy and etc. The capital planning, including stress tests and forecasts of capital adequacy, aims to achieve the capital adequacy target and to consolidate the capital structure.

To monitor the capital adequacy, the execution and changes in the parameters of the capital planning are reviewed quarterly by the Bank's Assets and Liabilities Management Committee. To maintain appropriate capital adequacy, the Bank will find the causes and propose remedial action when the actual capital adequacy might get lower than the target.

The authority classifies banks' level of capital into different categories based on the common equity tier 1 ratio, Tier 1 capital ratio and total capital adequacy ratio reported by the banks. If a bank's level of capital is graded "under-capitalized", "substantially under-capitalized" or "critically under-capitalized", the authority will take correction measures in accordance with Paragraph 1 to 3 of Article 44-2 of the Banking Law.

The calculations of eligible capital, risk-weighted assets and capital adequacy ratio were as follows:

			December 31, 2013	
			The Bank	**Consolidation**
Eligible capital	Common equity		$ 25,690,005	$ 26,238,006
	Other Tier I capital		-	-
	Tier II capital		13,123,625	13,676,786
	Total eligible capital		38,813,630	39,914,792
Risk-weighted assets	Credit risk	Standardized approach	288,008,208	291,547,743
		Internal rating-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	13,241,600	12,714,700
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	10,309,788	10,309,788
		Internal models approach	-	-
	Total risk-weighted assets		311,559,596	314,572,231
Capital adequacy ratio			12.46%	12.69%
Ratio of common equity to risk-weighted assets			8.25%	8.34%
Ratio of Tier I capital to risk-weighted assets			8.25%	8.34%
Leverage ratio			4.58%	4.68%

Note a: Eligible capital, risk-weighted assets and risk-exposure 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" amended by the FSC on November 26, 2012.

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 = Common equity + Other Tier I capital + Tier II capital.

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

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

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

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

6) Leverage ratio = Tier I capital ÷ Risk-exposure Assets

<table>
<tr><th colspan="3" rowspan="2"></th><th colspan="2">December 31, 2012</th></tr>
<tr><th>The Bank</th><th>Consolidation</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Tier I capital</td><td>$ 25,122,063</td><td>$ 25,712,352</td></tr>
<tr><td colspan="2">Tier II capital</td><td>11,154,742</td><td>11,750,266</td></tr>
<tr><td colspan="2">Tier III capital</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Total eligible capital</td><td>36,276,805</td><td>37,462,618</td></tr>
<tr><td rowspan="8">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standardized approach</td><td>268,086,022</td><td>272,198,189</td></tr>
<tr><td>Internal rating-based approach</td><td>-</td><td>-</td></tr>
<tr><td>Asset securitization</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>12,326,475</td><td>11,876,975</td></tr>
<tr><td>Standardized approach/alternative standardized approach</td><td>-</td><td>-</td></tr>
<tr><td>Advanced measurement approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standardized approach</td><td>10,578,788</td><td>10,578,788</td></tr>
<tr><td>Internal models approach</td><td>-</td><td>-</td></tr>
<tr><td></td><td colspan="2">Total risk-weighted assets</td><td>290,991,285</td><td>294,653,952</td></tr>
<tr><td colspan="3">Capital adequacy ratio</td><td>12.47%</td><td>12.71%</td></tr>
<tr><td colspan="3">Ratio of Tier I capital to risk-weighted assets</td><td>8.63%</td><td>8.72%</td></tr>
<tr><td colspan="3">Ratio of Tier II capital to risk-weighted assets</td><td>3.84%</td><td>3.99%</td></tr>
<tr><td colspan="3">Ratio of Tier III capital to risk-weighted assets</td><td>-</td><td>-</td></tr>
<tr><td colspan="3">Ratio of common shareholders’ equity to total assets</td><td>4.82%</td><td>4.82%</td></tr>
<tr><td colspan="3">Leverage ratio</td><td>5.59%</td><td>5.70%</td></tr>
</table>

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” amended by the FSC on June 30, 2009.

Note b: 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”).

49. SEGMENT INFORMATION

Information provided to the Bank's and its subsidiaries' chief operating decision makers for resource allocation and segment performance assessment focuses on nature of operation and profits. Based on IFRS 8 - "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 the reportable segments are the same as those stated in Note 4 to the consolidated financial statements.

Segment 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
For the year ended December 31, 2013				
Net interest income (loss)	$ 4,141,159	$ 1,856,007	$ (1,112,799)	$ 4,884,367
Noninterest income and gains, net				
Net service fee income	2,359,495	382,128	154,516	2,896,139
Other net income	313,904	1,391,663	1,556	1,707,123
Net profit (loss)	6,814,558	3,629,798	(956,727)	9,487,629
Reversal of provision (provision) for possible losses	10,469	336,015	(277,880)	68,604
Operating expenses	(4,514,780)	(1,042,049)	(436,297)	(5,993,126)
Segment income (loss) before income tax	$ 2,310,247	$ 2,923,764	$ (1,670,904)	$ 3,563,107
For the year ended December 31, 2012				
Net interest income (loss)	$ 3,787,548	$ 1,658,141	$ (1,300,544)	$ 4,145,145
Noninterest income and gains, net				
Net service fee income	2,191,230	229,000	151,692	2,571,922
Other net income (loss)	493,922	1,555,014	(258,096)	1,790,840
Net profit (loss)	6,472,700	3,442,155	(1,406,948)	8,507,907
Reversal of provision (provision) for possible losses	21,652	(147,211)	383,305	257,746
Operating expenses	(4,422,936)	(1,009,699)	(418,061)	(5,850,696)
Segment income (loss) before income tax	$ 2,071,416	$ 2,285,245	$ (1,441,704)	$ 2,914,957

Geographical Information

The major operations of the Bank and its subsidiaries were described as mainly domestic because the operating incomes generated by overseas branches were only a minor portion of the aggregate operating income of the Bank and its subsidiaries.

Major Customers Information

The Bank and its subsidiaries did not disclose major customers information because revenues from transactions with a single external customer were less than 10% of revenues of the Bank and its subsidiaries.

50. FIRST-TIME ADOPTION OF TAIWAN-IFRSs

a. Basis of the preparation of financial information under Taiwan-IFRSs

The Bank and its subsidiaries' consolidated financial statements for the for the year ended December 31, 2013 not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to Taiwan-IFRSs

The impact on the transition to Taiwan-IFRSs on the consolidated balance sheets and consolidated statements of comprehensive income were as follows:

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

ROC GAAP		Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs		
Item	**Amount**		**Amount**	**Item**	**Note**
Cash and cash equivalents	$ 6,005,214	$ (2,900)	$ 6,002,314	Cash and cash equivalents	5) 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	5) 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	5) b), 5) 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	5) 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 using equity method	5) 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, net	5) a), 5) l)
Properties	2,943,673	-	2,943,673	Property and equipment, net	
Intangible assets	1,905,193	-	1,905,193	Intangible assets, net	
	-	1,115,762	1,115,762	Deferred tax assets	5) c), 5) h), 5) l)
Other assets	1,633,309	(1,080,548)	552,761	Other assets, net	5) l)
Total	$ 438,455,110	$ 398,815	$ 438,853,925	Total	
Due to the Central Bank and other banks	$ 11,785,731	$ -	$ 11,785,731	Due to the Central Bank and other banks	
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	5) b)
	-	13,093	13,093	Derivative financial liabilities for hedging	5) l)
Payables	4,691,225	(195,905)	4,495,320	Payables	5) f), 5) g), 5) l)
	-	124,723	124,723	Current tax liabilities	5) 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	2,224,379	(13,093)	2,211,286	Other financial liabilities	5) l)
	-	690,680	690,680	Provisions	5) h), 5) l)
Other liabilities	789,520	(362,083)	427,437	Other liabilities	5) f), 5) l)
Total liabilities	413,800,732	561,220	414,361,952	Total liabilities	
Capital stock	21,185,604	-	21,185,604	Share capital	
Capital surplus	29,008	(9,302)	19,706	Capital surplus	5) e)
Retained earnings	3,409,346	(145,697)	3,263,649	Retained earnings	5) k)

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs Amount	Taiwan-IFRSs Item	Note
Equity adjustments				Other equity	
Cumulative translation adjustments	$ 12,762	$ -	$ 12,762	Exchange differences on translating foreign operations	
Unrealized valuation gain on available-for-sale financial assets	17,658	(7,406)	10,252	Unrealized gain on available-for-sale financial assets	5) b)
Total shareholders' equity	24,654,378	(162,405)	24,491,973	Total equity	
Total	$ 438,455,110	$ 398,815	$ 438,853,925	Total	

(Concluded)

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

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs Amount	Taiwan-IFRSs Item	Note
Cash and cash equivalents	$ 5,599,451	$ (2,900)	$ 5,596,551	Cash and cash equivalents	5) 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	5) 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	5) 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 using equity method	5) 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, net	5) a), 5) l)
Properties	2,879,693	-	2,879,693	Property and equipment, net	
Intangible assets	1,868,048	-	1,868,048	Intangible assets, net	
	-	928,575	928,575	Deferred tax assets	5) c), 5) h), 5) l)
Other assets	1,120,509	(894,437)	226,072	Other assets, net	5) l)
Total	$ 465,498,312	$ 84,964	$ 465,583,276	Total	
Due to the Central Bank and other banks	$ 11,674,958	$ -	$ 11,674,958	Due to the Central Bank and other banks	
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	5) l)
Payables	5,708,177	(147,806)	5,560,371	Payables	5) f), 5) g), 5) l)
	-	113,131	113,131	Current tax liabilities	5) l)
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	1,920,889	(12,819)	1,908,070	Other financial liabilities	5) l)
	-	697,845	697,845	Provisions	5) h), 5) l)
Other liabilities	842,522	(410,148)	432,374	Other liabilities	5) f), 5) l)
Total liabilities	438,896,967	253,022	439,149,989	Total liabilities	
Capital stock	22,422,596	-	22,422,596	Share capital	
Capital surplus	31,650	(9,302)	22,348	Capital surplus	5) e)
Retained earnings	4,311,768	(158,756)	4,153,012	Retained earnings	
Equity adjustments				Other equity	
Cumulative translation adjustments	9,131	-	9,131	Exchange differences on translating foreign operations	
Unrealized valuation loss on available-for-sale financial assets	(173,800)	-	(173,800)	Unrealized loss on available-for-sale financial assets	
Total shareholders' equity	26,601,345	(168,058)	26,433,287	Total equity	
Total	$ 465,498,312	$ 84,964	$ 465,583,276	Total	

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

ROC GAAP		Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs		
Item	**Amount**		**Amount**	**Item**	**Note**
Interest income	$ 9,539,494	$ 104,771	$ 9,644,265	Interest income	5) c), 5) j), 5) l)
Interest cost	5,560,748	(61,628)	5,499,120	Interest cost	5) i), 5) j)
Net interest income	3,978,746	166,399	4,145,145	Net interest income	
Noninterest income and gains, net					
Net service fee income	2,585,141	(13,219)	2,571,922	Net service fee income	5) 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	5) j)
Net gain on available-for-sale financial assets	310,517	(7,406)	303,111	Net gain on available-for-sale financial assets	5) b)
Investment loss recognized by the equity method	(88,047)	(1,328)	(89,375)	Share of loss of associates	5) d)
Net foreign exchange gain	21,830	-	21,830	Net foreign exchange gain	
Net gain on reversal of provision for asset impairment loss	44,803	-	44,803	Net gain on reversal of provision for asset impairment loss	
Gain on nonperforming receivables recovered	289,342	-	289,342	Gain on nonperforming receivables recovered	
Recovery of written-off credits	1,274,721	(1,274,721)	-		5) l)
Others	195,753	(45,240)	150,513	Other general and administrative expenses	5) 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)	Provision (reversal of provision) for possible losses and guarantee reserve	5) l)
Operating expenses					
Personnel expense	3,366,501	48,876	3,415,377	Employee benefits expense	5) g), 5) h), 5) i)
Depreciation and amortization	253,351	-	253,351	Depreciation and amortization	
Others	2,195,187	(13,219)	2,181,968	Others	5) 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	5) c), 5) h)
Consolidated net income	$ 2,563,373	$ (12,608)	2,550,765	Net income for the year	
				Other comprehensive income	
			(3,631)	Exchange differences on translating foreign operations	5) l)
			(172,637)	Unrealized loss on available-for-sale financial assets	5) l)
			(11,866)	Share of other comprehensive loss of associates	5) d), 5) l)
			(188,134)	Other comprehensive loss for the year	
			$ 2,362,631	Total comprehensive income for the year	

4) The elected exemptions under IFRS 1

IFRS 1 establishes the procedures for the Bank and its subsidiaries' first consolidated financial statements prepared in accordance with Taiwan-IFRSs. According to IFRS 1, the Bank and its subsidiaries are required to determine the accounting policies under Taiwan-IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to Taiwan-IFRSs, January 1, 2012; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1.

The Bank and its subsidiaries retrospectively apply those accounting policies such as deemed cost and cumulative translation differences except for the following main exemptions. There were no differences after the retrospective adjustment.

The major optional exemptions the Bank and its subsidiaries adopted are summarized as follows:

Business combinations

The Bank and its subsidiaries elected not to apply IFRS 3 - "Business Combinations" retrospectively to business combinations that occurred before the date of transition. Therefore, in the opening balance sheet, the amount of assets and liabilities related to past business combinations remains the same compared with the one under ROC GAAP as of December 31, 2011.

The exemption of not elected to apply IFRS 3 - "Business Combinations" also applied to investments in associates acquired in the past.

Employee benefits

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

Compound financial instruments

As the liability component was no longer outstanding at the date of transition to Taiwan-IFRSs, the Bank and its subsidiaries elected not to split the compound financial instruments issued before the date of transition to Taiwan-IFRSs into separate retained earnings and equity component.

The effect of the abovementioned optional exemptions elected by the Bank and its subsidiaries was stated in item 8) below.

5) Explanations of significant reconciling items in the transition to Taiwan-IFRSs

Material differences between the accounting policies under ROC GAAP and the accounting policies adopted under Taiwan-IFRSs were 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 Taiwan-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 Taiwan-IFRSs. Thus, time deposits with a maturity of more than three months are reclassified as other financial assets on Taiwan-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 $2,900 thousand to other financial assets.

b) Regular way transactions

Before applying Taiwan-IFRSs, the Bank applies settlement date accounting to government bonds and trade date accounting to the rest of its financial assets when recording financial asset transactions. Under Taiwan-IFRSs, trade date accounting or settlement date accounting should be applied consistently to all purchases and sales of financial assets that belong to the same category of financial assets. The Bank applies trade date accounting to all regular way purchase or sale of financial assets. As of January 1, 2012, accounts receivable increased by $1,033,052 thousand; available-for-sale financial assets decreased by $729,247 thousand; financial liabilities at fair value through profit or loss increased by $303,805 thousand; and other equity decreased by $7,406 thousand. As of December 31, 2012, no adjustments should be made. For the year ended December 31, 2012, realized gain on available-for-sale financial assets decreased by $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 Taiwan-IFRSs, acquired receivables are measured at amortized cost. Interest income is recognized using the effective interest method over the relevant period.

As of December 31, 2012 and January 1, 2012, accounts receivables increased by $54,676 thousand and $61,867 thousand, respectively; deferred tax assets decreased by $9,295 thousand, and $10,517 thousand, respectively; and deferred tax liabilities increased by $8,405 thousand, and $9,613 thousand, respectively. For the year ended December 31, 2012, the interest income increased by $38,049 thousand, income tax expense decreased by $1,222 thousand, and noninterest income and gains - others decreased by $45,240 thousand.

d) Investments accounted for using equity method

To comply with the requirements of Taiwan-IFRSs, the Bank and its subsidiaries' associates accounted for using equity method have also assessed the material differences between previous accounting policies under ROC GAAP and the accounting policies adopted under Taiwan-IFRSs.

As of December 31, 2012 and January 1, 2012, investments accounted for using equity method decreased by $3,850 thousand and $2,071 thousand, respectively, to comply with the requirements of Taiwan-IFRSs. For the year ended December 31, 2012, the share of loss of associates and the share of other comprehensive loss of associates decreased by $1,328 thousand and $451 thousand, respectively.

e) Capital surplus arising from investments accounted for using equity method

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 on IFRSs adoption" issued by the Taiwan Stock Exchange, the Bank reclassified such capital surplus to retained earnings. As a result, the capital surplus decreased by $9,302 thousand as of December 31, 2012 and January 1, 2012, respectively.

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 the award are fulfilled.

As of December 31, 2012 and January 1, 2012, payables decreased by $73,244 thousand, and $106,517 thousand, respectively; other liabilities - deferred revenue increased by $73,244 thousand and $106,517 thousand, respectively. For the year ended December 31, 2012, other general and administration expenses and service fee income decreased by $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 Taiwan-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 $38,569 thousand and $35,335 thousand, respectively, to comply with the accounting treatment of short-term accumulating compensated absences. The salaries and bonus increased by $3,234 thousand for the year ended December 31, 2012.

h) Employee benefits - actuarial gains and losses on 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 and recognized actuarial gains and losses immediately. As a result, accrued pension liabilities and deferred tax assets increased by $212,468 thousand and $36,119 thousand, respectively, as of January 1, 2012. As of December 31, 2012, accrued pension liabilities increased by $206,048 thousand; deferred tax assets increased by $35,028 thousand. For the year ended December 31, 2012, pension cost decreased by $6,420 thousand and income tax expense increased by $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 $52,062 thousand, the preferential interest rate in excess of the market interest rate, to employee benefits expense.

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

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

For the year ended December 31, 2012, gain on financial assets and liabilities at FVTPL increased by $43,346 thousand, the interest income decreased by $52,912 thousand, and the interest cost decreased by $9,566 thousand.

k) Reconciliation of retained earnings

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

l) Differences in presentation

In compliance with the 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 Taiwan-IFRSs on and after the date of transitions to IFRS.

6) Reconciliation of consolidated statement of cash flows

Under ROC GAAP, interest paid and received and dividends received are classified as operating activities, while dividends paid are classified as financing activities. Additional disclosure is required for interest paid when reporting cash flow using indirect method. Under IAS 7 - "Statement of Cash Flows", cash flows from interest and dividends received and paid shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interest received and paid and dividends received by the Bank and its subsidiaries' of $9,673,900 thousand, $5,365,610 thousand, and $86,040 thousand, respectively, for the year ended December 31, 2012, were presented separately at the date of transition to Taiwan-IFRSs.

Except for the above differences, there are no other significant differences between ROC GAAP and Taiwan-IFRSs in the consolidated statement of cash flows.

51. 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 cost of at least NT$300 million or 10% of the paid-in capital: Nil

6) Disposal of individual real estate at prices 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) Sale of nonperforming loans: Nil

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

11) Derivative transactions: Notes 8, 9 and 46

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

13) The type and related information of any securitization product that has been approved in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act: Nil

b. Information about branches and investments in mainland China: Nil

TABLE 1

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2013
(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, 2013				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
Far Eastern Asset Management Management Co., Ltd.	Common stock Yuan Long Stainless Steel Co., Ltd.	Equity-method investee	Investment accounted for using equity method	98,000	$ 799,971	49.00	$ 799,971	

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEES
DECEMBER 31, 2013
(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
								Total		
						Present Shares (In Thousands)	Pro Forma Shares	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	$ 143,871	$ (17,583)	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	233,376	169,084	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	18,367	11,231	350	-	350	100.00	
Dah Chung Bills Finance Corp.	4F, 4F-1, 4F-2, 4F-3, Np. 88 Dun Hwa Notrth Road, Taipei, Taiwan	Underwriting, dealing and brokering of short-term bills	22.06	1,421,984	74,756	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	645,137	4,548	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	199,122	(10,782)	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	4,131	(556)	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	799,971	(3,975)	200,000	-	200,000	100.00	

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2013
(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)
0	Far Eastern International Bank Ltd.	Far Eastern Asset Management Co., Ltd.	From parent company to subsidiary	Deposits and remittances	$ 3,217	Note c	-
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Deposits and remittances	245,651	Note c	0.05
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Service fee income	294,682	Note c	3.11
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Interest cost	3,828	Note c	0.04
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Receivables	3,580	Note c	-
		Far Eastern Life Insurance Agency Co., Ltd.	From parent company to subsidiary	Noninterest income and gain - others	3,580	Note c	0.04
		Far Eastern Property Insurance Agency Co., Ltd.	From parent company to subsidiary	Deposits and remittances	19,708	Note c	-
		Far Eastern Property Insurance Agency Co., Ltd.	From parent company to subsidiary	Service fee income	5,570	Note c	0.06
		Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Deposits and remittances	87,027	Note c	0.02
		Far Eastern Insurance Brokerage Co., Ltd.	From parent company to subsidiary	Deposits and remittances	3,930	Note c	-
1	Far Eastern Asset Management Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	3,217	-	-
2	Far Eastern Life Insurance Agency Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	245,651	-	0.05
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Other general and administrative expenses	294,682	-	3.11
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Interest income	3,828	-	0.04
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Payables	3,580	-	-
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Employee benefits expense	3,580	-	0.04
		Far Eastern International Securities Co., Ltd.	From subsidiary to subsidiary	Other general and administrative expenses	3,904	-	0.04
3	Far Eastern Property Insurance Agency Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	19,708	-	-
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Other general and administrative expenses	5,570	-	0.06
4	Far Eastern International Securities Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	87,027	-	0.02
		Far Eastern Life Insurance Agency Co., Ltd.	From subsidiary to subsidiary	Service fee income	3,904	-	0.04
5	Far Eastern Insurance Brokerage Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	3,930	-	-

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.