



板信商業銀行
BANK OF PANHSIN

2013 Annual Report

Bank of Panhsin Head Office

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Title: SEVP

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Acting Spokesman

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Title: EVP & General Manager

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Credit Rating Agent

Taiwan Ratings Corporation

Address: 49F., No. 7, Sec. 5, Xingyi Rd., Taipei City, Taiwan (R.O.C.)

Tel: (02) 8722-5800

Web Site: www.taiwanratings.com

Certified Public Accountants for Financial Statements

KPMG Certified Public Accountants

Name of Accountants: Andrew Yu, Li Li Lu

Address: 68F., No. 7, Sec. 5, Xingyi Rd., Taipei City, Taiwan (R.O.C.)

Tel: (02) 8101-6666

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Bank Overview

Bank of Panhsin (BOP) was founded on April 25, 1957, formerly known as the Panchiao Credit Cooperative (PCC), and has ever since kept its operating principle of “Customer First” in mind to pursuit in expanding its business scale at a steady pace. In order to cope with such a rapidly liberalized financial environment and in compliance with the article of “Standards and Methods for Reorganization of Credit Cooperative into Commercial Bank” announced in December 6, 1995, PCC had acquired the Kaohsiung Fifth Credit Cooperative on September 29, 1997, officially transformed into a commercial bank, and renamed BOP the following day. The business premise has thus broken out of Greater Taipei Area. BOP had also acquired the Chiayi First Credit Cooperative on March 7, 2005, the total branches have increased up to 47 (including OBU). Currently planning combined Taipei Ninth Credit Cooperative, combined number of branches is expected to reach 65 (including OBU), Taipei & New Taipei City the total branches have increased up to 49(including OBU).

In order to offer competitive service to our customers, we have reallocated headquarters to Panhsin Twin Towers in New Banqiao Station Special Zone on March 17, 2011. Hence, BOP will persist in retaining its management concepts of “Integrity, Practicality, and Innovation” to expand its operating scale, improve its asset quality, and ultimately maximize its profits. BOP is determined in pursuit of becoming a highly competitive comprehensive mid-sized commercial bank.

I 、Re-registered Date

Panchiao Credit Cooperative (PCC) was founded on April 25, 1957, then transformed into a commercial bank and renamed Bank of Panhsin (BOP) on September 30, 1997.

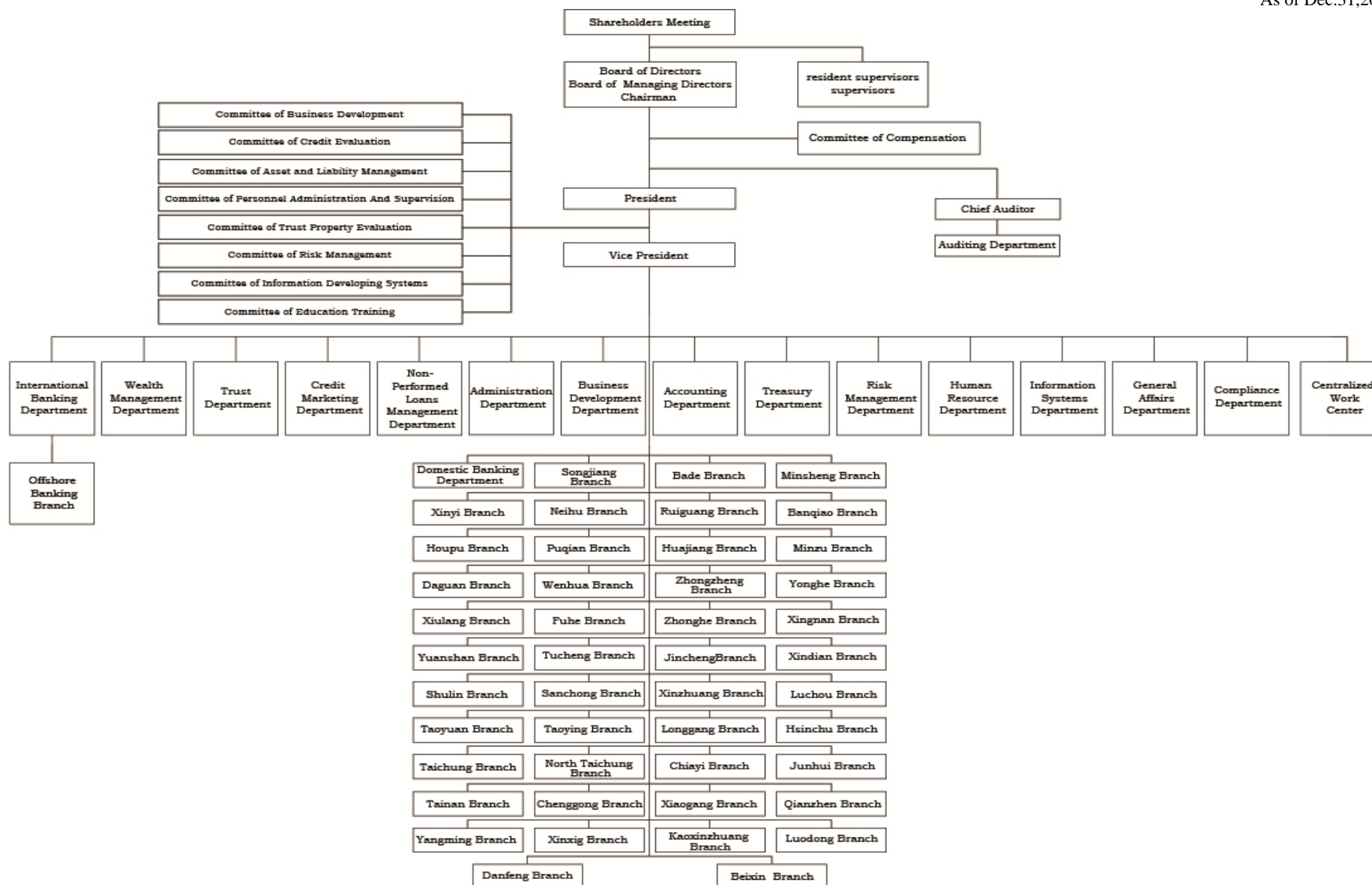
II 、Credit Rating

Rating Agency	Date	Long-Term	Short-Term	Outlook
Taiwan Ratings Co.	Oct. 30, 2013	tw BBB-	twA-3	Stable
Taiwan Ratings Co.	Nov. 01, 2013	tw BBB-	twA-3	Watch Neg
Taiwan Ratings Co.	Apr. 28, 2014	tw BBB-	twA-3	Stable

Corporate Governance Report

I、Organization Chart

As of Dec.31,2013



II 、Information on the Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Major Managers

(I)Board of Directors and Supervisors

As of Dec.31,2013

Position	Name	Date Appointed	Term Year	Date First Appointed	Shareholding When Elected		Current Shareholding		Shares Held by Spouse & Minor Children		Major Experience & Education	Current Positions
					Shares	%	Shares	%	Shares	%		
Chairman	Ping-Hui Liu	Jul.01,2012	3	Dec.27,1996	65,772,606	6.88	45,192,606	4.73	70,682,397	7.40	Chihlee College of Business/ Chairman of PCC	Chairman of BOP/ Supervisor of San Light Construction Co.,Ltd./ Director of Shan Hui Construction Co.,Ltd./ Supervisor of Yuan Chi Investment Co.,Ltd./ Chairman of BOP Charity Foundation/ Supervisor of Bankers Association Of The Republic Of China/ Managing Supervisor of Bankers Association of New Taipei City/ Managing Supervisor of Bankers Association of Taiwan
Managing Director	San-Jyun Construction Co.,Ltd. (Chung-Liang Chen)	Jul.01,2012	3	Jun.20,2006	12,421	-	12,421	-	-	-	KaiNan High School of Commerce and Industry/ Manager of BOP	Director of BOP Charity Foundation
Managing Director	Ming-Hsin Chiu	Jul.01,2012	3	Dec.27,1996	4,504,116	0.47	4,504,116	0.47	2,123,854	0.22	Ta-Tung Vocational High School/ Director of PCC	Director of Panhsin Asset Management Co.,Ltd./ Director of Chin Huan Cho Development Co.,Ltd./ Director of BOP Charity Foundation
Managing Director	Dao-Ming Kuo	Jul.01,2012	3	Dec.27,1996	7,213,572	0.75	7,213,572	0.75	2,000,677	0.21	MBA, Meijo University, Japan/ Director of PCC	Chairman of Panhsin Asset Management Co.,Ltd./ Chairman of Aizia Enterprise Co.,Ltd./ Chairman of Chao Neng Sheng Biotechnology Co.,Ltd./ Supervisor of Ma Shang Fa International Industry Co.,Ltd./ Chairman of Qing Yan Internation Co.,Ltd./ Director of Jie Xiong Enterprise Co.,Ltd./ Managing Director of Ta-Ou Xingye Co.,Ltd./ Director of BOP Charity Foundation
Independent Managing Director	Fu-Yuan Chang	Jul.01,2012	3	Jun.23,2009	-	-	-	-	-	-	National Taipei College of Business/ Accountant of Yong Cheng United Accounting Firm	Accountant of Yong Cheng United Accounting Firm/ Manager of Yong Cheng Management Consultants Firm

Position	Name	Date Appointed	Term Year	Date First Appointed	Shareholding When Elected		Current Shareholding		Shares Held by Spouse & Minor Children		Major Experience & Education	Current Positions
					Shares	%	Shares	%	Shares	%		
Director	Tong-Ren Lin	Jul.01,2012	3	Jun.20,2006	8,383,837	0.88	8,383,837	0.88	615,321	0.06	Tamkang University/ EVPof BOP	Director of Panhsin Insurance Broker Co.,Ltd./ Chairman of Ya Guan Co.,Ltd./ Chairman of Jing Bao Di Co.,Ltd./ Director of Quo Ding Construction Co.,Ltd./ Director of Hong Chun Construction Co.,Ltd./
Director	San Light Construction Co.,Ltd (Mei-Yun Liao)	Jul.01,2012	3	Jun.20,2006	3,012,421	0.32	3,012,421	0.32	-	-	Blessed Imelda's School/ Chairman of San Light Construction Co.,Ltd.	Chairman of San Light Construction Co.,Ltd./ Director of Shan Hui Construction Co.,Ltd./ Chairman of San Jyun Construction Co.,Ltd./ Chairman of Yuan Ci Investment Co.,Ltd./ Chairman of Da Shun Construction Co.,Ltd./ Director of Tien Lu Construction Co.,Ltd./ Chairman of San Hsin Machinery Engineering Co.,Ltd./ Director of Tien Mao Construction Co.,Ltd./ Director of San Chun Shun Industry Co.,Ltd.
Director	Lin-Long Chien	Jul.01,2012	3	Dec.27,1996	7,141,567	0.75	7,267,567	0.76	1,305,057	0.14	Chihlee Institute of Technology/ Supervisor of PCC	Director of Panhsin Asset Management Co.,Ltd./ Vice Chairman of He Chung Entertainment Co.,Ltd./ Supervisor of Yong Zhen Construction Co.,Ltd./ Director of BOP Charity Foundation
Director	Bai-Yuan Investment Co.,Ltd. (Sheng- Hong Shao)	Jul.01,2012	3	Jun.23,2009	24,000,000	2.51	24,000,000	2.51	-	-	National Tam-Shui Vocational High School/ Director of PCC	-
Director	Han-Chia Construction Co.,Ltd. (Ping-Huang Liu)	Jul.01,2012	3	Jun.20,2006	61,797	0.01	61,797	0.01	-	-	Chung-Yuan Christian University/ Director of PCC	Director of Panhsin Asset Management Co.,Ltd./ Chairman of Hai Shan Da Di Construction Co.,Ltd./ Chairman of Yi Chang Development Co.,Ltd./ Chairman of Han Chia Construction Co.,Ltd./ Director of Geng Shen Construction Co.,Ltd./ Supervisor of Yong Tai Construction Enterprise Co.,Ltd. Director of BOP Charity Foundation
Director	Lai-Wei Liu	Jul.01,2012	3	Dec.27,1996	5,491,124	0.57	5,491,124	0.57	8,648,733	0.90	Ger-Jyh Senior High School/ Director of PCC	Chairman of Jin Annian Construction Co.,Ltd./ Chairman of Jin Fu Construction Co.,Ltd./ Chairman of Kao Do Construction Co.,Ltd. Director of BOP Charity Foundation
Director	Bai-Yuan Investment Co.,Ltd. (Ming-Kun Cheng)	Jul.01,2012	3	Jun.23,2009	24,000,000	2.51	24,000,000	2.51	-	-	Feng Chia University/ Senior Vice President of Sunny Bank	President of BOP

Position	Name	Date Appointed	Term Year	Date First Appointed	Shareholding When Elected		Current Shareholding		Shares Held by Spouse & Minor Children		Major Experience & Education	Current Positions
					Shares	%	Shares	%	Shares	%		
Director	Yao-Chih Chu	Jul.01,2012	3	Jun.19,2012	1,404,354	0.15	1,404,354	0.15	126,375	0.01	Fu-Jen Catholic University/ Business Executive of China Rebar Co., Ltd.	-
Director	San-Jyun Construction Co.,Ltd. (Wan-Tu Yeh)	Jul.01,2012	3	Jun.20,2006	12,421	-	12,421	-	-	-	National Chengchi University/ EVP of Chang Hwa Bank	-
Director	Ruei-Long Chen	Jul.01,2012	3	Jun.23,2009	-	-	-	-	-	-	National Chung Hsing University/ Minister of Economic Affairs Chairman of Sinocon Industrial Standards Foundation/ Chairman of Powerchip Technology Co.,Ltd./ Director of Hannstar Board Co.,Ltd./ Corporate Directors of Chih-Jen Science and Technology Development Co.,Ltd./ Corporate Directors of Asia Cement Co.,Ltd./ Corporate Directors of PowerGate Optical Co.,Ltd./ Corporate Directors of Maxchip Electronics Co.,Ltd./ Independent Director of E-Ton Solar Technology Co., Ltd./ Independent Director of Formosa Chemicals & Fibre Co.,Ltd./ Independent Director of CPC Co.,Ltd./ Independent Director of Natural Beauty Biological Technology Co.,Ltd./	
Independent Director	Sin-Yi Luo	Jul.01,2012	3	Jun.23,2009	-	-	-	-	-	-	National Chengchi University/ Lawyer of Sin-Yi Luo Law Firm	-
Independent Director	Yue-Siou Liao	Jul.01,2012	3	Jun.23,2009	-	-	-	-	-	-	Phd. of St. John's University/ Associate Professor of Chihlee Institute of Technology	-
Independent Director	Sung-Hui Su	Jul.01,2012	3	Jun.19,2012	-	-	-	-	-	-	Feng Chia University/ President of Taiwan Agricultural Bank	Director of IBF Financial Holding Co.,Ltd./ Chairman of Kuo Wang International Financial Leasing Co.,Ltd.
Resident Supervisor	Chin-E Yeh	Jul.01,2012	3	Dec.27,1996	4,027,706	0.42	4,027,706	0.42	501,977	0.05	National Taipei High School of Commerce/ Chairman President of PCC	Director of BOP Charity Foundation
Supervisor	Fu-Jing Investment Co.,Ltd. (Teng-Chun Chen)	Jul.01,2012	3	Jun.20,2006	20,393,872	2.13	20,393,872	2.13	-	-	KaiNan High School of Commerce and Industry/ EVP of BOP	Supervisor of Panhsin Asset Management Co.,Ltd./
Supervisor	Yuan-Chi Investment Co.,Ltd. (Yi-Hsiung Chang)	Jul.01,2012	3	Jun.23,2009	20,210,750	2.11	20,210,750	2.11	-	-	Tamkang University/ President of Taiwan Land Bank	-

.Position	Name	Date Appointed	Term Year	Date First Appointed	Shareholding When Elected		Current Shareholding		Shares Held by Spouse & Minor Children		Major Experience & Education	Current Positions
					Shares	%	Shares	%	Shares	%		
Supervisor	Shang-Che Chen	Jul.01,2012	3	Dec.27,1996	6,845,363	0.72	6,933,450	0.73	538,479	0.06	Chungyu Institute of Technology/ Supervisor of PCC	Chairman of Fu Da Stationery Printing Co.,Ltd./ Charge in Scholarly Yuan Firm/ Director of BOP Charity Foundation/ Supervisor of Panhsin Insurance Brokers Co.,Ltd.
Supervisor	Fu-Jing Investment Co.,Ltd. (Hsien-Tse Chiu)	Jul.01,2012	3	Jun.20,2006	20,393,872	2.13	20,393,872	2.13	-	-	National Taipei High School of Commerce/ Supervisor of PCC	-

Note: Name in brackets means Representative.

(II) President, Vice Presidents and Major Managers

As of Mar. 01, 2014

Position	Name	Date Appointed	Shares Held		Shares Held by Spouse & Minor Children		Major Education
			Shares	%	Shares	%	
President	Ming-Kun Cheng	Sept.01,2013	-	-	-	-	- Feng Chia University
SEVP	Jia-Nan Fang	Jul.01,2004	17,343,424	1.81	9,110,400	0.95	Economic Dept., Soochow University
Chief Auditor	Fu-Chai Teng	Mar.01,2014	129,858	0.01	-	-	Business Administration Dept., National Chung Hsing University
EVP & GM of Business Development Dept.	Jhih-Wen Lin	Jan.24,2011	68,718	0.01	-	-	Business Administration Dept., Hsing-Wu College of Business
EVP & GM of Human Resource Dept.	Chi-Hsun Chang	Oct.01,2006	55,812	0.01	-	-	Master of Economics Dept., National Taiwan University
EVP & GM of Credit Marketing Dept.	Li-Chin Wei	Dec.16,2013	20,752	-	3,254	-	Business Administration Dept., Chihlee College of Business
EVP & GM of Compliance Dept.	Wan-Fa Chen	Oct.01,2013	-	-	-	-	Master of Shipping Management Dept, Taiwan Ocean University
SVP & GM of Administration Dept.	Shui-I Chang	Jan.24,2011	31,000	-	-	-	Master of Agricultural Economics Dept., National Taiwan University
SVP & GM of Non-Performing Loans Management Dept.	Ko-Han Liu	Jan.21,2013	31,531	-	744	-	Banking & Insurance Dept., Open Business College Affiliated With NTCB
SVP & GM of International Banking Dept & Offshore Banking Branch	Shing-Fen Lin	Mar.26,2008	17,352	-	-	-	Master of International Finance Dept., Birmingham University
SVP & GM of Wealth Management Dept.	Da-Hu Yu	Jun.21,2011	5,000	-	-	-	Business Administration Dept., Tamkang University
SVP & GM of Trust Dept	Jung-Tien Hsiao	May02,2007	-	-	-	-	Master of Economics Dept., National Taiwan University
SVP & GM of Treasury Dept	Feng-Jung Lee	Apr.02,2007	20,244	-	77,563	0.01	Statistics Dept., National Cheng Kung University
SVP & GM of Risk Management Dept	Shu-Nu Yang	Nov.26,2008	19,452	-	-	-	Master of International Monetary Finance Dept., Birmingham University
SVP & GM of Information Systems Dept	Mao-Sen Kao	Jan.01,2009	89,719	0.01	9,062	-	Business Administration Dept., National Taipei College of Business
SVP & GM of General Affairs Dept	A-Ren Lai	Feb.01,2010	45,467	-	89,635	0.01	Business Dept., Open Business College Affiliated With NTCB
VP & GM of Accounting Dept	Chiung-Chi Huang	Aug.01,2011	22,000	-	-	-	Accounting & Statistics Dept., National Taipei College of Business
VP & GM of Centralized Work Center	Chun-Lian Lin	Jul.26,2010	93,000	0.01	20,000	-	Business Dept., Song Shan High School of Commerce and Home Economics
EVP & GM of Domestic Banking Dept	Hsin-Mao Huang	Jan.21,2013	38,805	-	354	-	Accounting Dept., Fu-Jen Catholic University

Position	Name	Date Appointed	Shares Held		Shares Held by Spouse & Minor Children		Major Education
			Shares	%	Shares	%	
SVP & GM of Banqiao Branch	Wan-Ji Chen	Jan.19,2012	112,414	0.01	29,491	-	Business Administration Dept., Chihlee College of Business
VP & GM of Houpu Branch	Wen-Chin Wang	Jan.19,2012	25,837	-	-	-	Taipei Senior High School of Commerce
SVP & GM of Yonghe Branch	Yu-Tze Yo	Jan.21,2013	4,000	-	-	-	International Trade Dept., Soochow University
VP & GM of Puqian Branch	Hung-Ming Lin	May 21,2012	17,928	-	324	-	Master of Business Administration Dept., Andrews University
SVP & GM of Huajiang Branch	Lai-Wong Lin	Jan.24,2011	271,888	0.03	154,048	0.02	Accounting & Statistics Dept., National Taipei College of Business
SVP & GM of Minzu Branch	Hsi-Huang Chang	Jan.19,2012	480,791	0.05	57,486	0.01	Business Dept., Khang-Hua Senior Commercial Vocational Continuation High School
SVP & GM of Zhonghe Branch	De-Guo Lin	Jan.21,2013	409,520	0.04	487	-	Banking & Insurance Dept., Hsing-Wu College
VP & GM of Tucheng Branch	Ping-Hung Tsao	Jan.27,2014	19,460	-	5,993	-	Master of Economics Dept., Chinese Culture University
VP & GM of Wenhua Branch	Fu-Shan Lyu	Jan.21,2013	382,262	0.04	28,667	-	Business Administration Dept., Tamkang University
VP & GM of Dagan Branch	Ke-Long Wu	Jan.19,2012	148,466	0.02	52,028	0.01	Business Administration Dept., Chihlee College of Business
VP & GM of Xingnan Branch	Hui-Mei Liu	Jul.25,2011	59,212	0.01	-	-	Business Dept., Open Business College Affiliated With NTCB
VP & GM of Fuhe Branch	Shu-Min Liu	Jan.27,2014	17,000	-	-	-	Application Commercial Science Dept., Open Business College Affiliated With NTCB
AVP & GM of Xiulang Branch	Pei-Yu Weng	Jan.27,2014	5,000	-	-	-	Financial Management Dept., Chengchi University
VP & GM of Xinzhuang Branch	Jhao-Mao Kao	Jan.27,2014	17,352	-	-	-	Cooperative Economics Dept., National Chung Hsing University
SVP & GM of Yuanshan Branch	Shu-Quan Wei	Jan.21,2013	60,080	0.01	3,578	-	Banking & Insurance Dept., National Taipei College of Business
VP & GM of Shulin Branch	Jheng-Long Lin	Jan.21,2013	1,978	-	-	-	Statistics Dept., Tamkang University
VP & GM of Jincheng Branch	Jui-Tien Chen	Jan.21,2013	33,035	-	-	-	Industrial Management Dept., National Taipei Institute of Technology
SVP & GM of Xindian Branch	Wun-Huei Chou	Jan.21,2013	15,000	-	-	-	Economic Dept., National Chung Hsing University
VP & GM of Zhongzheng Branch	Yao-Tsung Liu	Jan.21,2013	20,000	-	-	-	National Hsinchu Commercial & Vocational High School
VP & GM of Luchou Branch	Chin-Po Liu	Jul.23,2012	8,000	-	-	-	Banking and Finance Dept., Takming University of Science and Technology
VP & GM of Sanchong Branch	Kai-Ming Wu	Jan.27,2014	49,815	0.01	-	-	Accounting & Statistics Dept., National Taipei College of Business
SVP & GM of Dan Feng Branch	Chien-Wen Li	Aug.10,2012	18,810	-	3,578	-	Master of Business Administration Stratford University, USA

Position	Name	Date Appointed	Shares Held		Shares Held by Spouse & Minor Children		Major Education
			Shares	%	Shares	%	
AVP & GM of Songjiang Branch	Ming-Chou Tsai	Jan.27,2014	10,000	-	-	-	Statistics Dept., Tamkang University
SVP & GM of Xinyi Branch	Hsue-Hsin Lin	Jan.21,2013	2,401	-	-	-	International Trade Dept., Chinese Culture University
SVP & GM of Minsheng Branch	Hua-Yi Guo	Jan.21,2013	47,823	0.01	-	-	Business Dept., Yu-Dah High School of Commerce
SVP & GM of Bade Branch	Mou Cheng	Jan.21,2013	20,244	-	-	-	Economics Dept., Fu-Jen Catholic University
AVP & GM of Neihsu Branch	Chao-Chun Lin	Jan.19,2012	10,000	-	-	-	Accounting Dept, Feng Chia University
VP & GM of Ruiguang Branch	Heng-Yu Chang	Nov.29,2010	10,000	-	-	-	Information Dept., Chinese Culture University
SVP & GM of Taoyuan Branch	Jun-Wei Wang	Jan.21,2013	19,051	-	-	-	Business Administration Dept., Tam Shul College
VP & GM of Taoying Branch	Yi-Chang Kao	Jul.25,2011	5,000	-	-	-	Information Management Dept., Chung Yuan Christian University
SVP & GM of Longgang Branch	Bo-Cheng Hsu	Jan.21,2013	32,000	-	-	-	Economics Dept., Chinese Culture University
SVP & GM of Hsinchu Branch	Shih-Ming Lin	Jan.21,2013	21,040	-	-	-	Business Dept., YPU
SVP & GM of North Taichung Branch	Yong-Lun Lee	Jan.27,2014	47,113	-	-	-	Business Administration Dept., Taichung College of Business
VP & GM of Taichung Branch	Tsung-Hsin Lin	Jan.27,2014	16,000	-	-	-	Accounting Dept., National Cheng Kung University
AVP & GM of Chiayi Branch	Chih-Te Chen	Jan.19,2012	14,460	-	-	-	Cooperate Economy Dept., Tamkang University
AVP & GM of Junhui Branch	Hung-Chang Chiang	Jan.19,2012	5,000	-	-	-	Finance Dept., Tatung Institute of Technology
SVP & GM of Tainan Branch	Dun-Ren Lin	Mar.03,2010	10,000	-	-	-	Master of Graduate Institute of Business, Nation Chiayi University
SVP & GM of Chenggong Branch	Yu-Yi Hung	Mar.01,2013	-	-	-	-	Real Estate Mangement Dept., Kun Shan University
AVP & GM of Xiaogang Branch	Shou-Yao Chen	Apr.22,2013	63,282	0.01	-	-	Banking & Insurance Dept., China Institute of Technology
VP & GM of Xinxing Branch	Ming-Kung Tsai	Aug.03,2011	-	-	-	-	Master of Graduate Institute of Business, Chaoyang University of Technology
VP & GM of Qianzhen Branch	Hsien-Chin Kuo	Jan.19,2012	10,000	-	-	-	Finance Dept., Shih Chien University
VP & GM of Yangming Branch	Jiunn-Fu Chen	Oct.08,2010	44,626	-	-	-	Business Dept., Kuo Chi Senior Vocational High School of Commerce and Technology
AVP & GM of Kaohsiung Branch	Ta-Hui Tsai	Jan.19,2012	7,000	-	-	-	Business Dept., National Taiwan University
VP & GM of Luodong Branch	Te-Wei Li	Jan.19,2012	17,352	-	-	-	Theatre Arts Dept., Chinese Culture University

III 、The Changes in Shareholding

(I) Changes in Shareholdings of Directors, Supervisors, Executive Officers, and Shareholders conform to the Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11

As of Feb. 28, 2014

Title	Name	2013		As of Feb.28,2014	
		Increments of Common Stock Held(Less)	Increments of Common Stock Pledged(Less)	Increments of Common Stock Held(Less)	Increments of Common Stock Pledged(Less)
Chairman (Substantial shareholders)	Ping-Hui Liu	(20,580,000)	2,000,000 (24,580,000)	-	16,000,000 (16,000,000)
Representative of Corporate Director (Substantial shareholders)	Mei-Yun Liao	(7,860,000)	34,603,000 (42,463,000)	-	8,000,000 (8,000,000)
Director (Substantial shareholders)	Bai-Yuan Investment Co.,Ltd.	-	24,000,000 (24,000,000)	-	-
The same person or related parties held by the same bank issued the total number of voting shares of a certain percentage of Article 11 of the Measures for the Administration should declare options	Shan Hui Construction Co.,Ltd	32,539,361	49,225,000 (41,030,000)	-	10,098,000
	Yuan-Mao Construction Co.,Ltd	6,000,000	20,000,000 (14,000,000)	-	-
Representative of Corporate Supervisor	Hsien-Tse Chiu	(30,000)	-	-	-
Representative of Corporate Director	Chung-Liang Chen	-	3,500,000 (3,500,000)	-	-
Director	Lin-Long Chien	85,000	6,500,000	-	-
S.E.V.P	Jia-Nan Fang	-	(5,800,000)	-	5,800,000 (5,800,000)
EVP & GM	Hsin-Mao Huang	648	-	-	-
SVP & GM	Lai-Wong Lin	40,000	-	-	-

(II) Transfer in Shareholdings

As of Feb. 28, 2014

Name	Reason for Transferring	Transaction Date	Transaction Party	Shares	Trading Price (Dollar)
Ping-Hui Liu	Prosecuted	Dec.17,2013	Shan-Hui Construction Co.,Ltd.	18,580,000	10.00
Ping-Hui Liu	Prosecuted	Dec.17,2013	Yuan-Mao Construction Co.,Ltd.	2,000,000	10.00
Mei-Yun Liao	Prosecuted	Dec.17,2013	Yuan-Mao Construction Co.,Ltd.	4,000,000	10.00
Mei-Yun Liao	Prosecuted	Dec.17,2013	Shan-Hui Construction Co.,Ltd.	3,860,000	9.80
Shan-Hui Construction Co.,Ltd.	Acquire	Sep.30,2013	Yung-Hsiung Tung	3,578	8.50
Shan-Hui Construction Co.,Ltd.	Acquire	Sep.30,2013	Ching-Chun Tung	3,000,000	8.50
Shan-Hui Construction Co.,Ltd.	Acquire	Sep.30,2013	Ying-E Tung Lin	2,608,515	8.50
Shan-Hui Construction Co.,Ltd.	Acquire	Sep.30,2013	Ching-Yu Tung	1,041,769	8.50
Shan-Hui Construction Co.,Ltd.	Acquire	Sep.30,2013	Ching-Pin Tung	3,038,450	8.50
Shan-Hui Construction Co.,Ltd.	Acquire	Oct.03,2013	Shin-Hua Chiu	100,000	8.50
Shan-Hui Construction Co.,Ltd.	Acquire	Oct.03,2013	Kuo-Hua Chiu	100,000	8.50
Shan-Hui Construction Co.,Ltd.	Acquire	Oct.03,2013	Lan-Hsiang Fu	207,049	8.50
Shan-Hui Construction Co.,Ltd.	Acquire	Dec.17,2013	Mei-Yun Liao	3,860,000	9.80
Shan-Hui Construction Co.,Ltd.	Acquire	Dec.17,2013	Ping-Hui Liu	18,580,000	10.00
Yuan-Mao Construction Co.,Ltd.	Acquire	Dec.17,2013	Mei-Yun Liao	4,000,000	10.00
Yuan-Mao Construction Co.,Ltd.	Acquire	Dec.17,2013	Ping-Hui Liu	2,000,000	10.00
Hsien-Tse Chiu	Prosecuted	Jan.28,2013	Ching-Yu Tung	30,000	6.80
Lin-Long Chien	Acquire	Jul.08,2013	Yi-Chen Wang	85,000	6.50
Hsin-Mao Huang	Acquire	Jan.09,2013	Lung-Chen Su	324	6.00
Hsin-Mao Huang	Acquire	Jan.09,2013	Li-Chiu Yu	324	6.00
Lai-Wong Lin	Acquire	Jan.31,2013	Chih-Wen Huang	10,000	6.00
Lai-Wong Lin	Acquire	Jun.20,2013	Cheng-Hsiang Huang	15,000	6.20
Lai-Wong Lin	Acquire	Jun.20,2013	Cheng-Hsiang Huang	4,000	6.30
Lai-Wong Lin	Acquire	Dec.16,2013	Chih-Wen Huang	11,000	7.20

(III) Pledge in Shareholdings

As of Feb. 28, 2014

Name	Reason for Pledging	Changing Date	Transaction Party	Shares
Chung-Liang Chen	Redeem	Jan.03,2013	En-Tie Bank	3,500,000
Chung-Liang Chen	Pledge	Oct.03,2013	Yuanta Bank	3,500,000
Ping-Hui Liu	Redeem	Mar.21,2013	CTBC Bank	2,000,000
Ping-Hui Liu	Pledge	Mar.22,2013	Mega Bills Finance	2,000,000
Ping-Hui Liu	Redeem	Dec.16,2013	Hwa Tai Bank	5,730,000
Ping-Hui Liu	Redeem	Dec.17,2013	Mega Bills Finance	4,850,000
Ping-Hui Liu	Redeem	Dec.17,2013	Union Bank of Taiwan	10,000,000
Ping-Hui Liu	Redeem	Jan.07,2014	King's Town Bank	16,000,000
Ping-Hui Liu	Pledge	Jan.07,2014	Cosmos Bank	16,000,000
Mei-Yun Liao	Redeem	Mar.21,2013	CTBC Bank	4,000,000
Mei-Yun Liao	Pledge	Mar.22,2013	Mega Bills Finance	4,000,000
Mei-Yun Liao	Redeem	Aug.13,2013	Shin Kong Bank	13,300,000
Mei-Yun Liao	Pledge	Aug.13,2013	Cathay United Bank	7,200,000
Mei-Yun Liao	Redeem	Otc.03,2013	Hwa Tai Bank	7,303,000
Mei-Yun Liao	Pledge	Otc.03,2013	Yuanta Bank	13,403,000
Mei-Yun Liao	Redeem	Dec.16,2013	Hwa Tai Bank	3,860,000
Mei-Yun Liao	Redeem	Dec.17,2013	Mega Bills Finance	14,000,000
Mei-Yun Liao	Pledge	Dec.17,2013	Union Bank of Taiwan	10,000,000
Mei-Yun Liao	Redeem	Jan.07,2014	King's Town Bank	8,000,000
Mei-Yun Liao	Pledge	Jan.07,2014	Cosmos Bank	8,000,000
Jia-Nan Fang	Redeem	Jan.09,2013	En Tie Bank	1,000,000
Jia-Nan Fang	Redeem	Jan.09,2013	En Tie Bank	4,800,000
Jia-Nan Fang	Redeem	Jan.07,2014	King's Town Bank	5,800,000
Jia-Nan Fang	Pledge	Jan.07,2014	Cosmos Bank	5,800,000
Lin-Long Chien	Pledge	Jun.19,2013	Cathay United Bank	6,500,000
Shan-Hui Construction Co.,Ltd	Redeem	Jan.01,2013	En Tie Bank	14,215,000
Shan-Hui Construction Co.,Ltd	Redeem	Sep.30,2013	King's Town Bank	14,215,000
Shan-Hui Construction Co.,Ltd	Redeem	Sep.30,2013	Yuanta Bank	12,600,000
Shan-Hui Construction Co.,Ltd	Pledge	Sep.30,2013	King's Town Bank	14,215,000
Shan-Hui Construction Co.,Ltd	Pledge	Sep.30,2013	Yuanta Bank	12,600,000
Shan-Hui Construction Co.,Ltd	Pledge	Dec.17,2013	Mega Bills Finance	12,850,000
Shan-Hui Construction Co.,Ltd	Pledge	Dec.18,2013	Hwa Tai Bank	9,590,000
Shan-Hui Construction Co.,Ltd	Pledge	Jan.14,2014	China Bill Finance	10,098,000
Yuan-Mao Construction Co.,Ltd.	Redeem	Mar.21,2013	CTBC Bank	10,000,000
Yuan-Mao Construction Co.,Ltd.	Redeem	Mar.21,2013	CTBC Bank	4,000,000
Yuan-Mao Construction Co.,Ltd.	Pledge	Mar.22,2013	Mega Bills Finance	14,000,000
Yuan-Mao Construction Co.,Ltd.	Pledge	Dec.17,2013	Mega Bills Finance	6,000,000
Bai-Yuan Investment Co.,Ltd.	Redeem	Dec.18,2013	King's Town Bank	24,000,000
Bai-Yuan Investment Co.,Ltd.	Pledge	Dec.18,2013	TC Bank	24,000,000

IV 、Information Disclosing the Relationship between any of the Bank's Top 10 Shareholders

As of Dec. 31, 2013

Name	Shares Held		Shares Held by Spouse & Minor Children		Inter-Relations	
	Shares	%	Shares	%	Name	Relation
Mei-Yun Liao	70,682,397	7.40	45,192,606	4.73	Yuan-Chi Investment Co.,Ltd. Shan-Hui Construction Co.,Ltd Representative : Chao-Tung Liu Ping-Hui Liu	Chairman Second-degree relatives spouse
Shan-Hui Construction Co.,Ltd (Chao-Tung Liu)	59,354,361 133,376	6.21 0.01	- -	- -	Me-Yun Liao Ping-Hui Liu	Second-degree relatives
Ping-Hui Liu	45,192,606	4.73	70,682,397	7.40	Yuan- Chi Investment Co.,Ltd. Shan Hui Construction Co.,Ltd Mei-Yun Liao	Director Director Spouse
Bai-Yuan Investment Co.,Ltd. (Wei-Ren Liao)	24,000,000 -	2.51 -	- -	- -	- -	- -
Fu-Jing Investment Co.,Ltd. (Wei-Ren Liao)	20,393,872 -	2.13 -	- -	- -	- -	- -
Yuan-Chi Investment Co.,Ltd. (Mei-Yun Liao)	20,210,750 70,682,397	2.11 7.40	- 45,192,606	- 4.73	Mei-Yun Liao Ping-Hui Liu	Chairman Director
Yuan-Mao Construction Co.,Ltd. (Chun-E Lin)	20,010,500 -	2.09 -	- 43,311	- -	- -	- -
Jia-Nan Fang	17,343,424	1.81	9,110,400	0.95	-	-
Mao-Li Investment Co.,Ltd. (Chun-Yen Tsai)	10,000,000 6,530,452	1.05 0.68	- -	- -	- -	- -
Tong-Yi Lin	9,203,378	0.96	57,486	0.01	-	-

V、Omnibus Shareholding Ratio

As of Dec. 31, 2013

Reinvested Business	BOP Investment		Directors, Supervisors, President, SEVP, EVP, SVP & GM, in charge of various departments and branches and the Bank, directly or indirectly control the cause of the investment		General Investment	
	Shares	%	Shares	%	Shares	%
Syun-Rueidu Development Co.,Ltd.	4,940,000	1.86	-	-	4,940,000	1.86
Financial Information Service Co.,Ltd.	5,118,750	1.14	-	-	5,118,750	1.14
Taiwan Depository & Clearing Co.,Ltd.	271,615	0.08	-	-	271,615	0.08
Sunny Asset Management Co.,Ltd.	69,180	1.15	-	-	69,180	1.15
Panhsin Asset Management Co.,Ltd.	5,000,000	29.41	12,000,000	70.59	17,000,000	100.00
Panhsin Insurance Broker Co.,Ltd.	3,095,400	100.00	-	-	3,095,400	100.00

Fund-Raising Activities

I、Shares & Dividends

(I)Source of Capital

Unit:Thousand Shares/NT\$ Thousand

Date	Issuing Price(NT\$)	Authorized Capital		Paid-in Capital		Note	
		Shares	Amount	Shares	Amount	Capital Source	Others
Sep.1997	10	600,000	6,000,000	600,000	6,000,000	Note 1	-
Jun.2005	10	819,800	8,198,000	819,800	8,198,000	Note 2	-
Jun.2006	10	1,500,000	15,000,000	819,800	8,198,000	Note 3	-
Sep.2006	10	1,500,000	15,000,000	855,790	8,557,900	Note 3	-
Dec.2006	10	1,500,000	15,000,000	955,790	9,557,900	Note 4	-
May.2011	10	1,500,000	15,000,000	1,055,790	10,557,900	Note 5	-
Jun.2011	10	1,500,000	15,000,000	955,790	9,557,900	Note 5	-

Note 1:The Panchiao Credit Cooperative(PCC) has transformed officially into a Commercial Bank.

Note 2:Retained earning transferred to capital of NT\$198,000 thousand on June 20, 2005 as reference date.Approval note of Jin-Guan-Yin(3) No.0940015799 had been granted from Financial Supervisory Commission(FSC)on June 24, 2005.

Issuance of preferred stock for cash totaled NT\$1,000,000 thousand on June 22, 2005 as reference date.

Issuance of common stock for cash totaled NT\$1,000,000 thousand on June 24, 2005 as reference date.

Approval note of Jin-Guan-Yin(3) No.0938011560 had been granted from FSC on September 10, 2004.

Note 3:A resolution has passed to amend bank's articles of incorporation and increased the authorized capital of up to NT\$15 billion in shareholders' meeting held on June 20, 2006.

Capital surplus transferred to capital of NT\$359,900 thousand on September 01, 2006 as reference date.Approval note of Jin-Guan-Yin(3) No.09500320330 had been granted from FSC on July 18, 2006.

Note 4:Issuance of common stock for cash totaled NT\$1,000,000 thousand on December 28,2006 as reference date.Approval note of Jin-Guan-Zhen(1) No.09500439170 had been granted from FSC on October 03,2006,as well as Jin-Guan-Yin(3)No.0950150935 in November 14, 2006.

Note 5:Issuance of common stock for cash totaled NT\$1,000,000 thousand on May 06, 2011 as reference date.Approval note of Jin-Guan-Zhen(fa) No.1000016060 had been granted from FSC on May 04, 2011. Preferred stock shares of NT\$1,000,000,000 were due on 23 Jun 2011 and redeemed by money obtained from the new shares issued on 6 May, 2011.

Item Type	Authorized Capital (Thousand Shares)			Note
	Shares Outstanding	Unissued Shares	Total	
Common Stock	955,790	544,210	1,500,000	Became a Public Offered Company on Nov.14,2006

(II)Shareholder Structure

As of Dec. 31, 2013

Structure Quantity	Government Institutions	Financial Institutions	Domestic Institutions	Individuals	Foreign Institution & Foreigners	Total
Number of Shareholders	2	-	91	98,866	11	98,970
Number of Shares Held	677,677	-	173,393,585	780,583,497	1,135,241	955,790,000
Ratio of Share Holding(%)	0.07	-	18.14	81.67	0.12	100.00

(III)Distribution Breakdown of Shares Holding (Par Value of NT\$ 10)

As of Dec. 31, 2013

Shareholding Classifications	Number of Shareholders	Shares	Ratio(%)
1~999	73,845	25,064,489	2.62
1,000~5,000	13,476	39,678,277	4.15
5,001~10,000	2,616	17,313,849	1.81
10,001~15,000	1,987	23,581,428	2.47
15,001~20,000	467	8,028,083	0.84
20,001~ 30,000	3,940	92,256,684	9.65
30,001~ 50,000	758	28,553,531	2.98
50,001~100,000	1,328	82,068,032	8.59
100,001~200,000	253	33,580,455	3.51
200,001~400,000	130	36,930,490	3.86
400,001~600,000	41	20,624,146	2.16
600,001~800,000	43	29,206,864	3.06
800,001~1,000,000	19	17,381,050	1.82
1,000,001~	67	501,522,622	52.48
Total	98,970	955,790,000	100.00

(IV)Major Shareholders

As of Dec. 31, 2013

Major Shareholders	Item	Shares	Ratio (%)
	Mei-Yun Liao	70,682,397	7.40
	Shan Hui Construction Co.,Ltd.	59,354,361	6.21
	Ping-Hui Liu	45,192,606	4.73
	Bai-Yuan Investment Co.,Ltd.	24,000,000	2.51
	Fu-Jing Investment Co.,Ltd.	20,393,872	2.13
	Yuan-Chi Investment Co.,Ltd.	20,210,750	2.11
	Yuan-Mao Construction Co.,Ltd	20,010,500	2.09
	Jia-Nan Fang	17,343,424	1.81
	Mao-Li Investment Co.,Ltd.	10,000,000	1.05

II 、 Issuance of Financial Bonds

Types	6 th (Term) Financial Debenture	7 th (Term) Financial Debenture	8 th (Term) Financial Debenture
Date & No. Approved By Authority	May 22, 2007 Jin-Guan-Yin(3) No.09600204740	Nov.14, 2008 Jin-Guan-Yin(3) No.09700438300	Nov.14, 2008 Jin-Guan-Yin(3) No.09700438300
Date of Issuance	May 21, 2008	Dec. 25, 2008	Jun. 26, 2009
Par Value	NT\$100 thousand	NT\$10,000 thousand	NT\$10,000 thousand
Currency	NT\$		
Offering Price	Par Value		
Total Amount	NT\$239,000 thousand	NT\$280,000 thousand	NT\$370,000 thousand
Interest Rate	Fixed:3.60% Floating:1 Yr Term Deposit Rate from the Chunghwa Post plus 1.25%	Fixed:3.40%	Fixed:3.00% Floating:1 Yr Term Deposit Rate from the Chunghwa Post plus 1.70%
Maturity	Term: 6 Years Date of Maturity:May 21, 2014	Term: 6 Years Date of Maturity:Dec. 25, 2014	Term: 6 Years Date of Maturity:Jun. 26, 2015
Repayment Priority	Subordinate		
Certifying Financial Institute	-		
Repayment Method	Pay Off upon Maturity		
Unpaid Balance	-		
Paid-In Capital of Previous Year	NT\$9.558 billion (Including Preferred Stock)		
Net Worth of Previous Year	NT\$9,596,140 thousand	NT\$9,596,140 thousand	NT\$8,771,929 thousand
Constraints	The buyers and transferees are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in capital consolidation plans, companies or funds whose total assets as recorded in the latest financial reports reviewed or perused by accountants exceed NT\$50 million, or trust property mentioned in a trust agreement concluded with a trust enterprise exceeds NT\$50 million.		
Ratio of applied shares and prior shares outstanding to prior year's final net worth(%)	46.26%	49.18%	44.81%
Consider as Qualified Capital and its Tiers	Yes, Tier II		
Credit Rating Agency, Date of Rating,and Rating	Taiwan Ratings Co. Jun. 15, 2009 tw BB+		

Types	9 th (Term) Financial Debenture	10 th (Term) Financial Debenture	11 th (Term) Financial Debenture
Date & No. Approved By Authority	Nov.14, 2008 Jin-Guan-Yin(3) No.09700438300	Oct.07, 2010 Jin-Guan-Yin-He No.09900391970	Oct.06, 2011 Jin-Guan-Yin-He No.10000337280
Date of Issuance	Oct. 22, 2009	Nov. 05, 2010	Dec. 02, 2011
Par Value	NT\$10,000 thousand		
Currency	NT\$		
Offering Price	Par Value		
Total Amount	NT\$350,000 thousand	NT\$500,000 thousand	NT\$400,000 thousand
Interest Rate	Fixed:3.00% Floating: 1 Yr Term Deposit Rate from the Chunghwa Post plus 1.70%	Fixed: 3.25%	Fixed: 3.00%
Maturity	Term:6 Years Date of Maturity: Oct. 22, 2015	Term:6 Years Date of Maturity: Nov. 05, 2016	Term:6 Years Date of Maturity: Dec. 02, 2017
Repayment Priority	Subordinate		
Certifying Financial Institute	-		
Repayment Method	Pay Off upon Maturity		
Unpaid Balance	-		
Paid-In Capital of Previous Year	NT\$9.558 billion (Including Preferred Stock)		
Net Worth of Previous Year	NT\$8,771,929 thousand	NT\$8,586,003 thousand	NT\$8,601,944 thousand
Constraints	The buyers and transferees are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in capital consolidation plans, companies or funds whose total assets as recorded in the latest financial reports reviewed or perused by accountants exceed NT\$50 million, or trust property mentioned in a trust agreement concluded with a trust enterprise exceeds NT\$50 million.		The buyers and transferees are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in capital consolidation plans.
Ratio of applied shares and prior shares outstanding to prior year's final net worth(%)	44.33%	45.88%	50.44%
Consider as Qualified Capital and its Tiers	Yes,Tier II		
Credit Rating Agency, Date of Rating,and Rating	Taiwan Ratings Co. Jun. 15, 2009 tw BB+	Taiwan Ratings Co. Oct. 29, 2010 tw BB+	Taiwan Ratings Co. Dec. 02, 2011 tw BB+

Types	12 th (Term) Financial Debenture	13 th (Term) Financial Debenture
Date & No.Approved By Authority	Oct. 06, 2011 Jin-Guan-Yin-He No.10000337280	Oct. 08, 2012 Jin-Guan-Yin-He No.10100319820
Date of Issuance	Mar. 21, 2012	Nov. 12, 2012
Par Value	NT\$10,000 thousand	
Currency	NT\$	
Offering Price	Par Value	
Total Amount	NT\$100,000 thousand	NT\$700,000 thousand
Interest Rate	Fixed:3.00%	
Maturity	Term:6 Years Date of Maturity:Mar.21,2018	Term:6 Years Date of Maturity:Nov.12,2018
Repayment Priority	Subordinate	
Certifying Financial Institute	-	
Repayment Method	Pay Off upon Maturity	
Unpaid Balance	-	
Paid-In Capital of Previous Year	NT\$9.558 billion	
Net Worth of Previous Year	NT\$7,868,190 thousand	
Constraints	The buyers and transferees are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in capital consolidation plans.	
Ratio of applied shares and prior shares outstanding to prior year's final net worth(%)	35.07%	43.96%
Consider as Qualified Capital and its Tiers	Yes, Tier II	
Credit Rating Agency, Date of Rating, and Rating	Taiwan Ratings Co. Mar. 21, 2012 tw BB+	Taiwan Ratings Co. Nov. 05, 2012 tw BB+

Operations Overview

I. Business Categories

(I) Major Business & Its Relative Weight

1. Deposits Business

Unit: NT\$ Thousand

Item	2013		2012		Difference	
	Amount	Weight (%)	Amount	Weight (%)	Amount	Growth Rate (%)
Current Deposit	65,126,407	44.07	60,074,375	40.98	5,052,032	8.41
Checking Account	1,392,652	0.94	1,675,482	1.14	(282,830)	(16.88)
Demand Deposit	26,146,552	17.69	22,092,059	15.07	4,054,492	18.35
Demand Saving	37,587,204	25.43	36,306,834	24.77	1,280,370	3.53
Time Deposit	81,546,316	55.18	85,395,041	58.26	(3,848,725)	(4.51)
Time Deposit	21,323,811	14.43	21,965,048	14.98	(641,237)	(2.92)
Negotiable Certificates of Deposit	812,900	0.55	1,168,900	0.80	(356,000)	(30.46)
Regular savings deposits	59,409,605	40.20	62,261,093	42.48	(2,851,488)	(4.58)
Interest-Drawing Saving Deposit	51,809,731	35.06	51,660,395	35.24	149,336	0.29
Non-Interest- Drawing Time Saving Deposit	7,490,688	5.07	10,488,596	7.16	(2,997,908)	(28.58)
Installment Saving Deposit	109,186	0.07	112,102	0.08	(2,916)	(2.60)
Re-Deposit from Banks & Post Office	1,118,851	0.76	1,112,671	0.76	6,180	0.56
Total Deposit	147,791,574	100.00	146,582,086	100.00	1,209,487	0.83

Note: Total Deposit includes NT Dollars and Foreign Currency Deposit.

2. Loans Business

(1) Consumer finance (NT Dollars)

Unit: NT\$ Thousand

Item	2013		2012		Difference	
	Amount	Weight (%)	Amount	Weight (%)	Amount	Growth Rate (%)
Secured Overdraft	4,324	0.01	5,572	0.01	(1,247)	(22.39)
Short-Term Loan	523,650	1.09	516,508	1.11	7,142	1.38
Short-Term Secured Loan	6,789,492	14.18	4,471,673	9.63	2,317,819	51.83
Medium-Term Loan	508,157	1.06	351,020	0.76	157,137	44.77
Medium-Term Secured Loan	2,296,583	4.80	1,005,636	2.17	1,290,947	128.37
Long-Term Loan	540,702	1.13	718,951	1.55	(178,248)	(24.79)
Long-Term Secured Loan	37,214,199	77.73	39,358,757	84.77	(2,144,558)	(5.45)
Total Loan	47,877,108	100.00	46,428,116	100.00	1,448,992	3.12

(2) Corporate finance (NT Dollars)

Unit: NT\$ Thousand

Item	2013		2012		Difference	
	Amount	Weight (%)	Amount	Weight (%)	Amount	Growth Rate (%)
Overdraft	-	-	-	-	-	-
Short-Term Loan	9,269,818	19.18	8,480,167	19.18	789,651	9.31
Short-Term Secured Loan	10,467,436	21.66	6,029,928	13.64	4,437,507	73.59
Medium-Term Loan	6,802,596	14.08	10,708,918	24.23	(3,906,323)	(36.48)
Medium-Term Secured Loan	19,007,098	39.33	17,612,839	39.84	1,394,260	7.92
Long-Term Loan	218,159	0.45	223,741	0.51	(5,583)	(2.50)
Long-Term Secured Loan	2,556,117	5.29	1,149,010	2.60	1,407,108	122.46
Total Loan	48,321,223	100.00	44,204,603	100.00	4,116,620	9.31

3. Wealth Management & Trust Business

Unit: NT\$ Thousand

Item	2013		2012		Difference	
	Amount	Weight (%)	Amount	Weight (%)	Amount	Growth Rate (%)
Designated Purpose Trust Fund	125,972	29.23	114,226	29.70	11,746	10.28
Real Estate Trust	62,204	14.43	53,490	13.91	8,714	16.29
Other Trust	16,789	3.90	11,147	2.90	5,642	50.61
Subtotal	204,965	47.56	178,862	46.51	26,103	14.59
Insurance	226,027	52.44	205,721	53.49	20,306	9.87
Total	430,992	100.00	384,583	100.00	46,409	12.07

4.NPL Collection & Management

Unit: NT\$ Thousand

Item	2013	2012	Difference	
	Amount	Amount	Amount	Growth Rate (%)
Overdue Loans	1,252,172	1,193,766	58,406	4.89%

5.Foreign Exchange & International Banking

Unit: US\$ Thousand

Item	2013	2012	Difference	
	Amount	Amount	Amount	Growth Rate (%)
Import	388,921	476,679	(87,758)	(18.41)
Export	141,199	267,741	(126,542)	(47.26)
Outward Remittance	1,323,951	1,555,471	(231,520)	(14.88)
Inward Remittance	1,692,243	1,900,743	(208,500)	(10.97)
Total	3,546,314	4,200,634	(654,320)	(15.58)
Foreign Deposit Outstanding	266,893	276,935	(10,042)	(3.63)
Foreign Loan Outstanding (Including Investment)	233,965	236,049	(2,084)	(0.88)

6.Weight of Major Asset by Type to Total Asset

Unit: NT\$ Thousand

Major Business	2013		2012	
	Amount	Ratio to Total Asset (%)	Amount	Ratio to Total Asset (%)
Total Asset	162,829,257	99.94	160,190,174	99.93
Loan & Advance	103,162,173	63.32	97,333,371	60.72
Due from Central Bank & Placement to Other Banks	33,542,534	20.59	37,191,391	23.20
Bills & Bonds & Security Investments	10,366,173	6.36	9,397,947	5.86
Other	15,758,377	9.67	16,267,465	10.15
Total Liability	153,012,568	93.92	152,197,305	94.94
Deposit & Remittance	146,574,270	89.97	145,304,922	90.64
Deposit by Central Bank & Other Banks	1,118,851	0.69	1,112,671	0.69
Financial Debenture Payable	2,939,000	1.80	2,939,000	1.83
Other	2,380,447	1.46	2,840,712	1.78

Note: The report adoption of IFRSs Consolidated financial statements.

7.Weight of Major Income by Type to Total Income

Unit: NT\$ Thousand

Major Business	2013		2012	
	Amount	Ratio to Total Income (%)	Amount	Ratio to Total Income (%)
Net Interest Income	1,870,453	46.39	1,872,930	70.92
Net Fee Income	423,050	10.50	323,393	12.26
Financial Liability at Fair Value through Profit or Loss	(14,846)	(0.37)	115,823	4.39
Realized Gain (Loss) on Available for Sale Financial Asset	52,169	1.29	39,261	1.49
Investment Gain with Equity Method-Net	-	-	-	-
Translation Gain-Net	172,269	4.27	(54,356)	(2.06)
Asset Impairment Loss	383	0.01	(24,020)	(0.91)
Other Non-interest Income	1,528,215	37.91	367,702	13.92
Net Income	4,031,693	100.00	2,640,733	100.00

Note: The report adoption of IFRSs Consolidated financial statements.

II. Employee

(I) Employee Information of Recent Two Years

Item		Feb. 28, 2014	2013	2012
Number of Employee	Employee	1,111	1,111	1,156
	Intern	20	20	22
	Total	1,131	1,131	1,178
Average Age		39.12	39.07	38.30
Average Seniority		11.50	11.30	10.60
Academic Distribution (%)	Master & Above	8.49	8.15	8.16
	University/College	83.64	84.13	84.12
	Senior High School	7.60	7.47	7.47
	Junior High School & Below	0.27	0.25	0.25

(II) Status on Employee Training

Year	Educational Expenditure (NT\$ Thousand)	Internal Training		External Training	
		Attendant	Course	Attendant	Course
2013	5,573	5,044	78	940	278
Feb.28,2014	364	164	3	50	14

Financial Status

I、Brief Balance Sheets & Comprehensive Income Statements of Recent Five Years

(I) Brief Balance Sheets

1. IFRSs

(1) Consolidation

Unit: NT\$ Thousand

Item \ Year	2013	2012
Cash & Cash Equivalents	36,880,549	40,772,472
Due from Central Bank & Placement to Other Banks		
Financial Assets at Fair Value through Profit or Loss	557,936	714,318
Available for Sale - Financial Assets	8,900,515	6,671,543
Derivative financial Assets for hedging	-	-
Bills & Bonds Purchased under Agreements to Resell	199,781	1,299,002
Account Receivables - Net	1,527,932	904,964
Current income tax Assets	101,259	68,604
Assets to be disposed - Net	-	-
Loans & Advances - Net	103,162,173	97,333,371
Held-to-Maturity Financial Assets	707,940	713,084
Long-term Investment under Equity Method - Net	-	-
Restricted Assets	-	-
Other Financial Assets - Net	62,537	62,547
Real estate and equipment - Net	5,700,952	5,882,897
Investment Real Estate - Net	1,837,972	2,130,803
Intangible Assets - Net	1,463,675	1,511,896
Deferred income taxes Assets - Net	879,997	1,048,936
Other Assets	846,039	1,075,737
Total Assets	162,829,257	160,190,174
Deposits by Central Bank and Other Banks	1,118,851	1,112,671
Central Bank and Other Banks Financing	-	-
Financial Liabilities at Fair Value through Profit or Loss	11,997	6,863
Hedging derivative financial liabilities	-	-
Bills & Bonds Sold under Agreements to Repurchase	-	-
Payables	2,000,824	2,380,862
Current income tax liabilities	-	20,955
Liabilities directly associated with assets held for sale	-	-
Deposits & Remittances	146,574,270	145,304,922
Financial Debentures Payable	2,939,000	2,939,000
Preferred stock liability	-	-
Other financial liabilities	13,928	18,810

Liabilities ready		178,245	169,295
Deferred income tax liabilities		35,037	119,948
Other Liabilities		140,416	123,979
Total Liability	Before Distribution	152,197,305	152,197,305
	After Distribution	152,197,305	152,197,305
Attributable to the equity owners of the parent		9,816,689	7,992,869
Capital Stock		9,557,900	9,557,900
Legal Reserve		-	-
Retained Earning	Before Distribution	(1,621,620)	(1,621,620)
	After Distribution	(1,621,620)	(1,621,620)
Other Equity		(5,478)	56,589
Treasury stock		-	-
Non-controlling interest		-	-
Total Shareholders' Equity	Before Distribution	7,992,869	7,992,869
	After Distribution	7,992,869	7,992,869

(2)Individual

		Unit:NT\$ Thousand	
Item	Year	2013	2012
Cash & Cash Equivalents		36,877,989	40,769,917
Due from Central Bank & Placement to Other Banks			
Financial Assets at Fair Value through Profit or Loss		557,936	714,318
Available for Sale - Financial Assets		8,900,515	6,671,543
Derivative financial Assets for hedging		-	-
Bills & Bonds Purchased under Agreements to Resell		199,781	1,299,002
Account Receivables - Net		1,419,362	1,017,320
Current income tax Assets		94,365	68,579
Assets to be disposed - Net		-	-
Loans & Advances - Net		103,162,173	97,333,371
Held-to-Maturity Financial Assets		707,940	713,084
Long-term Investment under Equity Method - Net		259,808	178,446
Restricted Assets		-	-
Other Financial Assets - Net		62,537	62,547
Real estate and equipment - Net		5,700,779	5,882,670
Investment Real Estate - Net		1,821,843	2,048,406
Intangible Assets - Net		1,463,675	1,511,801
Deferred income taxes Assets - Net		879,997	1,048,936
Other Assets		813,192	988,899
Total Assets		162,921,892	160,308,839

Deposits by Central Bank and Other Banks		1,118,851	1,112,671
Central Bank and Other Banks Financing		-	-
Financial Liabilities at Fair Value through Profit or Loss		11,997	6,863
Hedging derivative financial liabilities		-	-
Bills & Bonds Sold under Agreements to Repurchase		-	-
Payables		1,988,282	2,372,007
Current income tax liabilities		-	-
Liabilities directly associated with assets held for sale		-	-
Deposits & Remittances		146,684,018	145,493,410
Financial Debentures Payable		2,939,000	2,939,000
Preferred stock liability		-	-
Other financial liabilities		13,928	18,810
Liabilities ready		178,245	169,295
Deferred income tax liabilities		35,037	119,948
Other Liabilities		135,845	83,966
Total Liability	Before Distribution	153,105,203	152,315,970
	After Distribution	153,105,203	152,315,970
Attributable to the equity owners of the parent		9,816,689	7,992,869
Capital Stock		9,557,900	9,557,900
Legal Reserve		-	-
Retained Earning	Before Distribution	264,267	(1,621,620)
	After Distribution	264,267	(1,621,620)
Other Equity		(5,478)	56,589
Treasury stock		-	-
Non-controlling interest		-	-
Total Shareholders' Equity	Before Distribution	9,816,689	7,992,869
	After Distribution	9,816,689	7,992,869

2.ROC GAAP

Unit:NT\$ Thousand

Item	Year	Financial Status of Recent Three Years		
		2011	2010	2009
Cash & Cash Equivalents		37,201,661	33,224,545	27,340,747
Due from Central Bank & Placement to Other Banks				
Financial Assets at Fair Value through Profit or Loss		1,009,623	690,083	701,332
Bills & Bonds Purchased under Agreements to Resell		-	-	-
Available for Sale - Financial Assets		4,225,302	1,331,167	861,418
Loans & Advances		102,164,399	106,313,757	114,033,176
Account Receivables		1,405,561	2,576,311	5,256,115
Held-to-Maturity Financial Assets		718,181	106,921	-
Long-term Investment under Equity Method		128,582	115,677	86,158
Fixed Assets(Property & Equipment)		7,971,193	7,507,237	7,093,203
Intangible Assets		1,543,924	1,582,283	1,629,463
Other Financial Assets		348,893	360,737	700,693
Other Assets		2,274,242	2,274,392	3,222,787
Total Assets		158,991,561	156,083,110	160,925,092
Deposits by Central Bank and Other Banks		1,315,248	1,450,176	3,835,415
Deposits & Remittances		142,643,324	139,340,821	142,004,002
Financial Liabilities at Fair Value through Profit or Loss		22,647	42,114	55,120
Bills & Bonds Sold under Agreements to Repurchase		-	-	-
Central Bank and Other Banks Financing,Financial Debentures Payable		4,339,000	3,939,000	3,888,600
Accrued Pension Liabilities		96,899	101,672	103,393
Other Liabilities		2,706,253	2,607,383	2,452,559
Total Liability	Before Distribution	151,123,371	147,481,166	152,339,089
	After Distribution	151,123,371	147,481,166	152,339,089
Capital Stock		9,557,900	9,557,900	9,557,900
Legal Reserve		-	-	-
Retained Earning	Before Distribution	(1,760,820)	(926,875)	(929,615)
	After Distribution	(1,760,820)	(926,875)	(929,615)
Unrealized Gain(Loss)on Financial Instruments		8,801	36,717	32,608
Accumulated Translation Adjustments		-	-	-
Other Adjustments to Shareholders' Equity		62,309	(65,798)	(74,890)
Total Shareholders' Equity	Before Distribution	7,868,190	8,601,944	8,586,003
	After Distribution	7,868,190	8,601,944	8,586,003

(II) Brief Income Statements

1. IFRSs

(1) Consolidation

		Unit: NT\$ Thousand	
Item	Year	2013	2012
Interest income		3,139,337	3,132,713
Deduction: Interest expense		1,268,884	1,259,783
Net Interest Income		1,870,453	1,872,930
Net Non-interest Income		2,161,240	767,803
Net income		4,031,693	2,640,733
Bad Debt Expense & Reserve for guarantees		84,606	307,766
Operating Expense		1,967,157	2,048,578
Income from Continuing Operation before Tax		1,979,930	284,389
Income tax (Expense) Revenues		(94,043)	(137,798)
Net income from Continuing Operations		1,885,887	146,591
Income from discontinued operations		-	-
Net income (loss)		1,885,887	146,591
Other comprehensive Net income or loss (net of tax)		(62,067)	47,788
The total comprehensive income or loss for the period		1,823,820	194,379
Net income attributable to owners of the parent		1,885,887	146,591
Net income attributable to non-controlling interest		-	-
Consolidated total net income or loss attributable to owners of the parent		1,823,820	194,379
Total comprehensive net income or loss attributable to non-controlling interest		-	-
EPS(Loss)		1.97	0.15

(2)Individual

Unit:NT\$ Thousand

Item	Year	2013	2012
Interest income		3,156,900	3,155,884
Deduction: Interest expense		1,269,061	1,260,015
Net Interest Income		1,887,839	1,895,869
Net Non-interest Income		2,055,011	662,981
Net income		3,942,850	2,558,850
Bad Debt Expense & Reserve for guarantees		47,606	307,766
Operating Expense		1,922,990	1,995,774
Income from Continuing Operation before Tax		1,972,254	255,310
Income tax (Expense) Revenues		(86,367)	(108,719)
Net income from Continuing Operations		1,885,887	146,591
Income from discontinued operations		-	-
Net income (loss)		1,885,887	146,591
Other comprehensive Net income or loss (net of tax)		(62,067)	47,788
The total comprehensive income or loss for the period		1,823,820	194,379
Net income attributable to owners of the parent		1,885,887	146,591
Net income attributable to non-controlling interest		-	-
Consolidated total net income or loss attributable to owners of the parent		1,823,820	194,379
Total comprehensive net income or loss attributable to non-controlling interest		-	-
EPS(Loss)		1.97	0.15

2.ROC GAAP

Unit:NT\$ Thousand

Item	Year	Financial Status of Recent Three Years		
		2011	2010	2009
Net Interest Income		1,903,951	1,856,235	1,177,033
Net Non-interest Income		456,504	310,820	1,845,187
Bad Debt Expense for Margin Loans		1,404,338	15,674	1,843,147
Operating Expense		1,955,795	1,836,361	1,808,610
Income from Continuing Operation before Tax		(999,678)	315,020	(629,537)
Income from Continuing Operation after Tax		(833,950)	2,740	(162,547)
Income from discontinued operations (net of tax)		-	-	-
Extraordinary items (net of tax)		-	-	-
Cumulative effect of change in accounting principle (net of tax)		-	-	-
Net Income		(833,950)	2,740	(162,547)
EPS(Loss)		(0.94)	(0.05)	(0.24)

II 、Financial Analysis of Recent Five Years

(I) IFRSs

1.Consolidation

Unit:NT\$ Thousand

Item		Year	2013	2012
Operation Capability	Loan to Deposit Ratio(%)		71.00	68.00
	NPL Ratio(%)		1.20	1.21
	Interest Expense to Average Deposit Outstanding(%)		0.80	0.81
	Interest Income to Average Loan Outstanding(%)		2.69	2.65
	Total Asset Turnover Ratio(Time)		0.02	0.02
	Average Revenue per Employee		3,565	2,242
	Average Income per Employee		1,667	124
Profitability	Return on Tier 1 Capital(%)		26.00	4.00
	ROA(%)		1.17	0.09
	ROE(%)		21.18	1.86
	Net Income Ratio(%)		46.78	5.55
	EPS(Dollar)		1.97	0.15
Financial Structure	Ratio of Liability to Total Asset		94.00	95.00
	Ratio of Fixed Asset to Shareholders' Equity		58.00	74.00
Growth Rate	Asset Growth Rate(%)		2.00	1.00
	Profit Growth Rate(%)		596.00	129.00
Cash Flows	Cash Flow Ratio(%)		-	232.00
	Cash Flow Adequacy Ratio(%)		60.00	244.00
	Cash Flow Sufficiency Ratio(%)		-	-
Liquidity Reserve Ratio(%)			25.00	25.00
Related Parties' Secured Lending Outstanding			1,701,311	1,519,923
Related Parties' Secured Lending Outstanding to Total Lending Outstanding(%)			1.59	1.50
Operating Scale	Market Share of Asset(%)		0.32	0.34
	Market Share of Net Worth(%)		0.32	0.28
	Market Share of Deposits(%)		0.43	0.44
	Market Share of Loans(%)		0.47	0.46

2.Individual

Unit:NT\$ Thousand

Item		Year	
		2013	2012
Operation Capability	Loan to Deposit Ratio(%)	71.00	68.00
	NPL Ratio(%)	1.20	1.21
	Interest Expense to Average Deposit Outstanding(%)	0.80	0.81
	Interest Income to Average Loan Outstanding(%)	2.69	2.65
	Total Asset Turnover Ratio(Time)	0.02	0.02
	Average Revenue per Employee	3,486	2,172
	Average Income per Employee	1,667	124
Profitability	Return on Tier 1 Capital(%)	26.00	4.00
	ROA(%)	1.17	0.09
	ROE(%)	21.18	1.86
	Net Income Ratio(%)	47.83	5.73
	EPS(Dollar)	1.97	0.15
Financial Structure	Ratio of Liability to Total Asset	94.00	95.00
	Ratio of Fixed Asset to Shareholders' Equity	58.00	74.00
Growth Rate	Asset Growth Rate (%)	2.00	1.00
	Profit Growth Rate (%)	672.00	126.00
Cash Flows	Cash Flow Ratio (%)	-	236.00
	Cash Flow Adequacy Ratio (%)	116.00	259.00
	Cash Flow Sufficiency Ratio(%)	-	-
Liquidity Reserve Ratio(%)		25.00	25.00
Related Parties' Secured Lending Outstanding		1,701,311	1,519,923
Related Parties' Secured Lending Outstanding to Total Lending Outstanding(%)		1.59	1.50
Operating Scale	Market Share of Asset(%)	0.32	0.34
	Market Share of Net Worth(%)	0.32	0.28
	Market Share of Deposits(%)	0.43	0.45
	Market Share of Loans(%)	0.47	0.46

(II) ROC GAAP

Unit:NT\$ Thousand

Item	Year	Financial Status i of Recent Three Years		
		2011	2010	2009
Operation apability	Loan to Deposit Ratio(%)	73.00	77.00	83.00
	NPL Ratio(%)	1.16	1.68	3.83
	Interest Expense to Average Deposit Outstanding(%)	0.79	0.72	1.18
	Interest Income to Average Loan Outstanding(%)	2.66	2.49	2.44
	Total Asset Turnover Ratio(Time)	0.01	0.01	0.02
	Average Revenue per Employee	1,924	1,704	2,357
	Average Income per Employee	(680)	2	(127)
Profitability	Return on Tier 1 Capital(%)	(14.00)	5.00	(10.00)
	ROA(%)	(0.53)	0.00	(0.10)
	ROE(%)	(10.13)	0.03	(2.00)
	Net Income Ratio(%)	(35.33)	0.13	(5.00)
	EPS(Dollar)	(0.94)	(0.05)	(0.24)
Financial Structure	Ratio of Liability to Total Asset	95.00	94.00	95.00
	Ratio of Fixed Asset to Shareholders' Equity	101.00	87.00	83.00
Growth Rate	Asset Growth Rate (%)	2.00	(3.00)	(3.00)
	Profit Growth Rate (%)	(417.00)	150.00	(Note 8)
Cash Flows	Cash Flow Ratio (%)	46.00	135.00	(Note 9)
	Cash Flow Adequancy Ratio (%)	104.00	92.00	84.00
	Cash Flow Sufficiency Ratio(%)	(Note 10)	(Note 9)	(Note 9)
Liquidity Reserve Ratio(%)		22.00	17.00	13.00
Related Parties' Secured Lending Outstanding		1,754,535	1,498,259	1,436,666
Related Parties' Secured Lending Outstanding to Total Lending Outstanding(%)		1.65	1.36	1.17
Operating Scale	Market Share of Asset(%)	0.35	0.36	0.39
	Market Share of Net Worth(%)	0.30	0.35	0.37
	Market Share of Deposits(%)	0.45	0.46	0.49
	Market Share of Loans(%)	0.50	0.54	0.63

Note 1:The financial figures above have all been audited and certified by CPA.

Note 2:Calculation methods:

1:Operating Capability

- (1)Loan to Deposit Ratio=Total Deposits/Total Loans
- (2)NPL=Total non-Performing Loans/Total Loans
- (3)Interest Expense to Average Deposit Outstanding=Total Interest Expense/Average Deposits
- (4)Interest Income to Average Loan Outstanding=Total Interest Income/Average Loans Outstanding
- (5)Total Asset Turnover=Net Operating Income/Total Assets
- (6)Average Revenue per Employee(Note 6)=Net Operating income/Number of Employees
- (7)Average Income per Employee=After-tax Profit/Number of Employees

2:Profitability

- (1)Return on Tier I Capital=Before-tax Income/Average Total Amount of Tier I Capital
- (2)Return on Asset=After-tax Income/Average Total Assets
- (3)Return on Equity=After-tax Income/Average Net Shareholder Equity
- (4)Net Income Total Revenue=After-tax Income/Net Income on Operations

(5)Earning Per Share=(After-tax Profit Preferred Stocks Dividends)/Weighted Average of Shares Outstanding(Note 4)

3:Financial Structure

(1)Ratio of Liability to Total Asset=Total Liabilities(Note 3)/Total Assets

(2)Ratio of Fixed Asset to Shareholders' Equity=Fixed Asset/Shareholders' Equity

4:Growth Rate

(1)Asset Growth Rate=(Total Assets of Current Year - Total Assets of Previous Year)/Total Assets of Previous Year

(2)Profit Growth Rate=(Pre-tax Profit of Current Year - Pre-tax Profit of Previous Year)/Pre-tax Profit of Previous Year

5:Cash Flow(Note 7)

(1)Cash Flow Rate=Net Operating Cash Flow/(Placement \$ Advance to Other Banks+Commercial Paper Payable+Financial Assets at Fair Value through Profit or Loss+Bills & Bonds Purchased under Agreements to Resell+Payables of Maturity with One Year)

(2)Cash Flow Adequacy Ratio=Net Operating Cash Flow in the Past Five Years/(Capital Expenditures+Cash Dividends)in the past five years

(3)Cash Flow Sufficiency Ratio=Net operating cash flow/Net investment cash flow

6:Liquidity Reserve Ratio=Liquid Assets required by Central Bank/Liabilities for which the Liquid Reserves are allocated

7:Operating Scale

(1)Market Share of Asset=Total assets/Total assets of financial institution allowed to engage in the deposits and loan business(Note 5)

(2)Market Share of Net Worth=Net worth/Total net worth of financial institutions allowed to engage in the deposits and loan business(Note 5)

(3)Market Share of Deposits=Total deposits/Total deposits of financial institutions allowed to engage in the deposit and loan business(Note 5)

(4)Market Share of Loans=Total loans/Total loans of financial institution allowed to engage in the deposit and loan business(Note 5)

Note 3:Total liabilities exclude guaranteed liability reserves,reserve for losses on bonds and bills dealing, reserve for contract violation losses, and reserve for accidental losses.

Note 4:The following items should be considered when calculating the earnings per share in the aforementioned items.

1.Calculation shall be based on weighted average number of shares but not on the number of shares issued as of year-end.

2.For any cash increment or treasury share transaction,period of circulation shall be considered in calculating the weighted average number of shares.

3.Whenever capital increment is carried out via transfer of profit or legal reserve,retroactive adjustment shall be carried out in accordance with the ratio of increment when calculating earnings per share for past years and for six-month periods with no need to consider the time of issuance for the capital increment.

4.If the preferred stock is a non-convertible,cumulative preferred stock,the stock dividend for the current year (whether released or not) should be deducted from after-tax net profit or added to after-tax net loss.

5.When there is an after-tax net profit,the dividend on preferred stocks that are not cumulative stock should be deducted from after-tax net profit; in cases of loss, no adjustment is necessary.

Note 5:Financial institutions that can engage in the deposit and loan business include domestic banks,Taiwan branches of foreign banks, credit cooperatives, the credit departments of farmers' and fishermen's associations,and trust investment companies.

Note 6:Net Income total revenue refers to the sum of interest income and non-interest income.

Note 7:The following items should be considered when analyzing the cash flows

1.Net operating cash flow represents the net cash inflows from operating activities

2.Capital expenditures represents the yearly cash outflows from capital investment

3.Cash dividends include dividends from common & preferred stocks

4.Fixed asset represents total fixed asset before accumulated depreciations

Note 8:Not expressed due to negative base point.

Note 9:Not expressed due to negative cash flow from operating activity.

Note 10:Not expressed due to negative cash flow from investment activity.

III 、Capital Adequacy Analysis of Recent Five Years

(I)Parent Company

			Unit:NT\$ Thousand
Item			2013
Equity Capital	Common stock equity		7,905,757
	Non-Common stock equity Other Tier 1 Capital		
	Tier 2 Capital		1,191,685
	Equity Capital		9,097,442
Risk-Weighted Asset	Credit Risk	Standardized Approach	95,173,479
		Internal Rating-Based Approach	-
		Asset Securitization	-
		Basic Indicator Approach	4,381,675
	Operation Risk	Standardized/Alternative Approach	-
		Advanced Measurement Approach	-
	Market Risk	Standardized Approach	2,082,288
		Internal Models Approach	-
	Risk-Weighted Asset		101,637,442
Capital Adequacy Ratio (%)			8.95%
Tier 1 Capital to Risk-Weighted Asset(%)			7.78%
Common equity to Risk-Weighted Asset (%)			7.78%
Leverage ratio (%)			4.33%

Unit:NT\$ Thousand

Item			Year	2012	2011	2010	2009
Equity Capital	Tier 1 Capital	Common Stocks	9,557,900	9,557,900	8,557,900	8,557,900	
		Perpetual, Non-Cumulative Preferred Stocks	-	-	-	-	
		Non-Matured,Non-Cumulative Subordinated Debenture	-	-	-	-	
		Capital in Advance	-	-	-	-	
		Legal Reserve (Excluding Legal Reserve for Fixed Asset Appreciation)	-	-	-	-	
		Legal Earning Reserve	5	5	-	-	
		Special Earning Reserve	-	-	-	-	
		Cumulative Earning	-	-	-	-	
		Minor Interests	-	-	-	-	
		Other Shareholders Equity	(54,797)	(54,763)	(74,502)	(75,933)	
		Deduction: Goodwill	1,316,159	1,316,159	1,316,159	1,316,159	
		Deduction: Loss from Unamortized NPL Sold	-	-	-	-	
		Deduction: Capital Deduction Item	961,910	988,055	575,548	788,666	
		Total Tier 1 Capital	7,225,039	7,198,928	6,591,691	6,377,143	
	Tier 2 Capital	Perpetual, Cumulative Preferred Stocks	-	-	-	-	
		Non-matured,Cumulative Subordinated Debentures	-	-	-	-	
		Legal Reserve for Fixed Asset Appreciation	113,417	114,308	-	-	
		45% of Unrealized Gain of Available for Sale Financial Asset	26,444	5,204	20,439	15,143	
		Convertible Bonds	-	-	-	-	
		Operation Reserve & Bad Debt Account	-	-	-	-	
		Long-term Subordinated Debentures	1,811,800	1,439,600	1,827,400	2,015,200	
		Non-perpetual Preferred Stocks	-	-	-	200,000	
		Sum of(Perpetual,Non-Cumulative Preferred Stock+Non-Mature,Non-Cumulative Subordinated Financial Debenture)Surpassed 15% of Tier 1 Capital	-	-	-	-	
		Deduction: Capital Deduction Item	961,910	988,055	575,545	788,668	
		Total Tier 2 Capital	989,751	571,057	1,272,294	1,441,676	
	Tier 3 Capital	Short-term Subordinated Debentures	-	-	-	-	
		Non-Perpetual Preferred Stocks	-	-	-	-	
		Total Tier 3 Capital	-	-	-	-	
	Equity Capital			8,214,790	7,769,985	7,863,985	7,818,818
Risk-Weighted Asset	Credit Risk	Standardized Approach	83,879,425	86,188,342	85,283,584	95,141,805	
		Internal Rating-Based Approach	-	-	-	-	
		Asset Securitization	34,484	331,678	344,985	347,071	
	Operation Risk	Basic Indicator Approach	3,925,400	3,799,288	4,180,063	5,363,938	
		Standardized/Alternative Approach	-	-	-	-	
		Advanced Measurement Approach	-	-	-	-	
	Market Risk	Standardized Approach	4,174,838	2,493,700	1,901,863	924,825	
		Internal Models Approach	-	-	-	-	
Capital Adequacy Ratio(%)			8.93	8.37	8.57	7.68	
Tier 1 Capital to Risk-Weighted Asset(%)			7.85	7.76	7.19	6.27	
Tier 2 Capital to Risk-Weighted Asset(%)			1.08	0.62	1.39	1.42	
Tier 3 Capital to Risk-Weighted Asset(%)			-	-	-	-	
Common Stock to Total Asset(%)			5.97	6.01	5.48	5.32	

(II) Consolidated Company

Unit: NT\$ Thousand

Item			2013
Equity Capital	Common stock equity		8,035,661
	Non-Common stock equity Other Tier 1 Capital		-
	Tier 2 Capital		1,321,589
	Equity Capital		9,357,250
Risk-Weighted Asset	Credit Risk	Standardized Approach	95,331,678
		Internal Rating-Based Approach	-
		Asset Securitization	-
	Operation Risk	Basic Indicator Approach	4,381,675
		Standardized/Alternative Approach	-
		Advanced Measurement Approach	-
	Market Risk	Standardized Approach	2,082,288
		Internal Models Approach	-
	Risk-Weighted Asset		101,795,641
Capital Adequacy Ratio (%)		9.19	
Tier 1 Capital to Risk-Weighted Asset(%)		7.89	
Common equity to Risk-Weighted Asset (%)		7.89	
Leverage ratio (%)		4.40	

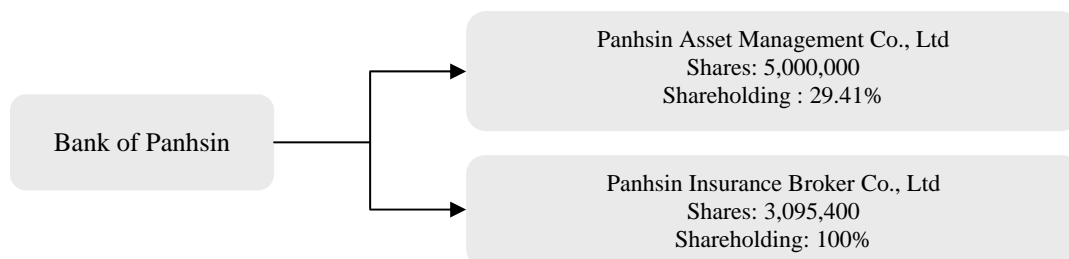
Unit:NT\$ Thousand

Item			Year	2012	2011	2010	2009
Equity Capital	Tier 1 Capital	Common Stocks	9,557,900	9,557,900	8,557,900	8,557,900	
		Perpetual, Non-Cumulative Preferred Stocks	-	-	-	-	
		Non-matured, Non-Cumulative Subordinated Debenture	-	-	-	-	
		Capital in Advance	-	-	-	-	
		Legal Reserve (Excluding Legal Reserve for Fixed Asset Appreciation)	-	-	-	-	
		Legal Earning Reserve	-	-	-	-	
		Special Earning Reserve	5	5	-	-	
		Cumulative Earning	-	-	-	-	
		Minor Interests	-	-	-	-	
		Other Shareholders Equity	(54,797)	(54,763)	(74,502)	(75,933)	
		Deduction: Goodwill	1,316,159	1,316,159	1,316,159	1,316,159	
		Deduction: Loss from Unamortized NPL Sold	-	-	-	-	
		Deduction: Capital Deduction Item	872,687	923,765	517,709	745,588	
		Total Tier 1 Capital	7,314,262	7,263,218	6,649,530	6,420,221	
	Tier 2 Capital	Perpetual, Cumulative Preferred Stocks	-	-	-	-	
		Non-Matured, Cumulative Subordinated Debentures	-	-	-	-	
		Legal Reserve for Fixed Asset Appreciation	113,417	114,308	-	-	
		45% of Unrealized Gain of Available for Sale Financial Asset	26,444	5,204	20,439	15,143	
		Convertible Bonds	-	-	-	-	
		Operation Reserve & Bad Debt Account	-	-	-	-	
		Long-Term Subordinated Debentures	1,811,800	1,439,600	1,827,400	2,015,200	
		Non-Perpetual Preferred Stocks	-	-	-	200,000	
		Sum of (Perpetual, Non-Cumulative Preferred Stocks, & Non-mature, Non-Cumulative Subordinated Financial Debenture) Surpassed 15% of Tier 1 Capital	-	-	-	-	
		Deduction: Capital Deduction Item	872,688	923,765	517,708	745,588	
		Total Tier 2 Capital	1,078,973	635,347	1,330,131	1,484,756	
		Tier 3 Capital	Short-Term Subordinated Debentures	-	-	-	-
			Non-Perpetual Preferred Stocks	-	-	-	-
			Total Tier 3 Capital	-	-	-	-
	Equity Capital			8,393,235	7,898,565	7,979,661	7,904,977
Risk-weighted Asset	Credit Risk	Standardized Approach	83,937,136	86,219,196	85,474,503	95,189,251	
		Internal Rating-Based Approach	-	-	-	-	
		Securitization Framework	34,484	331,678	344,985	347,071	
	Operation Risk	Basic Indicator Approach	3,925,400	3,799,288	4,180,063	5,363,938	
		Standardized/Alternative Approach	-	-	-	-	
		Advanced Measurement Approach	-	-	-	-	
	Market Risk	Standardized Approach	4,174,838	2,493,700	1,901,863	924,825	
		Internal Model-Based Approach	-	-	-	-	
Capital Adequacy Ratio (%)			9.12	8.51	8.68	7.76	
Tier 1 Capital to Risk-Weighted Asset(%)			7.94	7.82	7.24	6.31	
Tier 2 Capital to Risk-Weighted Asset(%)			1.17	0.68	1.45	1.46	
Tier 3 Capital to Risk-Weighted Asset(%)			-	-	-	-	
Common Stock to Total Asset(%)			5.97	6.01	5.48	5.32	

Information Regarding the Bank's Subsidiaries

I 、The Bank's Subsidiaries Relationship Chart

As of Dec. 31, 2013



II 、Basic Data of the Bank's Subsidiaries

Unit:NT\$ Thousand

Name of Subsidiary	Date of Establishment	Address	Paid-In Capital	Major Business Scope
Panhsin Asset Management Co.,Ltd	Jun. 02, 2005	9F,No.330 Zhongzheng Rd., Banqiao Dist., New Taipei City	170,000	Acquisition of Non-Performing Asset
Panhsin Insurance Broker Co.,Ltd	Oct. 19, 2004	11F, No.330 Zhongzheng Rd., Banqiao Dist., New Taipei City	30,954	Insurance Broker

III 、Information of Chairman, Directors, Supervisors and President of the Bank's Subsidiaries

As of Dec. 31, 2013

Name of Subsidiary	Title	Name or Representative	Shares Held	
			Shares	Ratio(%)
Panhsin Asset Management Co.,Ltd	Chairman	Dao-Ming Kuo (Representative of BOP)	5,000,000	29.41
	Director	Ming-Hsin Chiu (Representative of BOP)		
	Director	Lin-Long Chien (Representative of BOP)		
	Director	Jia-Nan Fang (Representative of BOP)		
	Director	Ping-Huang Liu (Representative of BOP)		
	Supervisor	Teng-Chum Chen (Representative of BOP)		
	President	Chien-Chung Chao	-	-
Panhsin Insurance Broker Co.,Ltd	Chairman	Wan-De Xiao (Representative of BOP)	3,095,400	100.00
	Director	Tong-Ren Lin (Representative of BOP)		
	Director	Jia-Nan Fang (Representative of BOP)		
	Supervisor	Shang-Che Chen (Representative of BOP)		
	President	Chan-Wu Chao	-	-

IV 、Operation Overview of the Bank's Subsidiaries

Unit:NT\$ Thousand

Name of Subsidiary	Capital	Total Asset	Total Liability	Equity	Operating Income	Operating Revenue	Current Profit	EPS (Dollar)
Panhsin Asset Management Co.,Ltd	170,000	675,391	504,187	171,204	207,662	155,670	149,777	8.81
Panhsin Insurance Broker Co.,Ltd	30,954	218,760	9,303	209,457	229,149	45,043	143,213	46.27

Directory of Head Office & Branches

Units	Address	Telephone	Fax
Head Office	No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)29572011
International Banking Department	27F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)89646006
Offshore Banking Branch	27F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)89646006
Trust Department	24F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)29623668
Domestic Banking Department	No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)89514488	(02)29574588
Banqiao Branch	No.11, Sec.1, Wenhua Rd., Banqiao Dist., New Taipei City	(02)29689101	(02)29665807
Houpu Branch	No.18, Chengdu St., Banqiao Dist., New Taipei City	(02)29629121	(02)89538113
Yonghe Branch	No.12, Renai Rd., Yonghe Dist., New Taipei City	(02)29299481	(02)29210495
Puqian Branch	No.38, Sec.2, Sanmin Rd., Banqiao Dist., New Taipei City	(02)29629106	(02)29541499
Huajiang Branch	No.382, Sec.2, Wenhua Rd., Banqiao Dist., New Taipei City	(02)22529101	(02)82537007
Minzu Branch	No.339, Hansheng E.Rd., Banqiao Dist., New Taipei City	(02)29629111	(02)29581242
Zhonghe Branch	No.232, Zhonghe Rd., Zhonghe Dist., New Taipei City	(02)22498756	(02)22497418
Tucheng Branch	No.289, Sec.1, Zhongyang Rd., Tucheng Dist., New Taipei City	(02)22629119	(02)22654536
Wenhua Branch	No.261, Sec.1, Wenhua Rd., Banqiao Dist., New Taipei City	(02)22587777	(02)22593584
Daguan Branch	No.155, Sec.2, Daguan Rd., Banqiao Dist., New Taipei City	(02)22756566	(02)22752574
Xingnan Branch	No.338, Jingxin St., Zhonghe Dist., New Taipei City	(02)29459366	(02)29458495
Xinzhuang Branch	No.719, Xingfu Rd., Xinzhuang Dist., New Taipei City	(02)29906699	(02)29900433
Xiulang Branch	No.118, Dehe Rd., Yonghe Dist., New Taipei City	(02)29417966	(02)29498035
Sanchong Branch	No.35, Sec.4, Chongyang Rd., Sanchong Dist., New Taipei City	(02)89839966	(02)29871976
Yuanshan Branch	No.753, Zhongzheng Rd., Zhonghe Dist., New Taipei City	(02)22259199	(02)22260657
Shulin Branch	No.58, Zhenqian St., Shulin Dist., New Taipei City	(02)86755666	(02)86755656
Jincheng Branch	No.91, Sec.3, Jincheng Rd., Tucheng Dist., New Taipei City	(02)82615666	(02)22709241
Xindian Branch	No.60, Minquan Rd., Xindian Dist., New Taipei City	(02)89113377	(02)89113661
Beixin Branch	No.17~21, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City, Taiwan	(02)29115428	(02)29124753
Zhongzheng Branch	No.330, Zhongzheng Rd., Banqiao Dist., New Taipei City	(02)89658998	(02)89682156
Luchou Branch	No.258, Minzu Rd., Luchou Dist., New Taipei City	(02)82850666	(02)82835789

Units	Address	Telephone	Fax
Fuhe Branch	No.45, Yongzhen Rd., Yonghe Dist., New Taipei City	(02)89211919	(02)89213377
Danfeng Branch	No.706, Zhongzheng Rd., Xinzhuang Dist., New Taipei City	(02)29033199	(02)29033488
Songjiang Branch	No.122, Songjiang Rd., Zhongshan Dist., Taipei City	(02)25429999	(02)25311707
Xinyi Branch	No.127, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City	(02)27329999	(02)27334900
Minsheng Branch	No.133-1, Sec. 3, Minsheng E.Rd., Songshan Dist., Taipei City	(02)87129966	(02)27120222
Bade Branch	No.360, Sec. 2, Bade Rd., Songshan Dist., Taipei City	(02)27528833	(02)27405959
Neihu Branch	No.163, Sec. 4, Chenggong Rd., Neihu Dist., Taipei City	(02)87919999	(02)87919899
Ruiguang Branch	No.633, Ruiguang Rd., Neihu Dist., Taipei City	(02)26560188	(02)26560166
Taoyuan Branch	No.360, Yongan Rd., Taoyuan City, Taoyuan County	(03)3398777	(03)3396362
Taoying Branch	No.102, Taoying Rd., Taoyuan City, Taoyuan County	(03)3758999	(03)3660551
Longgang Branch	No.78, Longdong Rd., Jhongli City, Taoyuan County	(03)4657799	(03)4655511
Hsinchu Branch	No.56, Zihciang S.Rd., Jhubei City, Hsinchu County	(03)6581588	(03)6580189
Taichung Branch	No.556, Sec. 1, Wunsin Rd., Nantun Dist., Taichung City	(04)23267799	(04)23266029
North Taichung Branch	No.186, Sec. 4, Wunsin Rd., North Dist., Taichung City	(04)22961798	(04)22961885
Chiayi Branch	No.298, Jhongshan Rd., West Dist., Chiayi City	(05)2279045	(05)2291649
Junhui Branch	No.360, Wufong S.Rd., East Dist., Chiayi City	(05)2300778	(05)2300780
Tainan Branch	No.189, Chongming Rd., East Dist., Tainan City	(06)3368799	(06)3361287
Chenggong Branch	No.457, Chenggong Rd., West Central Dist., Tainan City	(06)2113999	(06)2112388
Xiaogang Branch	No.213, Erling Rd., Siaogang Dist., Kaohsiung City	(07)8011161	(07)8023727
Xinxing Branch	No.65, Zhongzheng 4th Rd., Xinxing Dist., Kaohsiung City	(07)2413168	(07)2514088
Qianzhen Branch	No.421, Rueilong Rd., Qianzhen Dist., Kaohsiung City	(07)7513176	(07)7513380
Yangming Branch	No.178, Jyuemin Rd., Sanmin Dist., Kaohsiung City	(07)3865111	(07)3828199
Kaoxinzhuang Branch	No.485, Xinzhuangzai Rd., Zuoying Dist., Kaohsiung City	(07)3412621	(07)3416142
Luodong Branch	No.119, Gongzheng Rd., Luodong Township, Yilan County	(03)9568866	(03)9557199

BANK OF PANHSIN
Financial Statements
December 31, 2013 and 2012
(With Independent Auditors' Report Thereon)

**Address: No. 68, Sec. 2, Xianmin Blvd., Banqiao Distr., New Taipei
City, Taiwan, R.O.C.**
Tel: (02)2962-9170

Independent Auditors' Report

The Board of Directors

Bank of Panhsin

We have audited the accompanying statements of financial position of Bank of Panhsin as of December 31, 2013, and December 31 and January 1, 2012, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank of Panhsin as of December 31, 2013, and December 31 and January 1, 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks.

February 19, 2014

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

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

BANK OF PANHSIN
Statements of Financial Position
December 31, 2013, and December 31 and January 1, 2012
(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2013		December 31, 2012		January 1, 2012		Liabilities and Equity	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Cash and cash equivalents (note 6)	\$ 3,335,455	2	3,578,526	2	3,773,972	2	Deposits from Central Bank and other banks						
Due from Central Bank and call loans to banks							(note 20)	\$ 1,118,851	1	1,112,671	1	1,315,248	1
(note 7)	33,542,534	21	37,191,391	23	33,427,689	21	Financial liabilities at fair value through profit or						
Financial assets at fair value through profit or loss							loss (note 8)	11,997	-	6,863	-	22,647	-
(note 8)	557,936	-	714,318	-	1,109,697	1	Payables (note 21)	1,988,282	1	2,372,007	1	2,668,500	2
Securities purchased under resell agreements (notes							Deposits and remittances (note 22)	146,684,018	90	145,493,410	91	142,643,324	89
11 and 44)	199,781	-	1,299,002	1	-	-	Financial bonds payable (notes 23 and 43)	2,939,000	2	2,939,000	2	4,339,000	3
Receivable—net (notes 12 and 43)	1,419,362	1	1,017,320	1	1,410,078	1	Other financial liabilities (note 24)	13,928	-	18,810	-	28,043	-
Current income tax assets	94,365	-	68,579	-	53,825	-	Provision (notes 25 and 27)	178,245	-	169,295	-	183,660	-
Loans and discounts, net (notes 13 and 43)	103,162,173	63	97,333,371	61	102,164,399	64	Provision for deferred tax liabilities (note 28)	35,037	-	119,948	-	118,618	-
Available-for-sale financial assets—net (notes 9							Other liabilities (note 26)	135,845	-	83,966	-	124,542	-
and 44)	8,900,515	6	6,671,543	4	4,225,302	3	Total liabilities	<u>153,105,203</u>	<u>94</u>	<u>152,315,970</u>	<u>95</u>	<u>151,443,582</u>	<u>95</u>
Held-to-maturity financial assets—net (notes 10							Equity:						
and 44)	707,940	-	713,084	-	718,181	-	Capital stock (note 29)	<u>9,557,900</u>	<u>6</u>	<u>9,557,900</u>	<u>6</u>	<u>9,557,900</u>	<u>6</u>
Long-term investments under equity method—net							Retained earnings:						
(note 15)	259,808	-	178,446	-	128,581	-	Special reserve	5	-	5	-	5	-
Other financial assets—net (note 14)	62,537	-	62,547	-	62,547	-	Unappropriated earnings (Accumulated deficits)						
Property and equipment, net (note 16)	5,700,779	4	5,882,670	4	7,996,735	5	(notes 28 and 30)	<u>264,262</u>	<u>-</u>	<u>(1,621,625)</u>	<u>(1)</u>	<u>(1,768,216)</u>	<u>(1)</u>
Investment property—net (note 17)	1,821,843	1	2,048,406	1	156,356	-		<u>264,267</u>	<u>-</u>	<u>(1,621,620)</u>	<u>(1)</u>	<u>(1,768,211)</u>	<u>(1)</u>
Intangible assets—net (note 18)	1,463,675	1	1,511,801	1	1,543,924	1	Other equity (note 9)	<u>(5,478)</u>	<u>-</u>	<u>56,589</u>	<u>-</u>	<u>8,801</u>	<u>-</u>
Deferred income tax assets—net (note 27)	879,997	1	1,048,936	1	1,155,056	1	Total equity	<u>9,816,689</u>	<u>6</u>	<u>7,992,869</u>	<u>5</u>	<u>7,798,490</u>	<u>5</u>
Other assets (note 19)	813,192	-	988,899	1	1,315,730	1	Total liabilities and equity	<u>\$ 162,921,892</u>	<u>100</u>	<u>160,308,839</u>	<u>100</u>	<u>159,242,072</u>	<u>100</u>
Total assets	<u>\$ 162,921,892</u>	<u>100</u>	<u>160,308,839</u>	<u>100</u>	<u>159,242,072</u>	<u>100</u>							

See accompanying notes to financial statements.

BANK OF PANHSIN
Statements of Comprehensive Income
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

	2013		2012		
	Amount	%	Amount	%	%
Interest income (notes 33 and 43)	\$ 3,156,900	80	3,155,884	123	-
Less: Interest expense (notes 33 and 43)	<u>1,269,061</u>	<u>32</u>	<u>1,260,015</u>	<u>49</u>	<u>1</u>
Net interest income	1,887,839	48	1,895,869	74	-
Non-interest income:					
Fees and commission income—net (note 34)	574,208	15	323,393	13	78
Gain (loss) on financial instruments at fair value through profit or loss (note 35)	(14,846)	-	115,823	5	(113)
Realized gain on available-for-sale financial assets (note 36)	52,169	1	39,261	1	33
Foreign exchange gain (loss)—net	172,269	4	(54,356)	(2)	417
Asset impairment loss	-	-	(6,562)	-	100
Investment income under the equity method	187,262	5	107,465	4	74
Other non-interest income—net (notes 14, 17, 37 and 44))	<u>1,083,949</u>	<u>27</u>	<u>137,957</u>	<u>5</u>	<u>686</u>
	<u>3,942,850</u>	<u>100</u>	<u>2,558,850</u>	<u>100</u>	<u>54</u>
Bad debt expense and reserve for guarantees (note 37)	<u>47,606</u>	<u>1</u>	<u>307,766</u>	<u>12</u>	<u>(85)</u>
Cost and expense:					
Employee benefit expenses (notes 26 and 38)	1,073,453	27	1,159,602	45	(7)
Depreciation and amortization expenses (note 39)	162,782	4	150,180	6	8
Other general and administrative expenses (note 40)	<u>686,755</u>	<u>18</u>	<u>685,992</u>	<u>27</u>	<u>-</u>
	<u>1,922,990</u>	<u>49</u>	<u>1,995,774</u>	<u>78</u>	<u>(4)</u>
Income from continuing operations before tax	1,972,254	50	255,310	10	672
Less: Income tax expense (note 27)	<u>86,367</u>	<u>2</u>	<u>108,719</u>	<u>4</u>	<u>21</u>
Net income	<u>1,885,887</u>	<u>48</u>	<u>146,591</u>	<u>6</u>	<u>1,186</u>
Other comprehensive income (loss):					
Unrealized gain (loss) on available-for-sale financial assets	(62,067)		47,788	2	(230)
		(2)			
Less: income tax relating to components of other comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income, after tax	<u>(62,067)</u>	<u>(2)</u>	<u>47,788</u>	<u>2</u>	<u>-</u>
Total comprehensive income	<u>\$ 1,823,820</u>	<u>46</u>	<u>194,379</u>	<u>8</u>	<u>838</u>
Basic earnings per share (expressed in New Taiwan dollars) (note 31)	<u>\$ 1.97</u>		<u>0.15</u>		

See accompanying notes to financial statements.

BANK OF PANHSIN
Statements of Changes in Equity
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

	Common stock	Special reserve	Retained earnings Unappropriated earnings (Accumulated deficits)	Total	Unrealized gain (loss) on available-for-sale financial assets	Total
Balance at January 1, 2012	\$ 9,557,900	5	(1,768,216)	(1,768,211)	8,801	7,798,490
Net income for the year ended December 31, 2012	-	-	146,591	146,591	-	146,591
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	47,788	47,788
Comprehensive income for the year ended December 31, 2012	-	-	146,591	146,591	47,788	194,379
Balance at December 31, 2012	9,557,900	5	(1,621,625)	(1,621,620)	56,589	7,992,869
Net income for the year ended December 31, 2013	-	-	1,885,887	1,885,887	-	1,885,887
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(62,067)	(62,067)
Comprehensive income for the year ended December 31, 2013	-	-	1,885,887	1,885,887	(62,067)	1,823,820
Balance at December 31, 2013	\$ 9,557,900	5	264,262	264,267	(5,478)	9,816,689

See accompanying notes to financial statements.

BANK OF PANHSIN
Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

	2013	2012
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,972,254	255,310
Adjustments:		
Adjustments for the effects of non-cash transactions:		
Depreciation expense	130,821	109,121
Amortization expense	52,031	53,278
Bad debt expenses	47,606	307,766
Interest income	(3,156,900)	(3,155,884)
Interest expense	1,269,061	1,260,015
Dividend income	(37,398)	(40,405)
Investment income under the equity method	(187,262)	(107,465)
Gain on disposal of property and equipment	(89,134)	(55,013)
Gain on disposal of investment property	(812,080)	(590)
Loss on disposal of intangible assets	8	-
Impairment loss on non-financial assets	-	6,562
Gain on disposal of foreclosed collateral	(94,824)	(2,361)
Total adjustments for the effects of non-cash transactions	(2,878,071)	(1,624,976)
Changes in operating assets and liabilities:		
Net changes in operating assets		
Due from Central Bank and call loans to banks	(139,583)	(197,596)
Financial assets at fair value through profit or loss	156,382	395,379
Receivables	(308,690)	405,855
Loans and discounts — net	(5,894,724)	4,523,262
Available-for-sale financial assets	(2,291,039)	(2,398,453)
Held-to-maturity financial assets	5,144	5,097
Other financial assets	10	-
Net changes in operating liabilities:		
Deposits from Central Bank and other banks	6,180	(202,577)
Financial liabilities at fair value through profit or loss	5,134	(15,784)
Payables	(377,592)	(259,164)
Deposits and remittances	1,190,608	2,850,086
Employee benefit liabilities	(7,922)	(14,365)
Other liabilities	39,291	(40,576)
Total net changes in operating assets and liabilities	(7,616,801)	5,051,164
Total adjustments	(10,494,872)	3,426,188
Cash inflow (outflow) generated from operations	(8,522,618)	3,681,498
Interests received	3,162,764	3,142,787
Dividends received	143,298	98,005
Interest paid	(1,296,769)	(1,297,344)
Income taxes paid	(22,644)	(14,754)
Net cash flows from (used in) operating activities	(6,535,969)	5,610,192
Cash flows from (used in) investing activities :		
Acquisition of property and equipment	(86,105)	(346,965)
Proceeds from disposal of property and equipment	348,941	474,076
Proceeds from disposal of foreclosed assets	269,645	103,718
Proceeds from disposal of investment property	898,416	61,979
Other financial assets	(20,778)	175,895
Net cash flows from (used in) investing activities	1,410,119	468,703
Cash flows from (used in) financing activities:		
Issuance of financial bonds	-	800,000
Repayment of financial bonds	-	(2,200,000)
Other financial liabilities	(4,882)	(9,233)
Net cash flows from (used in) financing activities	(4,882)	(1,409,233)
Net increase (decrease) in cash and cash equivalents	(5,130,732)	4,669,662
Cash and cash equivalents at beginning of period	37,816,772	33,147,110
Cash and cash equivalents at end of period	\$ 32,686,040	37,816,772
Components of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 3,335,455	3,578,526
Due from Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	29,150,804	32,939,244
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7	199,781	1,299,002
Cash and cash equivalents at end of period	\$ 32,686,040	37,816,772

See accompanying notes to financial statements.

BANK OF PANHSIN

Notes to the Financial Statements

December 31, 2013 and 2012

(expressed in thousands of New Taiwan dollars, unless otherwise stated)

(1) Organization and Business Scope

Bank of Panhsin (the Bank), formerly named "Pan Chiao Credit Cooperative", was founded on April 25, 1957. Pursuant to an approval granted by the Ministry of Finance, the Bank was re incorporated as a commercial bank on July 8, 1997, and completed the acquisition of "The 5th Credit Cooperative of Kaohsiung" on September 29, 1997. The Bank obtained a banking license authorized by the Ministry of Finance to operate as a commercial bank on September 30, 1997. In October 1999, the Bank received its trust license from the Ministry of Finance and started operations on November 26 of the same year with capital of \$100 million. On November 27, 2002, the Bank was authorized by the Ministry of Finance to establish an International Banking Department, which started operations on July 7, 2003. Furthermore, the Bank completed the acquisition of The 1st Credit Cooperative of Chiayi on March 6, 2005.

The Bank was established pursuant to the Banking Law to engage in:

- 1) all commercial banking operations allowed by the Banking Law;
- 2) savings operations;
- 3) trust operations;
- 4) credit card operations;
- 5) trading in government bonds and other debt securities; and
- 6) other operations as authorized by the relevant central authority.

On November 14, 2006, the Bank was approved by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan, to offer its shares publicly.

(2) Financial statements authorization date and authorization process

These financial statements were authorized for issuance by the Bank's board of directors on February 19, 2014.

(3) New standards and interpretations not yet adopted

- 1) New standards and interpretations endorsed by the ROC Financial Supervisory Commission ("FSC") but not yet effective

The International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9"), to be effective on January 1, 2013. This standard has been approved by the FSC; however, the effective date has not been announced. (In December 2011, the IASB postponed the effective date to January 1, 2015. However, in November 2013, the IASB abandoned the effective date of this standard so that companies can have sufficient time to transfer to the new standard, and the new effective date has not been announced.) In accordance with FSC rules, early adoption is not permitted, and companies must follow the guidance in the 2009 version of International Accounting Standard 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). Upon the adoption of the new standard, it is expected there will be impacts on the classification and measurement of financial assets in the financial statements.

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

2) New and amended standards and interpretations not endorsed by the FSC

New standards and amendments issued by the IASB that may have an impact on the financial statements but not yet endorsed by the FSC and whose effective date in Taiwan has not been announced:

Issue date	New standards and amendments	Description	Effective date per IASB
May 12, 2011 June 28, 2012	<ul style="list-style-type: none"> • IFRS 10 <i>Financial Statements</i> • IFRS 11 <i>Joint Arrangements</i> • IFRS 12 <i>Disclosure of Interests in Other Entities</i> • Revisions to IAS 27 <i>Separate Financial Statements</i> • Revisions to IAS 28 <i>Investments in Associates and Joint Ventures</i> 	<ul style="list-style-type: none"> • On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities) other than the consolidation process, for which the original guidance and method apply. In addition, joint arrangements are separated into joint operations (concepts from jointly controlled assets and jointly controlled operations) and joint ventures (concepts from jointly controlled entities), and the new standards remove the proportionate consolidation method. • On June 28, 2012, amendments were issued clarifying the guidance over the transition period. <p>Upon the adoption of the above standards, the determinations of control over the investees could be changed, and it is expected to increase the disclosure of the interest in subsidiaries and associates.</p>	January 1, 2013
May 12, 2011	IFRS 13 <i>Fair Value Measurement</i>	IFRS 13 replaces fair value measurement guidance in other standards and integrates them as one single guidance. At the adoption of this standard, the Bank should analyze the impact on the measurement of assets and liabilities. The amendment could also increase the disclosure of their fair value.	January 1, 2013
June 16, 2011	Revisions to IAS 1 <i>Presentation of Financial Statements</i>	Items presented in other comprehensive income shall be expressed based on whether they are subsequently reclassifiable to profit or loss. Upon adoption, this standard could change the disclosure of other comprehensive income in the comprehensive income statement.	July 1, 2012

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

Issue date	New standards and amendments	Description	Effective date per IASB
June 16, 2011	Revisions to IAS 19 <i>Employee Benefits</i>	The amendments eliminate the corridor method and disallow the option to recognize actuarial gain or loss in profit or loss; in addition, the immediate recognition of past service cost is required. Upon adoption, the amendments have no significant effect on the measurement and presentation of the pension liability and actuarial gains or losses.	January 1, 2013
Dec. 16, 2011	<ul style="list-style-type: none"> • Amended IAS 32 <i>Financial Instruments: Presentation</i> • Amended IFRS 7 <i>Financial Instruments: Disclosures</i> 	Amended financial assets and liabilities offsetting (for more instructions) and disclosure requirements. The adoption of the amendment could change the disclosure of financial assets and liabilities and also increase the disclosure of the related information.	January 1, 2014 (presentation requirement) January 1, 2013 (disclosure requirement)
Dec. 16, 2011	<ul style="list-style-type: none"> • Amended IFRS 7 <i>Financial Instruments: Disclosures</i> • Amended IFRS 9 <i>Financial Instruments</i> 	Amended the mandatory effective date and transition disclosures, which amends the standards to require application for annual periods beginning on or after January 1, 2015, rather than January 1, 2013. Further amendments were made by the International Accounting Standards Board (IASB) in November 2013 to remove the January 1, 2015, mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.	To be determined by the IASB
May 29, 2013	Amended IAS 36 <i>Impairment of Assets</i>	In previous regulations, the recoverable amount of each cash-generating unit which had been allocated was required to be disclosed when the carrying amount of goodwill or other intangible assets with indefinite useful lives was significant. The amendments require disclosure only when impairment is recognized or reversed. In addition, the level of the fair value hierarchy and the key valuation assumptions made (Level 2 or 3) are required to be disclosed if the recoverable amount is based on fair value less costs of disposal.	January 1, 2014 (early adoption is allowed)

(Continued)

BANK OF PANHSIN
Notes to the Financial Statements

Issue date	New standards and amendments	Description	Effective date per IASB
December 12, 2013	<ul style="list-style-type: none"> Amended IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> Amended IFRS 2 <i>Share-based Payment</i> Amended IFRS 3 <i>Business Combinations</i> Amended IFRS 8 <i>Operating Segments</i> Amended IFRS 13 <i>Fair Value Measurement</i> Amended IAS 16 <i>Property, Plant and Equipment</i> Amended IAS 38 <i>Intangible Assets</i> Amended IAS 24 <i>Related Party Disclosures</i> Amended IAS 40 <i>Investment Property</i> 	<p>Annual Improvements to IFRSs—2010-2012 Cycle and Annual Improvements to IFRSs—2011-2013 Cycle, major amendments:</p> <ul style="list-style-type: none"> Clarify the definition of "vesting conditions" (including "performance condition" and "service condition") Clarify certain aspects of accounting for contingent consideration in a business combination Require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated Clarify a framework for measuring fair value on a net value basis Clarify key management personnel (KMP) including individuals assigned by reporting entity Require an entity to evaluate, upon obtaining an investment property, whether the acquisition of investment property constitutes a business combination <p>If the aforementioned are adopted, the disclosure and scope of the transactions among related parties may change.</p>	July 1, 2014 (early adoption is allowed)

(4) Summary of significant accounting policies

Significant accounting policies adopted in the financial reports are summarized as below. Unless stated otherwise, they have been applied consistently to all periods in the financial reports and to the opening IFRS balance sheet as of January 1, 2012, which was prepared for the purpose of conversion to the IFRSs endorsed by the FSC.

1) Statement of compliance

The financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks.

2) Basis of preparation

1. Basis of measurement

Except for the significant statement of financial position items listed below, the financial statements are prepared on the basis of historical cost.

- (A) Financial assets measured at fair value through profit or loss (including derivative instruments);
- (B) Available-for-sale financial assets measured at fair value;

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

- (C) Defined benefit assets, which are recognized as the net amount of pension plan assets plus unrecognized prior service cost and unrecognized actuarial losses, minus unrecognized actuarial gains and present value of defined benefit obligation.

2. Functional currency and presentation currency

The Bank's financial statements are presented in New Taiwan dollars, which is the Bank's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

3) Foreign currency transactions and translation of foreign currency financial statements

Transactions in foreign currencies are translated to the respective functional currency of the Bank at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, due from banks, demand deposits, and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value.

5) Transactions under repurchase/resell agreements

Securities sold/purchased with a commitment to repurchase/resell at a predetermined price are treated as financing transactions. The difference between the cost and the repurchase/resell price is treated as interest expense/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under resell agreements.

6) Financial instruments

The Bank classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, financial assets carried at cost, and loans and receivables. The purchase and disposal of financial assets are recognized using trade-date accounting.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. Derivatives held by the Bank are classified in this category. Such assets are initially recognized at fair value, with transaction costs expensed as incurred, and are re-measured at fair value subsequently, with changes in fair value recognized in earnings.

The Bank designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

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

- (A) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

(B) Performance of the financial asset is evaluated on a fair value basis;

(C) A hybrid instrument contains one or more embedded derivatives.

The hybrid instruments with embedded derivatives held by the Bank are designated as at FVTPL.

Financial assets measured at fair value through profit or loss and designated as such at the time of initial recognition are classified as "financial assets measured at fair value through profit or loss" in the statement of financial position. Changes in fair value are recognized in profit or loss as "gain or loss on financial assets and liabilities measured at fair value through profit or loss".

2. Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, dividend income, and foreign currency gains or losses which are recognized as current earnings, are recognized in other comprehensive income and presented in the unrealized gain/loss from available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-operating income and expenses.

For available-for-sale debt securities, the difference between the initially recognized amount and the maturity amount is amortized using the effective interest method, while the straight-line method is used if the difference is insignificant. Interest receivables are recognized on an accrual basis. If there is objective evidence of impairment, impairment loss is recognized. When the impairment amount decreases in a subsequent period, the reduced impairment amount of available-for-sale equity securities is recognized as adjustments to stockholders' equity, while the reduced impairment amount of available-for-sale debt securities is reversed and recognized as profit in the period, if the reduced impairment is deemed to be in connection with events occurring after recognition of impairment. The book value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

3. Held-to-maturity financial assets

Held-to-maturity financial assets are recorded at amortized cost. Impairment loss is recognized when there is objective evidence of impairment. If the impairment loss subsequently decreases and the decrease is objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss. The carrying value after the reversal should not exceed the amortized balance of the assets assuming no impairment loss was recognized.

4. Financial assets carried at cost

Equity instruments with no quoted market price and whose fair value cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost are impaired, the carrying amount of the assets is reduced, and impairment loss is recognized.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements****5. Loans and receivables**

Loans and receivables include those originated by the Bank and those not originated by the Bank. Those originated by the Bank are created by the Bank by providing money, goods, or services directly to a debtor, and those not originated by the Bank are loans and receivables other than those originated by the Bank.

Loans and receivables are initially recognized at fair value plus incremental direct transaction costs, services fees, and discount or premium, and subsequently measured at their amortized cost using the effective interest method. When the discounted effect is insignificant, loans and receivables can be measured at original cost.

The Bank considers evidence of impairment for loans and receivables at both a specific asset and collective level. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

If objective evidence of impairment exists, an impairment loss should be recognized. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Collateral and proceeds from insurance should also be considered when determining the estimated future cash flows.

The aforesaid objective evidence includes:

- (A) Significant financial difficulty of the issuer or obligor;
- (B) A breach of contract, such as a default or delinquency in interest or principal payments;
- (C) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (D) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (E) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- (F) Adverse changes in the payment status of the borrowers; and
- (G) Changes in national or local economic conditions that correlate with defaults on the assets.

6. Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or when all the risks and rewards of ownership of the financial asset are substantially transferred.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or have expired.

If the Bank provides bonds or stocks as security for repo transactions, the financial assets are not derecognized since all risks and rewards of ownership are still retained by the Bank.

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BANK OF PANHSIN**Notes to the Financial Statements****7. Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if, and only if, the Bank has the legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

7) Long-term investments under equity method—net

In the preparation of the individual financial statements, if the Bank has control of an investee company, it is accounted for under the equity method. Under the equity method, the net income and total comprehensive income in the individual financial statements are consistent with the net income and total comprehensive income attributed to the parent company in the consolidated financial report.

Changes in the Bank's ownership interest in a subsidiary that do not result in the Bank losing control of the subsidiary are treated as transactions between owners.

8) Property and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major improvements and renewals are capitalized, while repairs and maintenance are charged to current expenses.

When an item of property, plant and equipment consists of different components and the cost of a component is significant relative to the total cost of the item of property, plant and equipment, the component will be depreciated separately.

Depreciation is computed using the straight-line method over service lives estimated as follows: buildings, 3 to 60 years; machinery and equipment, 3 to 6 years; transportation equipment, 3 to 11 years; other equipment, 3 to 16 years; and leasehold improvements, 1 to 10 years.

The depreciation method, useful life, and residual value of an asset shall be reviewed at each financial year-end and adequately adjusted when necessary.

Upon retirement or disposal of property and equipment, the related cost and accumulated depreciation are deducted from the respective accounts, and the related gain or loss is recognized as other noninterest income or loss.

9) Leases

A lease contract is classified as an operating lease or a finance lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the Bank. At initial recognition, the leased asset is recognized at an amount equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments. The subsequent treatment follows the accounting policies for property, plant and equipment.

Lease payments, including payments in advance, under an operating lease shall be recognized in profit or loss on a straight-line basis over the lease term.

BANK OF PANHSIN**Notes to the Financial Statements****10) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or to use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measured under the cost model, and the depreciation expense is calculated using the depreciable amount. The depreciation method, useful life, and residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost and capitalized borrowing costs that can be directly attributed.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

11) Intangible assets

Goodwill shall be measured at its cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill shall be allocated to each of the cash-generating units, or groups of cash-generating units. Impairment loss on goodwill cannot be reversed.

Computer software is recorded on the basis of the actual cost of acquisition and amortized using the straight-line method over 3 to 5 years.

12) Other assets—foreclosed assets

Foreclosed assets are stated at their net realizable value. Any difference from the original value of the loans is recognized as bad debts. Losses or gains on the disposal of foreclosed assets are recorded as other non-interest expense or income, net.

13) Non-financial asset impairment

The Bank estimates the recoverable amount (the lower of net fair value and value in use) for assets that have an indication of impairment (individual assets except for goodwill or a cash-generating unit) on the statement of financial position date. An impairment loss is recognized if the carrying amount is higher than the recoverable amount. For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods. Regardless whether there exists an indication of impairment, goodwill is tested for impairment every year.

14) Provisions

A provision shall be recognized when a present obligation results from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. A provision is determined by discounting the expected future cash flow, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

(Continued)

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BANK OF PANHSIN
Notes to the Financial Statements

15) Revenue and expense

Except for financial assets and liabilities reported at fair value through profit or loss, all interest-bearing financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest revenue and interest expense in profit or loss.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest revenue is recognized using the interest rate to discount the future cash flows for the purpose of assessing impairment.

Commission fee revenue and expense are recognized when loans or other services are provided. Commission fee revenue and expense on significant projects are recognized when the projects are completed.

Commission revenue and fees relating to loan services are amortized over the service periods or included in the effective interest rate for loans and receivables.

16) Employee benefits

1. Short-term employee benefits

For short-term employee benefits that are expected to be paid in the near future, the Bank recognized the non-discounted amount as current expenses.

2. Termination benefits

Termination benefits are incurred when the Bank terminates employment prior to employees qualifying for retirement, or the employees accepted voluntary redundancy to get termination benefits in return. If termination benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3. Post-employment benefit plans

Post-employment benefit plans of the Bank are a defined contribution plan and a defined benefit plan.

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

A defined benefit plan is a post-employment benefit plan under which a benefit is paid to an employee on the basis of their age, service period, and salary at the date of retirement.

As of January 1, 2012, the conversion date for the IFRSs endorsed by the FSC, all actuarial gains and losses were recorded under retained earnings. All actuarial gains and losses arising subsequently from the defined benefit plan are amortized over the average remaining service period. The amortization is recorded under profit and loss.

(Continued)

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BANK OF PANHSIN
Notes to the Financial Statements

The benefit obligation is calculated annually by an actuary using the projected unit credit method. The present value of the benefit obligation is the discounted present value of future cash flow of high-quality corporate bonds or government bonds whose maturity dates are the same as those of the obligation and that are denominated in the same currency in which the benefits are expected to be paid.

4. Preferential interest deposits

The Bank provides its employees preferential interest on deposits, including current and retired employees. The difference between the preferential interest rate and the market rate is recorded as an employee benefit.

In accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, if the preferential interest rate for retired employees exceeds the market rate, when the employees retire, the Bank shall calculate the excess interest using an actuarial method by adopting IAS 19. However the actuarial assumptions shall follow the government's related regulations.

17) Financial guarantee contracts

Guarantee services are recognized at the fair value when the guarantee services are rendered. The aforementioned fair value is the service charges received when the contracts are signed, since the charges are set at arm's length. Unearned bank charges are recorded as deferred income and recognized as income on a straight-line basis in the contract period.

18) Income taxes

Income tax expenses include both taxes and deferred taxes. Except for expenses recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

When measuring the deferred tax asset and deferred tax liability, the Bank shall use the enacted tax rate for the periods in which deferred tax asset or deferred tax liability is expected to be settled or realized.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
 - (A) levied by the same taxing authority; or
 - (B) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(Continued)

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BANK OF PANHSIN
Notes to the Financial Statements

A deferred tax asset should be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

19) Earnings (loss) per share of common stock

Earnings (loss) per share are computed by dividing net income (loss) divided by the weighted-average number of issued shares of common stock outstanding during the year. The increase in issuance of stock dividends from retained earnings or capital surplus or the decrease in stock by offsetting accumulated deficits is adjusted retroactively. Furthermore, if the designated date of record for a stock dividend is proposed before publishing the financial statements, the earnings per common share are adjusted retroactively. If there is cumulative preferred stock outstanding, preferred stock dividends shall be deducted from net income whether or not dividends are declared.

Stock-based employee bonuses not yet approved by the shareholders' meeting are regarded as potential common stock. The Bank has to disclose basic earnings per share and diluted earnings per share if the increase in potential common stock would dilute earnings per share; otherwise, the Bank only needs to disclose basic earnings per share. The calculation of diluted earnings per share should consider the effect on net income and outstanding potential common stock.

20) Operating segments

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

The Bank discloses the operating segment information in the consolidated financial statements and does not disclose the information in the individual financial statements.

(5) Primary sources of significant accounting assumptions, judgments, and estimation uncertainty

The Bank has used necessary assumptions and estimates to measure, evaluate, and disclose the assets, liabilities, income, expenses and contingencies of the financial statements when preparing the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks. Actual results could differ from these estimates.

Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

Accounting policies for impairment loss on loans and management judgments have significant impacts on the amounts recognized in this financial report. When the Bank decides whether to recognize impairment loss, it determines whether there is any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status. When analyzing expected cash flow, the estimates by the management are based on past loss experience with assets having similar credit risk characteristics. The Bank periodically reviews the methods and assumptions behind the amounts and the timing of expected cash flow, to reduce the difference between expected and actual loss.

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BANK OF PANHSIN
Notes to the Financial Statements

(6) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash	\$ 1,290,088	1,141,158	1,242,579
Negotiable instruments for clearing	461,890	1,266,015	1,230,616
Deposits with other banks	1,583,477	1,171,353	1,300,777
Total	<u>\$ 3,335,455</u>	<u>3,578,526</u>	<u>3,773,972</u>

Components of cash and cash equivalents are as follows. Please refer to note 7 for details.

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents reported in the statements of financial position	\$ 3,335,455	3,578,526	3,773,972
Due from Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	29,150,804	32,939,244	29,373,138
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7	199,781	1,299,002	-
Cash and cash equivalents at end of period	<u>\$ 32,686,040</u>	<u>37,816,772</u>	<u>33,147,110</u>

Analysis of interest rate risk and sensitivity for financial assets and liabilities is disclosed in note 42.

(7) Due from Central Bank and call loans to banks

	December 31, 2013	December 31, 2012	January 1, 2012
Deposit reserves — checking accounts (including foreign currency)	\$ 3,212,704	3,438,740	3,035,360
Deposit reserves — demand account	4,241,255	3,947,500	3,903,889
Deposits in Central Bank	24,800,000	28,000,000	24,600,000
Call loans to banks	1,138,100	1,500,504	1,737,778
Checking and settlement account	150,475	304,647	150,662
Total	<u>\$ 33,542,534</u>	<u>37,191,391</u>	<u>33,427,689</u>

Deposit reserves — checking accounts are calculated at prescribed rates, using the average monthly balances of various deposit accounts, and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposit reserves — demand accounts are interest-free and can be withdrawn at any time; Deposit reserves — checking accounts are interest-bearing and cannot be withdrawn except for the monthly adjustment to the required reserves permitted by relevant regulations.

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BANK OF PANHSIN
Notes to the Financial Statements

Deposit reserves—checking accounts, deposits in Central Bank, call loans to banks, and highly liquid investments that are readily convertible into known amount of cash and that are subject to insignificant risk of change in value are defined as cash and cash equivalents under IAS 7. The details were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Deposit reserves—checking accounts	\$ 3,212,704	3,438,740	3,035,360
Deposits in Central Bank	24,800,000	28,000,000	24,600,000
Call loans to banks	1,138,100	1,500,504	1,737,778
	<u>\$ 29,150,804</u>	<u>32,939,244</u>	<u>29,373,138</u>

(8) Financial assets at fair value through profit or loss

As of December 31, 2013, and December 31 and January 1, 2012, the financial assets held for trading were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading:			
Equity securities	\$ 15,166	40,580	-
Interest rate-related instruments	379,263	464,860	806,507
Beneficiary certificates	15,683	55,911	15,641
Derivatives	15,969	6,982	5,555
Total	<u>426,081</u>	<u>568,333</u>	<u>827,703</u>
Financial assets designated as at fair value through profit or loss:			
Credit-linked notes	131,855	145,985	281,994
	<u>\$ 557,936</u>	<u>714,318</u>	<u>1,109,697</u>

As of December 31, 2013, and December 31 and January 1, 2012, the financial liabilities measured at fair value through profit or loss were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Financial liabilities held for trading			
Derivatives	<u>\$ 11,997</u>	<u>6,863</u>	<u>22,647</u>

There were no financial liabilities designated as at fair value through profit or loss.

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BANK OF PANHSIN
Notes to the Financial Statements

(9) Available-for-sale financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Corporate bonds	\$ 1,702,524	1,711,607	1,204,016
Government bonds	6,645,420	4,417,755	3,021,286
Beneficiary securities	190,405	50,331	-
Equity securities	362,166	491,850	-
Total	<u><u>\$ 8,900,515</u></u>	<u><u>6,671,543</u></u>	<u><u>4,225,302</u></u>

Please refer to note 44 for the available-for-sale financial assets under pledge.

(10) Held-to-maturity financial assets

December 31, 2013			
	Percentage of ownership	Investment cost	Amount
Government bonds	-	\$ 200,000	208,593
Corporate bonds	-	500,000	499,347
		<u><u>\$ 700,000</u></u>	<u><u>707,940</u></u>

December 31, 2012			
	Percentage of ownership	Investment cost	Amount
Government bonds	-	\$ 200,000	213,973
Corporate bonds	-	500,000	499,111
		<u><u>\$ 700,000</u></u>	<u><u>713,084</u></u>

January 1, 2012			
	Percentage of ownership	Investment cost	Amount
Government bonds	-	\$ 200,000	219,304
Corporate bonds	-	500,000	498,877
		<u><u>\$ 700,000</u></u>	<u><u>718,181</u></u>

Please refer to note 44 for the held-to-maturity financial assets under pledge.

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BANK OF PANHSIN
Notes to the Financial Statements

(11) Securities purchased under resell agreements

		December 31, 2013	
	Amount	Agreed to repurchase or resell before	Agreed interest rate range (%)
Securities purchased under resell agreements	<u>\$ 199,781</u>	2014.01.03	0.62
		December 31, 2012	
	Amount	Agreed to repurchase or resell before	Agreed interest rate range (%)
Securities purchased under resell agreements	<u>\$ 1,299,002</u>	2013.1.25	0.64~0.72

There was no securities purchased under resell agreements as of January 1, 2012.

(12) Receivables — net

As of December 31, 2013, and December 31 and January 1, 2012, accounts receivable—net were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Interest receivable	\$ 218,406	224,270	211,173
Accounts receivable	28,574	26,673	26,853
Notes receivable — Panhsin AMC	490,301	740,301	874,145
Spot exchange receivable	723,624	218,183	437,768
Acceptance receivable	261,734	270,517	271,758
Accrued revenue	7	99	-
Other receivable	207,984	88,011	142,885
Other receivable — Panhsin Insurance Broker	<u>3,708</u>	<u>-</u>	<u>-</u>
Total	1,934,338	1,568,054	1,964,582
Less: allowance for bad and doubtful accounts			
— account receivable	(490,301)	(548,400)	(548,400)
— acceptance receivable	(1,812)	-	-
— other receivable	<u>(22,863)</u>	<u>(2,334)</u>	<u>(6,104)</u>
	<u>\$ 1,419,362</u>	<u>1,017,320</u>	<u>1,410,078</u>

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BANK OF PANHSIN
Notes to the Financial Statements

Changes in allowance for doubtful accounts were as follows:

	2013	2012
Beginning balance	\$ 550,734	554,504
Provision for doubtful accounts	22,341	-
Write-off	(58,099)	(3,770)
Ending balance	<u><u>\$ 514,976</u></u>	<u><u>550,734</u></u>

Receivables assessed for impairment to determine the allowance for bad debts were as follows:

Items		Receivables			Allowance for bad debts		
		December 31, 2013	December 31, 2012	January 1, 2012	December 31, 2013	December 31, 2012	January 1, 2012
With objective evidence of impairment	Individual assessment	513,164	742,635	880,249	513,164	550,734	554,504
	Collective assessment	-	-	-	-	-	-
Without objective evidence of impairment	Collective assessment	1,421,174	825,419	1,084,333	1,812	-	-
Total		1,934,338	1,568,054	1,964,582	514,976	550,734	554,504

(13) Loans and discounts, net

As of December 31, 2013, and December 31 and January 1, 2012, details of loans and discounts were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Remittance and discounts for exports	\$ 68,783	80,028	91,167
Short-term loans and overdrafts	13,379,311	13,300,987	12,376,889
Short-term secured loans and overdrafts	17,647,836	10,576,753	10,645,202
Medium-term loans	9,752,245	13,276,395	11,113,123
Medium-term secured loans	21,828,243	18,825,615	20,434,576
Long-term loans	758,861	942,692	1,198,722
Long-term secured loans	39,770,317	40,507,767	46,745,064
Non-performing loans	1,239,518	1,159,543	1,129,156
Subtotal	104,445,114	98,669,780	103,733,899
Less: allowance for bad and doubtful accounts	(1,282,941)	(1,336,409)	(1,569,500)
	<u><u>\$ 103,162,173</u></u>	<u><u>97,333,371</u></u>	<u><u>102,164,399</u></u>

Please refer to note 42 for the industry information.

For the years ended December 31, 2013 and 2012, suspended accrual of interest for all of non-performing loans amounted to \$120,591 and \$99,606, respectively.

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BANK OF PANHSIN
Notes to the Financial Statements

The changes in allowance for bad debts for loans and discounts and for reserves for guarantees were as follows:

	2013	2012
Beginning balance	\$ 1,336,409	1,569,500
Provision for doubtful accounts	25,265	307,766
Write-off	(217,505)	(667,710)
Recovery of write-off	155,644	126,853
Ending balance	<u>\$ 1,299,813</u>	<u>1,336,409</u>

Loans and discounts to be assessed for impairment to determine their allowance for bad debts were as follows:

Item		Loans and discounts			Allowance for bad debts		
		December 31, 2013	December 31, 2012	January 1, 2012	December 31, 2013	December 31, 2012	January 1, 2012
With objective evidence of impairment	Individual assessment	1,259,008	1,244,118	1,124,821	407,626	468,395	771,807
	Collective assessment	494,912	462,098	597,804	260,162	221,702	259,920
Without objective evidence of impairment	Collective assessment	102,691,194	96,963,564	102,011,274	615,153	646,312	537,773
Total		104,445,114	98,669,780	103,733,899	1,282,941	1,336,409	1,569,500

(14) Other financial assets — net

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets carried at cost — net	<u>\$ 62,537</u>	<u>62,547</u>	<u>62,547</u>

Details of financial asset carried at cost were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Xin-Rui-Du Development Co., Ltd.	\$ 4,940	4,940	4,940
Tsai-Jin Information Co., Ltd.	45,500	45,500	45,500
Credit Cooperative of Taipei County	-	10	10
Taiwan Depository & Clearing Corporation	6,345	6,345	6,345
Taiwan High Speed Rail Corporation — preferred shares	10,000	10,000	10,000
Yang Guang Asset Management Company	692	692	692
	67,477	67,487	67,487
Less: accumulated impairment loss	(4,940)	(4,940)	(4,940)
	<u>\$ 62,537</u>	<u>62,547</u>	<u>62,547</u>

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BANK OF PANHSIN
Notes to the Financial Statements

The liquidation of the Credit Cooperative of Taipei County was completed in December 2013. The Bank received a refund of \$11,879 after deducting the cost of \$10 thousand, and the refund was recorded under other non-interest income, net.

Financial assets carried at cost include equity investments held by the Bank. Since such assets have no quoted market price and their fair value cannot be reliably measured, the assets are carried at cost.

(15) Long-term investments under equity method — net

As of December 31, 2013, and December 31 and January 1, 2012, details of long-term investments under the equity method were as follows:

	December 31, 2013		
	Percentage of ownership	Investment Cost	Amount
Panhsin Insurance Broker Co., Ltd.	100.00	\$ 20,100	209,457
Panhsin Asset Management Co., Ltd.	29.41	<u>50,000</u>	<u>50,351</u>
		<u>\$ 70,100</u>	<u>259,808</u>

	December 31, 2012		
	Percentage of ownership	Investment Cost	Amount
Panhsin Insurance Broker Co., Ltd.	100.00	\$ 20,100	172,144
Panhsin Asset Management Co., Ltd.	29.41	<u>50,000</u>	<u>6,302</u>
		<u>\$ 70,100</u>	<u>178,446</u>

	January 1, 2012		
	Percentage of ownership	Investment Cost	Amount
Panhsin Insurance Broker Co., Ltd.	100.00	\$ 20,100	112,134
Panhsin Asset Management Co., Ltd.	29.41	<u>50,000</u>	<u>16,447</u>
		<u>\$ 70,100</u>	<u>128,581</u>

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BANK OF PANHSIN
Notes to the Financial Statements

(16) Property and equipment—net

December 31, 2013	Cost	Accumulated depreciation	Net
Land	\$ 2,387,168	-	2,387,168
Buildings	3,046,760	(231,800)	2,814,960
Machinery and equipment	389,234	(289,340)	99,894
Transportation equipment	114,462	(83,336)	31,126
Other equipment	363,335	(266,528)	96,807
Leasehold improvement	159,369	(130,643)	28,726
Construction in progress	242,098	-	242,098
Total	<u>\$ 6,702,426</u>	<u>(1,001,647)</u>	<u>5,700,779</u>

December 31, 2012	Cost	Accumulated depreciation	Net
Land	\$ 2,526,719	-	2,526,719
Buildings	3,063,669	(203,051)	2,860,618
Machinery and equipment	386,909	(277,272)	109,637
Transportation equipment	111,730	(76,848)	34,882
Other equipment	319,449	(245,982)	73,467
Leasehold improvement	150,039	(119,498)	30,541
Construction in progress	246,806	-	246,806
Total	<u>\$ 6,805,321</u>	<u>(922,651)</u>	<u>5,882,670</u>

January 1, 2012	Cost	Accumulated depreciation	Net
Land	\$ 3,363,423	-	3,363,423
Buildings	983,737	(245,106)	738,631
Machinery and equipment	412,324	(290,687)	121,637
Transportation equipment	110,391	(71,513)	38,878
Other equipment	301,882	(227,837)	74,045
Leasehold improvement	130,530	(107,712)	22,818
Construction in progress	3,637,303	-	3,637,303
Total	<u>\$ 8,939,590</u>	<u>(942,855)</u>	<u>7,996,735</u>

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BANK OF PANHSIN
Notes to the Financial Statements

Movements of cost were as below:

	January 1, 2013	Current increase	Current decrease	Other (note 1)	December 31, 2013
Land	\$ 2,526,719	34,503	(202,670)	28,616	2,387,168
Buildings	3,063,669	-	(66,410)	49,501	3,046,760
Machinery and equipment	386,909	-	(11,035)	13,360	389,234
Transportation equipment	111,730	63	(1,333)	4,002	114,462
Other equipment	319,449	11,853	(3,420)	35,453	363,335
Leasehold improvement	150,039	9,097	-	233	159,369
Construction in progress	246,806	30,589	-	(35,297)	242,098
Total	\$ 6,805,321	86,105	(284,868)	95,868	6,702,426

	January 1, 2012	Current increase	Current decrease	Other (note 2)	December 31, 2012
Land	\$ 3,363,423	-	(284,928)	(551,776)	2,526,719
Buildings	983,737	-	(195,964)	2,275,896	3,063,669
Machinery and equipment	412,324	-	(41,970)	16,555	386,909
Transportation equipment	110,391	769	(2,902)	3,472	111,730
Other equipment	301,882	20,100	(4,335)	1,802	319,449
Leasehold improvement	130,530	19,476	-	33	150,039
Construction in progress	3,637,303	306,620	-	(3,697,117)	246,806
Total	\$ 8,939,590	346,965	(530,099)	(1,951,135)	6,805,321

Note: 1) Reclassification from investment property and from other assets—prepayments amounting to \$78,117 and \$17,751, respectively.

2) Reclassification from other assets—prepayments and to investment property amounting to \$21,862 and \$1,972,997, respectively.

Movements of accumulated depreciation were as below:

	January 1, 2013	Current increase	Current decrease	Other (note 1)	December 31, 2013
Buildings	\$ 203,051	47,756	(19,420)	413	231,800
Machinery and equipment	277,272	20,997	(8,929)	-	289,340
Transportation equipment	76,848	7,531	(1,043)	-	83,336
Other equipment	245,982	23,322	(2,776)	-	266,528
Leasehold improvement	119,498	11,145	-	-	130,643
Total	\$ 922,651	110,751	(32,168)	413	1,001,647

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BANK OF PANHSIN
Notes to the Financial Statements

	January 1, 2012	Current increase	Current decrease	Other (note 2)	December 31, 2012
Buildings	\$ 245,106	36,044	(70,760)	(7,339)	203,051
Machinery and equipment	290,687	20,235	(33,650)	-	277,272
Transportation equipment	71,513	7,693	(2,358)	-	76,848
Other equipment	227,837	21,144	(2,999)	-	245,982
Leasehold improvement	107,712	11,786	-	-	119,498
Total	\$ 942,855	96,902	(109,767)	(7,339)	922,651

Note: 1) Reclassification from investment property of \$413.

2) Reclassification to investment property of \$7,339.

(17) Investment property

December 31, 2013	Cost	Accumulated depreciation	Net
Land	\$ 510,662	-	510,662
Building	1,344,396	(33,215)	1,311,181
Total	\$ 1,855,058	(33,215)	1,821,843

December 31, 2012	Cost	Accumulated depreciation	Net
Land	\$ 634,078	-	634,078
Building	1,438,086	(23,758)	1,414,328
Total	\$ 2,072,164	(23,758)	2,048,406

January 1, 2012	Cost	Accumulated depreciation	Net
Land	\$ 125,771	-	125,771
Building	43,239	(12,654)	30,585
Total	\$ 169,010	(12,654)	156,356

Movements of cost were as below:

	January 1, 2013	Current increase	Current decrease	Reclassificatio n (note 1)	December 31, 2013
Land	\$ 634,078	-	(94,800)	(28,616)	510,662
Building	1,438,086	-	(44,189)	(49,501)	1,344,396
Total	\$ 2,072,164	-	(138,989)	(78,117)	1,855,058

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BANK OF PANHSIN
Notes to the Financial Statements

	January 1, 2012	Current increase	Current decrease	Reclassificatio n (note 2)	December 31, 2012
Land	\$ 125,771	-	(43,469)	551,776	634,078
Building	43,239	-	(26,374)	1,421,221	1,438,086
Total	<u>\$ 169,010</u>	<u>-</u>	<u>(69,843)</u>	<u>1,972,997</u>	<u>2,072,164</u>

Note: 1) Reclassification to land and buildings under property and equipment amounting to \$28,616 and \$49,501, respectively.
2) Reclassification from land and buildings under property and equipment amounting to \$551,776 and \$1,421,221, respectively.

Movements of accumulated depreciation were as follows:

	January 1, 2013	Current increase	Current decrease	Reclassificatio n (note 1)	December 31, 2013
Building	<u>\$ 23,758</u>	<u>20,070</u>	<u>(10,200)</u>	<u>(413)</u>	<u>33,215</u>

	January 1, 2012	Current increase	Current decrease	Reclassificatio n (note 2)	December 31, 2012
Building	<u>\$ 12,654</u>	<u>12,219</u>	<u>(8,454)</u>	<u>7,339</u>	<u>23,758</u>

Note: 1) Reclassification to buildings under property and equipment of \$413.
2) Reclassification from buildings under property and equipment of \$7,339.

Please refer to note 43 for the significant disposal transactions for 2013 and 2012.

According to the evaluation of investment property by external and internal appraisers, the fair value of the investment property held by the Bank as of December 31, 2013, and December 31 and January 1, 2012, was \$3,053,772, \$4,705,679, and \$885,283, respectively.

(18) Intangible assets—net

	December 31, 2013	December 31, 2012	January 1, 2012
Goodwill	\$ 1,316,159	1,316,159	1,316,159
Computer software	147,516	195,642	227,765
Total	<u>\$ 1,463,675</u>	<u>1,511,801</u>	<u>1,543,924</u>

Goodwill of the Bank arose from acquisition of the outstanding assets and liabilities of The Kaohsiung Fifth Credit Cooperative and The First Credit Cooperative of Chiayi with guarantee reserve.

When performing the test of impairment, the Bank estimated its future operating cash flow on the basis of its operating results or objective information from its business cycle.

After performing the assessment above, the Bank did not recognize goodwill impairment loss for the years ended December 31, 2013 and 2012.

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BANK OF PANHSIN
Notes to the Financial Statements

Movements of intangible assets were as follows:

	January 1, 2013	Current increase	Current decrease	Other (note 1)	December 31, 2013
Goodwill	\$ 1,316,159	-	-	-	1,316,159
Computer software	195,642	-	(52,031)	3,905	147,516
Total	<u>\$ 1,511,801</u>	<u>-</u>	<u>(52,031)</u>	<u>3,905</u>	<u>1,463,675</u>
	January 1, 2012	Current increase	Current decrease	Other (note 2)	December 31, 2012
Goodwill	\$ 1,316,159	-	-	-	1,316,159
Computer software	227,765	-	(53,278)	21,155	195,642
Total	<u>\$ 1,543,924</u>	<u>-</u>	<u>(53,278)</u>	<u>21,155</u>	<u>1,511,801</u>

Note: 1) Reclassification from other assets and disposal of the assets amounting to \$3,913 and \$8, respectively.

2) Reclassification from other assets.

(19) Other assets – net

	December 31, 2013	December 31, 2012	January 1, 2012
Prepayments	\$ 52,037	37,183	43,824
Refundable deposits	64,322	80,068	286,346
Foreclosed collateral	692,837	867,658	981,570
Other	3,996	3,990	3,990
Total	<u>\$ 813,192</u>	<u>988,899</u>	<u>1,315,730</u>

Movements of the foreclosed collateral were as follows:

	January 1, 2013	Current increase	Current decrease	Reclassification	December 31, 2013
Cost	\$ 884,798	-	(174,904)	-	709,894
Less: Accumulated impairment	(17,140)	-	83	-	(17,057)
Total	<u>\$ 867,658</u>	<u>-</u>	<u>(174,821)</u>	<u>-</u>	<u>692,837</u>
	January 1, 2012	Current increase	Current decrease	Reclassification (note)	December 31, 2012
Cost	\$ 1,149,619	-	(258,828)	(5,993)	884,798
Less: Accumulated impairment	(168,049)	(6,562)	157,471	-	(17,140)
Total	<u>\$ 981,570</u>	<u>(6,562)</u>	<u>(101,357)</u>	<u>(5,993)</u>	<u>867,658</u>

Note: Reclassification to prepayments.

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As of December 31, 2013, the foreclosed assets related to Xin Rui Du and Annan Star (Cao Hu Section, Annan District, Tainan City) amounted to \$632,994. Actions taken by the Bank were as follows:

- 1) The Bank took over the loans which were guaranteed by Xin Rui Du Development Co., Ltd. (Xin Rui Du) from The Kaohsiung 5th Credit Cooperative. Xin Rui Du provided 75 pieces of land, located at Plot No. 73, Tie Fu Section, Hu Nei District, Kaohsiung City, as collateral. These pieces of land had been rezoned as industrial and commercial land. Because the majority owner of Xin Rui Du, Su Huei Jen, was involved in a political scandal, Xin Rui Du was not able to repay the loan. However, due to illegal sand mining done by other debtors of Xin Rui Du, the court auctions failed several times. To prevent huge losses, the Bank took these pieces of land as repayment of the loan. The Bank now owns these pieces of land and employs 24-hour security and has set up fences to protect the land.
- 2) The foreclosed land was classified as industrial and commercial land. The Bank owns the property, but the rights of the property were separated from the ownership and were granted to Xin Rui Du. Through legal action, the Bank was appointed as the liquidator of Xin Rui Du, and the Bank publicly auctioned the development rights. Panhsin Asset Management Co., Ltd. acquired the development rights from the auction, expecting to combine the Bank's ownership and Panhsin Asset Management Co., Ltd.'s development rights to continue land development, so as to simplify the legal relationship in order to search for potential investors. The Bank has appointed a consultant to apply to the Ministry of Economic Affairs for continuing the development plan with Panhsin Asset Management Co., Ltd. as the developer for the plan. The Bank has been informed that the Ministry is going to hold a meeting on February 24, 2014, to investigate the case. If the application is accepted by the Ministry, the Bank could further apply to the Kaohsiung City Government to join the city development plan and have an environmental evaluation. As a result, the value of the land would increase.
- 3) The development schedule and construction permit both expired. In the agreement made by Xin Rui Du and the Kaohsiung County Government, if Xin Rui Du breaches the contract, the Kaohsiung County Government (currently Kaohsiung City Government) has the right to cancel its construction approval, make an announcement, and return the property to its original classification (agricultural areas and level A construction sites agricultural areas). All donations made by the Bank to the government in respect of the Xin Rui Du case are non-refundable. The area has not been developed according to the development plan. However, whether the Kaohsiung City Government will demand the land be returned to its original status is uncertain. Currently, the status of the land is unchanged.
- 4) The land has been appraised regularly by an external appraisal organization to determine whether impairment existed. As of December 31, 2013, no impairment loss was recognized.

(20) Deposits from Central Bank and other banks

	December 31, 2013	December 31, 2012	January 1, 2012
Deposits by other banks	\$ 419,211	413,031	541,412
Call loans from bank – credit	-	-	74,196
Deposits transferred from the Post Office	699,640	699,640	699,640
Total	\$ 1,118,851	1,112,671	1,315,248

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(21) Accounts payable

	December 31, 2013	December 31, 2012	January 1, 2012
Interest payable	\$ 154,916	182,624	219,953
Accounts payable	25,160	30,517	20,271
Accrued expense	177,436	180,545	125,407
Acceptance payable	261,734	270,517	275,221
Other payable	587,242	1,411,272	1,536,423
Collection payable	57,631	78,397	52,868
Spot exchange payable	724,163	218,135	438,357
Total	<u><u>\$ 1,988,282</u></u>	<u><u>2,372,007</u></u>	<u><u>2,668,500</u></u>

(22) Deposits and remittances

	December 31, 2013	December 31, 2012	January 1, 2012
Checking account	\$ 1,392,652	1,675,482	1,732,782
Demand deposits			
Demand deposits	26,146,552	22,092,059	20,263,314
Demand savings deposits	36,640,265	35,357,543	33,912,715
Subtotal of demand deposits	<u>62,786,817</u>	<u>57,449,602</u>	<u>54,176,029</u>
Time deposits			
Time deposits	16,669,050	17,551,190	16,049,166
Negotiable certificates of deposit	812,900	1,168,900	1,561,200
Subtotal of demand deposits	<u>17,481,950</u>	<u>18,720,090</u>	<u>17,610,366</u>
Time savings deposits			
Staff deposits	946,938	949,291	903,071
Installment savings deposits	109,186	112,102	106,869
Non-interest-drawing time savings deposits	7,490,688	10,488,596	15,969,894
Interest-drawing savings deposits	51,809,731	51,660,395	48,630,976
Subtotal of time savings deposits	<u>60,356,543</u>	<u>63,210,384</u>	<u>65,610,810</u>
Foreign currency time deposits	4,654,761	4,413,858	3,486,884
Remittances	11,295	23,994	26,453
Deposits and remittances total	<u><u>\$ 146,684,018</u></u>	<u><u>145,493,410</u></u>	<u><u>142,643,324</u></u>

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(23) Financial bonds payable

Name of bond	During	Interest rate	December 31, 2013	December 31, 2012	January 1, 2012
The first series of the subordinate financial debenture in 2006	2006.06.16~ 2012.02.16	Fixed 3.30% or floating rate (note 1)	\$ -	-	1,680,000
The first series of the subordinate financial debenture in 2007	2007.06.28~ 2012.12.28	Fixed 3.50% or floating rate (note 2)	-	-	520,000
The first series of the subordinate financial debenture in 2008	2008.05.21~ 2014.05.21	Fixed 3.60% or floating rate (note 3)	239,000	239,000	239,000
The second series of the subordinate financial debenture in 2008	2008.12.25~ 2014.12.25	Fixed 3.40%	280,000	280,000	280,000
The first series of the subordinate financial debenture in 2009	2009.06.26~ 2015.06.26	Fixed 3.00% or floating rate (note 4)	370,000	370,000	370,000
The second series of the subordinate financial debenture in 2009	2009.10.22~ 2015.10.22	Fixed 3.00% or floating rate (note 4)	350,000	350,000	350,000
The first series of the subordinate financial debenture in 2010	2010.11.05~ 2016.11.05	Fixed 3.25%	500,000	500,000	500,000
The first series of the subordinate financial debenture in 2011	2011.12.02~ 2017.12.02	Fixed 3.00%	400,000	400,000	400,000
The first series of the subordinate financial debenture in 2012	2012.03.21~ 2018.03.21	Fixed 3.00%	100,000	100,000	-
The second series of the subordinate financial debenture in 2012	2012.11.12~ 2018.11.12	Fixed 3.00%	700,000	700,000	-
			\$ 2,939,000	2,939,000	4,339,000

Note 1: Floating interest rate is 1.10% plus Chunghwa Post Co., Ltd.'s stated one-year time deposit rate. The interest rate is reset two working days before the effective date each year.

Note 2: Floating interest rate is 1.20% plus Chunghwa Post Co., Ltd.'s stated one-year time deposit rate. The interest rate is reset two working days before the effective date every six months.

Note 3: Floating interest rate is 1.25% plus Chunghwa Post Co., Ltd.'s stated one-year time deposit rate. The interest rate is reset two working days before the effective date every six months.

Note 4: Floating interest rate is 1.70% plus Chunghwa Post Co., Ltd.'s stated one-year time deposit rate. The interest rate is reset two working days before the effective date every six months.

(24) Other financial liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Appropriated loan funds	\$ 13,928	18,810	28,043

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Notes to the Financial Statements

(25) Provision

	December 31, 2013	December 31, 2012	January 1, 2012
Employee benefit obligation — pension	\$ 132,386	140,389	157,559
Employee benefit obligation — retired employee preferential interest rate deposits	25,049	24,968	22,163
Unexpected losses reserve	3,938	3,938	3,938
Guarantee reserve	16,872	-	-
Total	<u><u>\$ 178,245</u></u>	<u><u>169,295</u></u>	<u><u>183,660</u></u>

(26) Other liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Unearned revenue	\$ 13,398	14,330	9,204
Advance interest receipts	308	2,563	399
Temporary receipts and suspense accounts	29,643	8,614	14,404
Other advance receipts	60,881	24,061	50,273
Guarantee deposits received	31,615	34,398	50,262
Total	<u><u>\$ 135,845</u></u>	<u><u>83,966</u></u>	<u><u>124,542</u></u>

(27) Employee benefits

1) Defined benefit plans — pension

The present value of the defined benefit obligation and the fair value of the plan assets for the Bank were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total present value of obligation	\$ 655,087	682,224	591,327
Fair value of plan assets	(430,038)	(431,991)	(433,768)
Deficit (surplus) in the plan	225,049	250,233	157,559
Unamortized amount of actuarial profit or loss	(92,663)	(109,844)	-
Recognized liabilities for defined benefit obligation	<u><u>\$ 132,386</u></u>	<u><u>140,389</u></u>	<u><u>157,559</u></u>

1. Components of plan assets

The Bank maintains and funds a retirement plan covering all regular employees and recognizes pension expense based on the actuarial report.

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Notes to the Financial Statements

In accordance with the retirement plan, payments of pension benefits are calculated based on an employee's average monthly salary for the last six months prior to approved retirement and base point (b.p.) entitlement. The b.p. earned by each employee is 2 b.p. for each year of service for the first 15 years and 1 b.p. for the 16th year and thereafter, where the maximum b.p. is 45 b.p. The b.p. for less than and over a half year will be 0.5 b.p. and 1 b.p., respectively.

Under the Labor Standards Act, the Bank contributes monthly no less than 2% of gross salary to each employee's pension fund, which is deposited into a designated depository account with Bank of Taiwan. As well, the Bank contributes pension funds at the rate of 3.5% (4.7% until February 2001) of monthly payroll to the employees' pension fund administration committee and deposits it in the committee's name in the Bank's Operating Department, where it earns interest. This pension fund is not reflected in the financial statements.

2. Movements of present value of the defined benefit obligation

The movements in present value of the defined benefit obligation for the Bank in 2013 and 2012 were as follows:

	2013	2012
Defined benefit obligation on January 1	\$ 682,224	591,327
Benefits paid by the plan	(33,131)	(37,803)
Current service costs and interest	22,806	23,019
Actuarial loss (profit)	(16,812)	105,681
Defined benefit obligation on December 31	<u>\$ 655,087</u>	<u>682,224</u>

3. Movement in fair value of defined benefit plan assets

The movement in fair value of the defined benefit plan assets for the Bank in 2013 and 2012 was as follows:

	2013	2012
Fair value of plan assets on January 1	\$ 431,991	433,768
Contributions made	26,044	32,234
Benefits paid by the plan	(33,131)	(37,803)
Expected return on plan assets	7,364	7,954
Actuarial loss (profit)	(2,230)	(4,162)
Fair value of plan assets on December 31	<u>\$ 430,038</u>	<u>431,991</u>

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4. Expense recognized in profit or loss

Expense recognized in profit or loss by the Bank in 2013 and 2012 was as follows:

	2013	2012
Current service costs	\$ 11,355	11,478
Interest costs	11,451	11,541
Actuarial loss (profit)	2,598	-
Expected return on plan assets	(7,364)	(7,954)
	<u><u>\$ 18,040</u></u>	<u><u>15,065</u></u>
Actual return on plan assets	<u><u>\$ 5,134</u></u>	<u><u>3,792</u></u>

5. Actuarial assumptions

The following are the Bank's principal actuarial assumptions:

	2013		2012	
	Managers	Regular employees	Managers	Regular employees
Discount rate	1.75%	2.00%	1.50%	1.75%
Future salary increase	2.00%	2.00%	2.00%	2.00%

6. Expected long-term rate of return on plan assets

	December 31, 2013		December 31, 2012	
	Managers	Regular employees	Managers	Regular employees
Expected long-term rate of return on plan assets	1.75%	2.00%	1.50%	1.75%

Expected long-term rates of return on plan assets are based on the portfolio as a whole and not on the sum of the returns on individual asset categories. These rates of return are based exclusively on historical returns, without adjustment.

7. When calculating the present value of the defined benefit obligation as of the date of the statement of financial position, the Bank used judgment and estimation to determine the related actuarial assumptions such as employee turnover rates and the fluctuation of future compensation levels. Any changes in the related assumptions may have a significant impact on the amount of defined benefit obligation of the Bank.

As of December 31, 2013, the defined benefit obligation—pension was \$132,386. If the adopted discount rate had increased or decreased by 0.25%, the Bank's accrued pension liabilities would have decreased by \$16,938 or increased by \$18,077, respectively.

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BANK OF PANHSIN
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2) Defined benefit plans—retired employee preferential interest rate deposits

The present value of the defined benefit obligation and the fair value of the plan assets for the Bank were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of the defined benefit obligation	\$ 25,050	24,968	22,163
Plan assets	-	-	-
Provision for employee benefit—retired employee preferential interest rate deposits	<u><u>\$ 25,050</u></u>	<u><u>24,968</u></u>	<u><u>22,163</u></u>

1. Expense recognized in profit or loss

Details of expenses recognized in 2013 and 2012 under the retired employee preferential interest rate deposit plan were as follows:

	2013	2012
Current service costs	\$ -	-
Interest costs	1,248	443
Expected return on reimbursement rights	-	-
Actuarial profit or loss	7,927	-
Past service costs	2,613	-
Cost recognized for the preferential interest rate deposit plan	<u><u>\$ 11,788</u></u>	<u><u>443</u></u>

2. Actuarial assumptions

Actuarial assumptions used for the preferential interest rate deposit plan of the Bank were as follows:

	2013	2012
Discount rate	4.00%	4.00%
Return on capital employed	2.00%	2.00%
Withdrawal rate	1.00%	1.00%
Possibility of changes in the preferential deposit plan	50.00%	50.00%
Preferential interest	3.00%	4.37%

3) Defined contribution plans

The Bank allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Bank allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

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The Bank's pension costs under the defined contribution method were \$34,800 and \$35,642 for 2013 and 2012, respectively. Payment was made to the Bureau of Labor Insurance.

(28) Income tax

- 1) The income tax expenses for 2013 and 2012 were as follows:

	2013	2012
Income tax expense	\$ (3,142)	-
Deferred income tax expense	89,509	108,719
Income tax expense	<u><u>\$ 86,367</u></u>	<u><u>108,719</u></u>

Reconciliation of income tax and profit before tax for 2013 and 2012 was follows:

	2013	2012
Profit before tax	<u><u>\$ 1,972,254</u></u>	<u><u>255,310</u></u>
Income tax at statutory rate	\$ 335,283	43,403
Income of OBU exempt from tax	(28,567)	(15,879)
Investment income under the equity method	(31,835)	(18,269)
Dealing gain from securities trading, net	(7,596)	(875)
Dividend income	(6,358)	(6,869)
Gain on sale of land, net	(175,241)	21,644
Valuation loss (gain) on financial assets at fair value through profit or loss	(10)	(69)
Changes in other temporary difference	2,115	-
Adjustment and expiration of prior year's loss carryforwards	40,572	5,586
Adjustment of prior year's tax	(3,142)	-
Recognition (reversal) of previously unrecognized tax loss	(42,743)	77,123
Other	78	68
Adjustment and expiration of prior years' investment tax credit	3,811	2,856
Income tax expense	<u><u>\$ 86,367</u></u>	<u><u>108,719</u></u>

- 2) Deferred tax assets and liabilities

1. Unrecognized deferred tax assets

Unrecognized deferred tax assets were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Tax loss	<u><u>\$ 41,068</u></u>	<u><u>83,811</u></u>	<u><u>6,688</u></u>

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The ROC Income Tax Act states that net losses can be carried forward for ten consecutive years to reduce taxable income. However, the losses were not recognized as deferred tax assets since the Bank has little possibility of utilizing the loss carryforward in the future.

As of December 31, 2013, the amounts, of unutilized losses and the years of expiry were as follows:

Year of loss	2013	Year of expiry
2004	\$ 193,119	2014
2005	389,438	2015
2007	415,855	2017
2009	1,250,149	2019
2010	1,733,618	2020
2011	486,868	2021
	<u>\$ 4,469,047</u>	

The Bank did not recognize the previously unrecognized tax loss of \$77,123 as a deferred tax asset in 2012 as the management believed it is not likely to earn enough tax income in the future. In 2013, the Bank recognized the previously unrecognized tax loss of \$42,743 as a deferred tax asset based on the change in future operating performance estimates. Since the profit growth trend is not yet stable, based on current estimates, the remaining tax loss of \$41,068 was not recognized as a deferred tax asset. However, once the operating income can continue to grow next year, it is expected that the unrecognized tax loss mentioned above will be recognized, and additional taxable profit of \$41,068 will occur.

2. Recognized deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2013 and 2012, were as follows:

Deferred Tax Liabilities:

	Goodwill amortization	Capital leases	Land incremental tax	Total
January 1, 2013	\$ 79,690	2,747	37,511	119,948
Recognized in profit or loss	(79,690)	260	-	(79,430)
Land incremental tax paid	-	-	(5,481)	(5,481)
December 31, 2013	<u>\$ -</u>	<u>3,007</u>	<u>32,030</u>	<u>35,037</u>
January 1, 2012	\$ 79,690	148	38,780	118,618
Recognized in profit or loss	-	2,599	-	2,599
Land incremental tax paid	-	-	(1,269)	(1,269)
December 31, 2012	<u>\$ 79,690</u>	<u>2,747</u>	<u>37,511</u>	<u>119,948</u>

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Deferred Tax Assets:

	Defined benefit plan	Allowance for bad debts in excess of limit	Income loss	Others	Total
January 1, 2013	\$ 39,666	211,196	778,892	19,182	1,048,936
Recognized in profit or loss	(1,347)	(70,078)	(81,825)	(15,689)	(168,939)
December 31, 2013	\$ 38,319	141,118	697,067	3,493	879,997
January 1, 2012	\$ 42,107	180,122	897,323	35,504	1,155,056
Recognized in profit or loss	(2,441)	31,074	(118,431)	(16,322)	(106,120)
December 31, 2012	\$ 39,666	211,196	778,892	19,182	1,048,936

3) The ROC income tax authorities have examined the Bank's income tax returns through 2010.

(29) Imputation tax information

Imputation tax information was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings of 1998 and after	<u>\$ 264,262</u>	<u>(1,621,625)</u>	<u>(1,768,216)</u>
Balance of imputation credit account	<u>\$ 115,012</u>	<u>88,802</u>	<u>69,591</u>
	2013 (estimated)	2012 (actual)	
Imputation tax credit ratio of earnings to be distributed to R.O.C. residents	<u>20.48%</u>	<u>-</u>	<u>%</u>

The aforementioned information regarding the imputation credit account is in accordance with order Tai-Tsai-Shuei-Tze No. 10204562810 issued by the Ministry of Finance on October 17, 2013.

(30) Capital stock and capital surplus

As of December 31, 2013, and December 31 and January 1, 2012, the Bank's authorized capital and issued capital were \$15,000,000, and paid-in capital for common stock was \$9,557,900.

Pursuant to the amended Company Act, which was announced in January 2012, realized capital surplus shall be used initially to cover a deficit (or a loss), and the balance, if any, can be transferred to capital or distributed as cash dividends. Also, realized capital surplus includes the premium income derived from the issuance of new shares and endowments received by the Bank. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus used to increase capital shall not exceed 10% of total paid-in capital.

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Notes to the Financial Statements

(31) Restrictions on legal reserve and appropriation of retained earnings

According to the Bank's articles of incorporation, any annual earnings of the Bank shall first be used to pay income tax and offset any deficits, after which 30% of the remaining earnings shall be provided as legal reserve, and then special reserve shall also be provided. Afterwards, dividends on preferred stock shall be distributed. Distribution of the remaining earnings shall then be as follows:

- 1) Stockholders' dividends proposed by the board of directors shall be decided in the stockholders' meeting;
- 2) 5% as directors' and supervisors' remuneration; and
- 3) 5% as employees' bonuses.

As of December 31, 2013, the Bank's accumulated unpaid preferred dividends for years 2008 to 2011 were \$156,453.

The ROC Company Act amended in January 2012 stipulates that when a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or distributing cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed.

As the Bank had an accumulated deficit for the years 2012 and 2011, the Bank did not estimate employees' bonuses and directors' and supervisors' remuneration.

On June 19, 2013, and June 19, 2012, the stockholders' meeting decided not to distribute the surplus because of the accumulated deficits as of December 31, 2012 and 2011. The related information can be accessed through the Market Observation Post System.

(32) Earnings (deficits) per share

The basic earnings per share of the Bank for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Basic earnings per share		
Net income attributable to common stockholders of the Bank	\$ <u>1,885,887</u>	<u>146,591</u>
Weighted-average number of common shares	<u>955,790</u>	<u>955,790</u>
Basic earnings per share (in New Taiwan dollars)	\$ <u>1.97</u>	<u>0.15</u>

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(33) Net interest income

	2013	2012
Interest income		
Loans and advances to customers	\$ 2,715,635	2,782,601
Due from Central Bank	26,018	26,305
Loans and advances to Central Bank	240,375	205,268
Due from banks and call loans to banks	12,410	11,507
Investment in securities	111,177	76,864
Other	51,285	53,339
Subtotal	<u>3,156,900</u>	<u>3,155,884</u>
Interest expense		
Deposits from customers	1,100,719	1,099,339
Deposits and placements of banks	77,435	67,253
Debt securities issued	274	324
Financial bonds	90,303	92,862
Other	330	237
Subtotal	<u>1,269,061</u>	<u>1,260,015</u>
	<u>\$ 1,887,839</u>	<u>1,895,869</u>

The interest above did not include interest from financial assets or liabilities at fair value through profit or loss.

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(34) Service fees, net

	2013	2012
Service fee revenue		
Agency service charge revenue	\$ 284,962	120,610
Loan service fee income	160,578	104,702
Trust service fee income	78,242	63,877
Foreign exchange service income	21,451	23,181
Interbank service	22,576	23,537
Guarantee service income	41,794	25,159
Other service income	4,325	4,907
Service fee income total	<u>613,928</u>	<u>365,973</u>
Service fee expense		
Remittance fee	1,209	1,171
Custodian fee	1,489	1,271
Agency fee	2,575	2,349
Other service fee	14,811	18,808
Trust service fee	4,365	3,339
Interbank service fee	15,271	15,642
Service fee expense total	<u>39,720</u>	<u>42,580</u>
	<u>\$ 574,208</u>	<u>323,393</u>

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(35) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

	2013	2012
Gain (loss) on disposal of financial assets or liabilities measured at fair value through profit or loss		
Government bonds	\$ (345)	5,094
Negotiable certificates of deposit	10,472	11,556
Commercial paper	5,065	1,087
Beneficiary securities	2,493	267
Equity securities	(1,665)	(2,929)
Derivatives	(102,064)	45,936
Credit-linked notes	1,881	(62,320)
	<u>(84,163)</u>	<u>(1,309)</u>
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss — evaluation		
Government bonds	-	(61)
Negotiable certificates of deposit	(397)	512
Beneficiary securities	(584)	318
Equity securities	1,011	(737)
Derivatives	4,358	1,183
Credit-linked notes	64,929	115,917
	<u>69,317</u>	<u>117,132</u>
	<u>\$ (14,846)</u>	<u>115,823</u>

(36) Gain or loss on available-for-sale financial assets

	2013	2012
Government bonds	\$ 6,296	4,179
Corporate bonds	1,120	-
Equity securities	44,210	30,774
Beneficiary securities	543	4,308
Total	<u>\$ 52,169</u>	<u>39,261</u>

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(37) Other non-interest income (expense)

	2013	2012
Rental income	\$ 69,447	59,034
Gain on equity investment carried at cost	25,585	13,823
Gain on disposal of property and equipment	89,134	55,013
Gain on disposal of foreclosed assets	94,824	2,361
Gain on disposal of investment property	812,080	590
Loss on disposal of intangible assets	(8)	-
Other revenue	12,957	19,355
Investment property depreciation	(20,070)	(12,219)
Total	<u><u>\$ 1,083,949</u></u>	<u><u>137,957</u></u>

(38) Bad debt expense and reserve for guarantees

	2013	2012
Loans and discounts	\$ 65,922	307,766
Accounts receivable	(35,188)	-
Reserve for guarantee liabilities	16,872	-
Total	<u><u>\$ 47,606</u></u>	<u><u>307,766</u></u>

(39) Employee benefits expense

	2013	2012
Salary	\$ 918,996	1,007,444
Labor and health insurance	75,556	74,531
Pension	52,840	50,707
Others	26,061	26,920
Total	<u><u>\$ 1,073,453</u></u>	<u><u>1,159,602</u></u>

(40) Depreciation and amortization

	2013	2012
Building	\$ 47,756	36,044
Machinery and equipment	20,997	20,235
Transportation equipment	7,531	7,693
Other equipment	23,322	21,144
Leasehold improvement	11,145	11,786
Depreciation subtotal	<u>110,751</u>	<u>96,902</u>
Computer software amortization	<u>52,031</u>	<u>53,278</u>
Total	<u><u>\$ 162,782</u></u>	<u><u>150,180</u></u>

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Notes to the Financial Statements

(41) Other general and administrative expense

	2013	2012
Rental and facility expense	\$ 117,583	120,237
Administrative expense	295,543	312,019
Marketing expense	15,404	15,748
Value-added tax expense	146,471	132,234
Other expense	111,754	105,754
Total	<u><u>\$ 686,755</u></u>	<u><u>685,992</u></u>

(42) Financial instruments

1) Information on fair value of financial instruments

Financial Assets	December 31, 2013		December 31, 2012		January 1, 2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Non-derivative						
Cash and cash equivalents	\$ 3,335,455	3,335,455	3,578,526	3,578,526	3,773,972	3,773,972
Due from Central Bank and call loans to banks	33,542,534	33,542,534	37,191,391	37,191,391	33,427,689	33,427,689
Financial assets at fair value through profit or loss	541,967	541,967	707,336	707,336	1,104,142	1,104,142
Available for sale financial assets	8,900,515	8,900,515	6,671,543	6,671,543	4,225,302	4,225,302
Securities purchased under resell agreements	199,781	199,781	1,299,002	1,299,002	-	-
Receivables—net	1,419,362	1,419,362	1,017,320	1,017,320	1,410,078	1,410,078
Long-term investment under equity method	259,808	259,808	178,446	178,446	128,581	128,581
Discounts and loans	103,162,173	103,162,173	97,333,371	97,333,371	102,164,399	102,164,399
Held-to-maturity financial assets—net	707,940	707,940	713,084	713,084	718,181	718,181
Other financial assets—net	62,537	62,537	62,547	62,547	62,547	62,547
Derivative financial instruments						
Trading purpose						
Forwards	\$ -	-	-	-	389	389
Futures	15,969	15,969	6,982	6,982	5,166	5,166

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Financial Liabilities	December 31, 2013		December 31, 2012		January 1, 2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Non-derivative financial instruments						
Deposits from Central Bank and other banks	\$ 1,118,851	1,118,851	1,112,671	1,112,671	1,315,248	1,315,248
Payables	1,988,282	1,988,282	2,372,007	2,372,007	2,668,500	2,668,500
Deposits and remittances	146,684,018	146,684,018	145,493,410	145,493,410	142,643,324	142,643,324
Financial debentures	2,939,000	2,939,000	2,939,000	2,939,000	4,339,000	4,339,000
Other financial liabilities	13,928	13,928	18,810	18,810	28,043	28,043
Derivative financial instruments						
Trading purpose						
Forwards	\$ 2,787	2,787	3,054	3,054	1,529	1,529
Futures	9,210	9,210	3,809	3,809	5,195	5,195
Credit default swaps	-	-	-	-	15,923	15,923

The Bank enters into forwards to satisfy its clients' transaction needs, to offset the Bank's funding gap between local currency and foreign currency, and to avoid the market price risk arising from rising interest rates.

- 2) Methods and assumptions applied to estimate the fair value of financial instruments are summarized as follows:
1. Fair value of short-term financial instruments is estimated by their book value on the statement of financial position date. Since these instruments have short maturities, the book value is adopted as a reasonable basis for estimating the fair value. This method is applied to cash, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, guarantee deposits paid, deposits from Central Bank and other banks, payables, current tax liabilities, securities sold under repurchase agreements, and other financial liabilities.
 2. For financial instruments designated as at FVTPL, available-for-sale financial assets, and financial assets carried at cost, the quoted price is regarded as its fair value. If there is no quoted price for the financial asset, its fair value is estimated on the basis of a valuation technique that refers to quoted prices provided by financial institutions. Estimates and assumptions for a valuation technique used by the Bank are consistent with the information adopted by market participants when pricing the financial instruments when such information is available to the Bank.
 3. Loans and discounts, and deposits are interest-bearing assets or liabilities; therefore, the book value of both financial assets and liabilities is equivalent to their fair value. The net book value of non-performing accounts, after deducting provision for bad debts, is adopted as the fair value.
 4. For valuation of financial debentures, the fair value is the discounted present value of future cash flow. The discount rate is based on the interest rate for loans with similar terms (e.g. the same maturity date).
 5. For valuation of derivative instruments with no quoted market prices, the fair value is determined on the basis of the discounted cash flow method.

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Notes to the Financial Statements

6. The Bank estimated the fair value of each forward contract on the basis of exchange rates quoted by Reuters. Fair value of interest rate swap contracts and cross-currency swap contracts is estimated on the basis of market quotations by Reuters.
- 3) Information on fair value hierarchy of financial instruments and movement of financial assets measured at fair value classified in Level 3
1. Fair value hierarchy of financial instruments

Fair value measurement for a financial instrument	Total	December 31, 2013		
		Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)
Non-Derivative Financial Instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Financial assets held for trading				
Investment in stocks	\$ 15,166	15,166	-	-
Investment in debentures	379,263	-	379,263	-
Others	15,683	15,683	-	-
Financial assets designated as at fair value through profit or loss	131,855	-	-	131,855
Available-for-sale financial assets				
Investment in stocks	362,166	362,166	-	-
Investment in debentures	8,347,944	5,550,792	2,797,152	-
Beneficiary certificates	190,405	190,405	-	-
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities held for trading	-	-	-	-
Derivative Financial Instruments				
Assets				
Financial assets measured at fair value through profit or loss	\$ 15,969	-	15,969	-
Liabilities				
Financial liabilities measured at fair value through profit or loss	11,997	-	11,997	-

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Fair value measurement for a financial instrument	Total	December 31, 2012		
		Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)
Non-Derivative Financial Instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Financial assets held for trading				
Investment in stocks	\$ 40,580	40,580	-	-
Investment in debentures	464,860	-	464,860	-
Others	55,911	55,911	-	-
Financial assets designated as at fair value through profit or loss	145,985	-	-	145,985
Available-for-sale financial assets				
Investment in stocks	491,850	491,850	-	-
Investment in debentures	6,129,362	5,608,903	520,459	-
Beneficiary certificates	50,331	50,331	-	-
Derivative Financial Instruments				
Assets				
Financial assets measured at fair value through profit or loss	\$ 6,982	-	6,982	-
Liabilities				
Financial liabilities measured at fair value through profit or loss	6,863	-	6,863	-

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Notes to the Financial Statements

Fair value measurement for a financial instrument	Total	January 1, 2012		
		Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)
Non-Derivative Financial Instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Financial assets held for trading				
Investment in stocks	\$ 806,507	403,759	402,748	-
Others	15,641	15,641	-	-
Financial assets designated as at fair value through profit or loss	281,994	-	-	281,994
Available-for-sale financial assets				
Investment in debentures	4,225,302	3,682,816	542,486	-
Derivative Financial Instruments				
Assets				
Financial assets measured at fair value through profit or loss	\$ 5,555	-	5,555	-
Liabilities				
Financial liabilities measured at fair value through profit or loss	22,647	-	6,724	15,923

2. Movement of financial assets measured at fair value classified in Level 3

Items	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or issue	2013		Sale, disposal, or settlement	Transfer out of Level 3	Transfer of financial assets in Level 3 to financial liabilities in Level 3	Ending balance
					Current increase	Transfer of financial liabilities in Level 3 to financial assets in Level 3				
Financial assets at FVTPL										
Financial assets held for trading	\$ 145,985	65,070	-	-	-	-	(79,200)	-	-	131,855
Items	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or issue	2012		Sale, disposal, or settlement	Transfer out of Level 3	Transfer of financial assets in Level 3 to financial liabilities in Level 3	Ending balance
					Current increase	Transfer of financial liabilities in Level 3 to financial assets in Level 3				
Financial assets at FVTPL										
Financial assets held for trading	\$ 281,994	37,075	-	-	-	-	(173,084)	-	-	145,985

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Notes to the Financial Statements

3. Movement of financial liabilities measured at fair value classified in Level 3

Items	Beginning balance	The amount recognized in current net income	Purchase or issue	2012		Transfer of financial liabilities in Level 3 to financial assets in Level 3	Sale, disposal, or settlement	2012		Ending balance
				Current increase	Transfer into Level 3			Current decrease	Transfer of financial assets in Level 3 to financial liabilities in Level 3	
Financial liabilities at FVTPL										
Financial liabilities held for trading	\$ 15,923	16,271	-	-	-	-	(32,194)	-	-	-

4. Fair value measurement for financial instruments classified in Level 3 and sensitivity analysis based on reasonably possible alternative assumptions for fair value

The Bank has not developed an evaluation model of its own, and the fair value is based on the quoted price from the counterparty. Therefore, sensitivity analysis is not applicable.

Note 1: Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

Note 2: Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than a quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Examples of observable price are as follows:

- A. The quoted price for an identical financial instrument in an active market is the fair value from the market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices do not represent fair value at the measurement date), the difference in transaction terms for financial instruments, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.
- B. The quoted market price for the same or identical financial instrument in an inactive market.
- C. The fair value is estimated on the basis of a valuation technique, and the market inputs used (i.e., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).
- D. A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

Note 3: Input for a fair value measurement for a financial instrument classified in Level 3 is not based on data obtainable from the market but based on assumptions to make appropriate estimates and adjustments. If it is not possible to develop a valuation model, a quoted price from the counterparty is used as fair value. Some of the derivatives and debt investments without active market of the Bank belong to such category.

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BANK OF PANHSIN**Notes to the Financial Statements**

- 4) For the years 2013 and 2012, gains (losses) recognized by the Bank from the fair value evaluation of financial instruments by using valuation techniques amounted to \$(30,896) and \$100,716, respectively.
- 5) Financial risk management

The Bank uses risk management with effective risk diversification to meet business operating targets, to increase the value of the Bank, and to ensure the benefit to shareholders. The risk management is based on the needs of customers, business development, overall risk tolerance, and regulatory requirements.

The major risks that the Bank might possibly face are credit risk, market risk, and liquidity risk of items on and off the statement of financial position.

The Bank has established and documented various risk management policies and procedures which have been approved by the board of directors. The board of directors of the Bank has ultimate responsibility for risk management and is responsible for the establishment and effectiveness of operation of risk management. There are a business development committee, credit committee, asset and liability management committee, risk management committee, trust property management committee, human recruitment committee, employee training committee, and information development committee to take charge of business development, business operation, risk controls, etc. The risk management committee is responsible for the principles, policies and targets of the Bank's overall risk control and is also responsible for coordination among committees. Internal control is in charge of the independent check of the risk controls.

1. Credit risk

- (A) Description of credit risk

Credit risk refers to the risk of financial loss of the Bank and its subsidiaries resulting from a borrower failing to meet its contractual obligations due to credit deterioration or other factors (such as an argument between the borrower and a counter-party).

- (B) Credit risk management policy

The Bank's target is to develop a sound system of credit risk management mechanisms by using effective identification, measurement, communication and reporting, monitoring and management of the various credit risks to control possible credit risk at a tolerable level, to maintain adequate capital, to increase the return on assets after adjustments, to connect the risk level and business strategies, and to achieve the business and operation goals by gradually making transparent, systematizing, and professionalizing the credit risk management.

- (C) Credit risk management scope

The Bank is engaged in activities on and off the statement of financial position, which would cause (occurred or not yet occurred) credit risk. The activities are the overall credit business, overdue loan business, and use of credit risk mitigation tools (such as the provision of collateral guarantees and hedging) as well as other operations related to the product or parts of the credit risk associated with the activities aforementioned included in the scope of credit risk management mechanisms.

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Notes to the Financial Statements

(D) Credit risk management procedures

The credit risk management procedures include risk identification, measurement, communication, monitoring, and reporting. To maintain the standard of credit business at a safe and moderate level, to monitor the credit risk, to evaluate new business opportunities, and to identify and manage problems in credit cases, the business department must follow all the procedures of the Bank when conducting business. To ensure credit risk at a tolerable level, each credit case must be authorized by decentralized procedures which include a serious review process to improve the quality of assets, reassessment and an early alarm system after authorizing loans to fully grasp the operating and financial information of the client and the status of the economy, and continuous evaluation and monitoring of changes in credibility to early discover any information which has not been announced publicly and to detect any indication of default risk. Thus, the Bank could control the quality of assets at a tolerable level, balance the risks and profitability, and also improve the business performance and benefit the investors.

(E) Credit risk hedging policy

A) Strengthening security

Besides strengthening the reviews process, setting risk limits, adjusting credit amounts and conditions, and monitoring loans, the Bank is also increasing the pledged amount and the quality of guarantee to reduce credit risk. Also, the Bank has established standards and measurement, management, and disposal procedures for pledged assets.

B) Managing credit concentration risk limits and risk management

To avoid the risk of business concentration, the Bank sets limits to its main business by country, by industry, by group, and by individual client each year. The limits are reviewed and updated yearly according to the overall economic environment and industrial development prospects. Transactions are kept within prescribed limits to control the risk of business concentration. In addition, for credit for individual companies and groups, the Bank also sets limits for industries, individuals, related parties, and related companies of the same group. Monthly reporting of changes in circumstances and the credit limits is required to implement the principle of spreading risk to ensure stable operation.

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Notes to the Financial Statements

(F) The Bank's credit risk concentration

The Bank attaches importance to the principles of credit risk diversification. For extension of credit and investment as a whole, the Bank has no concentration of credit risk on a single customer or counterparty. The Bank's credit exposure is mainly traditional lending business based in Taiwan. Thus, there is no breakdown of credit risk by area. Concentration of credit risk by industry and collateral was as follows:

Industry

Industry type	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
Manufacturing	\$ 11,870,462	11.37	11,264,743	11.42	9,689,361	9.34
General business	32,010,280	30.65	29,399,465	29.80	29,375,099	28.32
Construction	2,629,171	2.52	1,956,669	1.98	1,803,907	1.74
Individual	52,457,170	50.22	51,557,702	52.25	59,359,017	57.22
Other	5,478,031	5.24	4,491,201	4.55	3,506,515	3.38
	\$ 104,445,114	100.00	98,669,780	100.00	103,733,899	100.00

Collateral

Type of collateral	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
Non-secured	\$ 24,189,103	23.16	27,452,463	27.82	22,434,518	21.63
Secured	80,256,011	76.84	71,217,317	72.18	81,299,381	78.37
Financial collateral	1,129,552	1.08	1,146,563	1.16	2,164,994	2.09
Accounts receivable	-	-	-	-	229,725	0.22
Real estate	72,485,133	69.40	65,015,959	65.89	75,532,434	72.81
Guarantee	4,998,995	4.79	3,820,487	3.87	2,069,902	2.00
Others	1,642,331	1.57	1,234,308	1.26	1,302,326	1.25
	\$ 104,445,114	100.00	98,669,780	100.00	103,733,899	100.00

(G) Credit quality and impairment analysis of overdue credit

Due to the high credibility of counterparties, the Bank has assessed the credit risk of the financial assets owned, for example, cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, loans, refundable deposits, operating deposits and settlement funds, to be low.

Though the financial assets may be overdue when the borrower has temporarily delayed payment, no impairment has occurred. According to the Bank's policy, no impairment has occurred if financial assets were less than 90 days overdue, unless other objective evidence is shown.

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Notes to the Financial Statements

Additional credit quality analysis of financial assets was as follows:

A) Credit quality analysis for loans and discounts, and receivables

December 31, 2013										
Name	Non-overdue and non-impaired amount				Overdue but not impaired amount (B)	Impairment (C)	Total (A)+(B)+(C)	Allowance for impairment loss (D)		Net (A)+(B)+(C)-(D)
	Low risk	Medium risk	High risk	Subtotal (A)				With objective evidence of impairment	No objective evidence of impairment	
Items on statement of financial position										
Receivables										
Notes receivable	\$ -	-	-	-	-	490,301	490,301	490,301	-	-
Acceptance receivables	261,734	-	-	261,734	-	-	261,734	-	1,812	259,922
Other receivables	208,169	90	5	208,264	1,397	2,031	211,692	22,863	-	188,829
Others	970,611	-	-	970,611	-	-	970,611	-	-	970,611
Loans and discounts	102,272,128	584,869	65,625	102,922,622	282,974	1,239,518	104,445,114	667,788	615,153	103,162,173
	\$ 103,712,642	584,959	65,630	104,363,231	284,371	1,731,850	106,379,452	1,180,952	616,965	104,581,535
Items off statement of financial position										
Commitments and guarantees	\$ 2,421,243	-	-	2,421,243	-	-	2,421,243	-	-	2,421,243
Credit	974,324	2,500	13,471	990,295	-	-	990,295	-	-	990,295

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Notes to the Financial Statements

December 31, 2012										
Name	Non-overdue and non-impaired amount				Overdue but not impaired amount (B)	Impairment (C)	Total (A)+(B)+(C)	Allowance for impairment loss (D)		Net (A)+(B)+(C)-(D)
	Low risk	Medium risk	High risk	Subtotal (A)				With objective evidence of impairment	No objective evidence of impairment	
Items on statement of financial position										
Receivables										
Notes receivable	\$ -	-	-	-	-	740,301	740,301	548,400	-	191,901
Acceptance receivables	270,517	-	-	270,517	-	-	270,517	-	-	270,517
Other receivables	22,394	42	-	22,436	63,333	2,242	88,011	2,334	-	85,677
Others	469,225	-	-	469,225	-	-	469,225	-	-	469,225
Loans and discounts	96,383,578	588,535	132,438	97,104,551	405,686	1,159,543	98,669,780	690,097	646,312	97,333,371
	<u>\$ 97,145,714</u>	<u>588,577</u>	<u>132,438</u>	<u>97,866,729</u>	<u>469,019</u>	<u>1,902,086</u>	<u>100,237,834</u>	<u>1,240,831</u>	<u>646,312</u>	<u>98,350,691</u>
Items off statement of financial position										
Commitments and guarantees	\$ 2,518,124	-	-	2,518,124	-	-	2,518,124	-	-	2,518,124
Credit	1,118,119	2,269	-	1,120,388	-	-	1,120,388	-	-	1,120,388

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January 1, 2012										
Name	Non-overdue and non-impaired amount				Overdue but not impaired amount (B)	Impairment (C)	Total (A)+(B)+(C)	Allowance for impairment loss (D)		Net (A)+(B)+(C)-(D)
	Low risk	Medium risk	High risk	Subtotal (A)				With objective evidence of impairment	No objective evidence of impairment	
Items on statement of financial position										
Receivables										
Notes receivable	\$ -	-	-	-	-	874,145	874,145	548,400	-	325,745
Acceptance receivables	271,758	-	-	271,758	-	-	271,758	-	-	271,758
Other receivables	59,832	-	-	59,832	75,506	7,547	142,885	6,104	-	136,781
Others	675,794	-	-	675,794	-	-	675,794	-	-	675,794
Loans and discount	101,243,534	1,018,341	300,963	102,562,838	41,905	1,129,156	103,733,899	1,031,727	537,773	102,164,399
	\$ 102,250,918	1,018,341	300,963	103,570,222	117,411	2,010,848	105,698,481	1,586,231	537,773	103,574,477
Items off statement of financial position										
Commitments and guarantees	\$ 2,660,766	-	-	2,660,766	-	-	2,660,766	-	-	2,660,766
Credit	887,833	3,499	12,371	903,703	-	-	903,703	-	-	903,703

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Notes to the Financial Statements

- B) Credit analysis for neither overdue nor impaired loans and discounts according to the Bank's internal rating standard was as follows:

December 31, 2013	Non-overdue and non-impaired amount			
	Low risk	Medium risk	High risk	Total
Corporate	\$ 54,775,719	287,942	403	55,064,064
Consumer	47,496,409	296,927	65,222	47,858,558
Total	\$ 102,272,128	584,869	65,625	102,922,622

December 31, 2012	Non-overdue and non-impaired amount			
	Low risk	Medium risk	High risk	Total
Corporate	\$ 45,643,707	258,247	3,306	45,905,260
Consumer	50,739,871	330,288	129,132	51,199,291
Total	\$ 96,383,578	588,535	132,438	97,104,551

January 1, 2012	Non-overdue and non-impaired amount			
	Low risk	Medium risk	High risk	Total
Corporate	\$ 43,101,744	555,507	-	43,657,251
Consumer	58,141,790	462,774	300,963	58,905,527
Total	\$ 101,243,534	1,018,281	300,963	102,562,778

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Notes to the Financial Statements

C) Credit analysis for marketable securities

				December 31, 2013					
Non-overdue and non-impaired amount									
Name	Investment grade	Non-investment grade	No credit ratings	Subtotal (A)	Overdue but non-impaired amount (B)	Impaired amount (C)	Total (A)+(B)+(C)	Impairment loss recognized (D)	Net total (A)+(B)+(C)-(D)
Available-for-sale financial assets									
Bond investment	\$ 8,347,944	-	-	8,347,944	-	-	8,347,944	-	8,347,944
Stock investment	362,166	-	-	362,166	-	-	362,166	-	362,166
Others	190,405	-	-	190,405	-	-	190,405	-	190,405
Held-to-maturity financial assets									
Bond investment	707,940	-	-	707,940	-	-	707,940	-	707,940
Other financial assets									
Stock investment	62,537	-	-	62,537	-	4,940	67,477	4,940	62,537

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Notes to the Financial Statements

Non-overdue and non-impaired amount				December 31, 2012					
Name	Investment grade	Non-investment grade	No credit ratings	Subtotal (A)	Overdue but non-impaired amount (B)	Impaired amount (C)	Total (A)+(B)+(C)	Impairment loss recognized (D)	Net total (A)+(B)+(C)-(D)
Available-for-sale financial assets									
Bond investment	\$ 6,129,362	-	-	6,129,362	-	-	6,129,362	-	6,129,362
Stock investment	491,850	-	-	491,850	-	-	491,850	-	491,850
Other	50,331	-	-	50,331	-	-	50,331	-	50,331
Held-to-maturity financial assets									
Bond investment	713,084	-	-	713,084	-	-	713,084	-	713,084
Other financial assets									
Stock investment	62,547	-	-	62,547	-	4,940	67,487	4,940	62,547

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Non-overdue and non-impaired amount				January 1, 2012					
Name	Investment grade	Non-investment grade	No credit ratings	Subtotal (A)	Overdue but non-impaired amount (B)	Impaired amount (C)	Total (A)+(B)+(C)	Impairment loss recognized (D)	Net total (A)+(B)+(C)-(D)
Available-for-sale financial assets									
Bond investment	\$ 3,021,286	-	-	3,021,286	-	-	3,021,286	-	3,021,286
Stock investment	1,204,016	-	-	1,204,016	-	-	1,204,016	-	1,204,016
Held-to-maturity financial assets									
Bond investment	718,181	-	-	718,181	-	-	718,181	-	718,181
Other financial assets									
Stock investment	62,547	-	-	62,547	-	4,940	67,487	4,940	62,547

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Notes to the Financial Statements

2. Market risk, liquidity risk, and interest rate risk

(A) Risk management framework

Market risk, liquidity risk, interest rate risk, and other risks related to daily operations are managed by the Bank.

A) Market risk

This is the risk that market prices of assets will go against the position of the Bank. Market prices refer to interest rates, stock prices, foreign exchange rates, and commodity prices.

B) Liquidity risk

This is the risk that a given security or asset has difficulty in being sold in the market to fulfill financial obligations. This may cause a loss or a capital decrease for the Bank.

C) Interest risk

This is the risk that an investment's value will change due to a change in interest rates. A change in interest rates can affect net interest income and income from other interest-sensitive assets, and inversely affect the Bank's earnings. Simultaneously, it can also affect the valuation gain or loss on and off the statement of financial position the statement of financial position.

(B) Risk management process

The Bank's risk management process includes risk identification, measurement, assessment, and reporting. The risks relate to the Bank's trading activities and process, commodity trading, and system. All such risks are managed on a daily basis.

A) Risk identification

A. Market risk

The Bank's sales department and risk management department must understand the sources of market risk, market risk factors, and the aftermath of a market downturn. In addition to understanding the risks mentioned above, the Bank also must know the impacts on the business.

B. Liquidity risk

The Bank's sales department and risk management department must understand that liquidity risk comes from mismatch between assets and liabilities either on or off the statement of financial position.

C. Interest rate risk

The Bank's sales department and risk management department must understand that interest rate risk comes from changes in interest rates due to pricing risk, yield curve risk, and basis risk. Interest rate risk will have an impact on the Bank's earnings.

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Notes to the Financial Statements

B) Risk assessment and measurement

A. Market risk

The Bank measures market risk, including the level of risk acceptance and the level of concentration. In addition, it follows the capital adequacy rules under the Basel Accords and risk indicators issued by the authority. The Bank does not evaluate the risk with a model due to the simplicity of its business. The Bank evaluates its investment position by the following methods: (1) market prices, (2) other assets with similar prices, or (3) other adequate evaluation methods, which have to be used consistently.

B. Liquidity risk

The Bank assesses for measures liquidity risk by using all liquidity risk indicators, balance sheet mismatch, source of funds, use of funds, line of credit level, and plans for funding in the market.

C. Interest rate risk

The Bank's interest rate risk includes reprising risk, yield curve risk, and basis risk. Methods to assess and measure risk are analyzing (1) the interest sensitivity gap; (2) the capital adequacy ratio; (3) interest rate caps and floors; and (4) the structure of the position concentration ratio.

C) Risk monitoring and control

The Bank has used several techniques such as credit limitation management, a stop-loss system, transaction quotas, the capital liquidity gap, and the interest sensitivity gap in order to monitor market risk, liquidity risk, and interest rate risk, and has a clear reporting process. Things monitored are the trading unit, financial instruments traded in whole or in part, the liquid reserve ratio, the core deposit ratio, and the ratio of the Bank's interest-rate-sensitive assets to its interest-rate-sensitive liabilities (gap ratio).

D) Risk reporting

The Bank has required departments involved in defined market risk, liquidity risk, and interest rate risk in the banking book to submit immediate, daily, or periodic transaction information to the business units. In cases where an overrun or an exception occurs, immediate notification is necessary. The risk management unit is responsible for providing information regarding risk position, the profit and loss situation, usage limits, etc., to the board, Risk Management Committee, and Asset and Liability Management Committee and for providing other appropriate reports and recommendations of the Committees.

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Notes to the Financial Statements

(C) Maturity analysis of financial assets and financial liabilities

The management policy of the Bank is to match to the contractual maturity profile with the interest rate risk exposures of assets and liabilities and to manage unexpected cash outflow. Because of uncertainty, the maturities did not fully match the interest rates, resulting in gaps that may potentially give rise to gain or loss. The maturity analysis of assets and liabilities was as follows:

December 31, 2013							
Items	0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days~ 1 Year	Over 1 Year	Total
Assets							
Cash	\$ 13,891,071	16,760,413	1,054,087	657,819	1,375,015	1,267,287	35,005,692
Financial assets at FVTPL	404,439	-	-	-	-	9,670,991	10,075,430
Securities sold under resell agreements	199,781	-	-	-	-	-	199,781
Loans and discounts	3,325,312	2,117,343	8,768,985	9,690,955	15,894,393	57,635,598	97,432,586
Interest receivables	118,916	15,265	22,887	2,390	40,354	-	199,812
Property and equipment	-	-	-	-	-	5,449,507	5,449,507
Others	116,354	351,736	83,565	308,404	632,994	3,615,286	5,108,339
Liabilities							
Deposits from Central Bank and other banks	48,131	280	708,440	168,660	192,940	-	1,118,451
Checking account	698,243	1,396,487	4,189,460	6,284,290	12,568,279	36,650,954	61,787,713
Demand deposits	3,115,931	7,112,062	14,252,801	15,219,356	32,403,942	4,787,463	76,891,555
Borrowing	-	-	-	239,000	280,000	2,433,928	2,952,928
Interest payables	57,270	17,817	24,265	20,346	16,318	3,968	139,984
Negotiable certificates of deposit	19,126	43,505	336,509	1,482,783	5,288,514	3,088,832	10,259,269
Net value	-	-	-	-	-	9,646,006	9,646,006
Others	501,120	432,769	59,359	158,853	116,680	94,788	1,363,569
December 31, 2012							
Items	0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days~ 1 Year	Over 1 Year	Total
Assets							
Cash	\$ 14,864,004	19,845,535	996,070	606,336	1,295,570	1,226,094	38,833,609
Financial assets at FVTPL	561,350	-	-	-	-	7,447,174	8,008,524
Securities sold under resell agreements	649,002	650,000	-	-	-	-	1,299,002
Loans and discounts	2,551,769	2,180,227	7,659,106	8,821,405	10,234,637	60,329,387	91,776,531
Interest receivables	143,653	6,578	18,238	788	36,148	-	205,405
Liabilities							
Deposits from Central Bank and other banks	41,951	280	502,480	375,020	192,940	-	1,112,671
Checking account	564,569	1,129,137	3,387,412	5,081,118	10,162,235	36,094,984	56,419,455
Demand deposits	1,803,358	7,416,520	14,222,610	16,028,005	34,930,109	6,580,581	80,981,183
Borrowing	-	-	-	-	-	2,957,810	2,957,810
Interest payables	66,129	22,481	26,675	27,609	20,536	7,042	170,472

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Notes to the Financial Statements

Items	January 1, 2012					Over 1 Year	Total
	0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days~ 1 Year		
Assets							
Cash	\$ 13,174,320	6,717,837	9,680,569	2,694,562	1,680,415	1,145,011	35,092,714
Financial assets at FVTPL	722,074	-	150,784	-	-	4,855,246	5,728,104
Loans and discounts	4,197,278	1,754,870	5,313,546	8,794,044	11,633,075	66,013,395	97,706,208
Interest receivables	137,481	7,221	16,421	3,772	27,255	-	192,150
Liabilities							
Deposits from Central Bank and other banks	60,332	280	602,480	325,020	252,940	-	1,241,052
Checking account	514,281	1,028,562	3,085,687	4,628,531	9,257,062	34,282,040	52,796,163
Demand deposits	2,442,376	6,514,253	13,549,885	15,942,998	38,525,466	5,343,128	82,318,106
Borrowing	-	-	1,680,000	-	520,000	2,167,044	4,367,044
Interest payables	62,787	26,676	36,063	42,628	37,389	6,001	211,544

(D) Maturity analysis of items off the statement of financial position

The table below shows the maturity analysis of the items off the statement of financial position based on the remaining time until the contractual maturity date. For issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be paid at the very beginning of the contract period. The amount disclosed is based on contractual cash flows and may be different from that included in the consolidated statement of financial position.

Unit: NTD thousand			
December 31, 2013			
	Less than 1 year	Over 1 year	Total
Irrevocable loan commitment	\$ 729,511	3,087,623	3,817,134
Letter of credit receivables	990,295	-	990,295
Various guarantee proceeds	770,248	1,651,025	2,421,273
December 31, 2012			
	Less than 1 year	Over 1 year	Total
Irrevocable loan commitment	\$ 415,942	2,655,519	3,071,461
Letter of credit receivables	1,120,388	-	1,120,388
Various guarantee proceeds	1,428,413	1,089,711	2,518,124
January 1, 2012			
	Less than 1 year	Over 1 year	Total
Irrevocable loan commitment	\$ 581,139	2,816,987	3,398,126
Letter of credit receivables	903,703	-	903,703
Various guarantee proceeds	1,338,812	1,321,954	2,660,766

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Notes to the Financial Statements

(E) Maturity analysis of lease agreements and capital expenditure

The lease contracts of the Bank are operating leases. The operating lease commitment is the future minimum rental payment under operating leases when the Bank is a lessee or lessor.

The capital expenditure commitment of the Bank is the contractual commitment for obtaining buildings and equipment.

Maturity analysis of lease agreements and capital expenditure is as follows:

December 31, 2013	Less than 1 year	1-5 years	Over 5 years	Total
Lease commitments				
Operating lease payment (lessee)	\$ 102,011	249,054	28,341	379,406
Operating lease income (lessor)	77,852	124,704	190,663	393,219

December 31, 2012	Less than 1 year	1-5 years	Over 5 years	Total
Lease commitments				
Operating lease payment (lessee)	\$ 96,783	204,851	19,775	321,409
Operating lease income (lessor)	93,333	166,851	229,456	489,640

January 1, 2012	Less than 1 year	1-5 years	Over 5 years	Total
Lease commitments				
Operating lease payment (lessee)	\$ 91,195	281,608	52,199	425,002
Operating lease income (lessor)	70,780	148,670	23,128	242,578

(F) Market risk sensitivity analysis

The Bank uses market risk sensitivity as a tool to manage risks. Market risk sensitivity is the change in the value of positions due to the change in specific market risk factors by one unit.

Interest rate sensitivity is the change in the price value of a basis point (PVBp) of future cash flow of the Bank's interest rate product position as the yield curve shifts up by one basis point (0.01%) on the statement of financial position date.

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Notes to the Financial Statements

In addition, the Bank does not have a significant net foreign currency position. Therefore, exchange rate fluctuation will not cause any significant exchange rate risk to the Bank.

Sensitivity analysis is as follows:

Main risk	Name	December 31, 2013		
		Cost/ par value	Amount	
			Equity	Gain or loss
Interest rate risk	Government and corporate bonds	9,065,074	(305,078)	-

Main risk	Name	December 31, 2012		
		Cost/ par value	Amount	
			Equity	Gain or loss
Interest rate risk	Government and corporate bonds	6,794,610	(229,502)	-

Main risk	Name	January 1, 2012		
		Cost/ par value	Amount	
			Equity	Gain or loss
Interest rate risk	Government and corporate bonds	5,238,305	(198,806)	(21,686)

(G) Exchange rate risk

Unit: Thousand

December 31, 2013			
	Foreign currency	Exchange rate	New Taiwan dollars
Financial assets			
Monetary item			
USD	221,706	29.9500	6,640,089
EUR	5,638	41.2771	232,730
JPY	87,399	0.2852	24,925
HKD	28,440	3.8628	109,855
AUD	-	26.7124	-
CHF	196	33.6782	6,592
GBP	71	49.5193	3,506
SGD	33	23.6965	773
CNY	6,250	4.9443	30,902

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December 31, 2013			
	Foreign currency	Exchange rate	New Taiwan dollars
Financial liabilities			
Monetary item			
USD	214,601	29.9500	6,427,311
EUR	3,860	41.2771	159,329
JPY	344,996	0.2852	98,387
HKD	14,550	3.8628	56,203
AUD	14,944	26.7124	399,197
GBP	2,224	49.5193	110,121
CAD	1,566	28.1459	44,073
CHF	3	33.6782	112
NZD	1,609	24.5949	39,566
SGD	3	23.6965	78
ZAR	166,606	2.8754	479,056
CNY	38,692	4.9443	191,304
December 31, 2012			
	Foreign currency	Exchange rate	New Taiwan dollars
Financial assets			
Monetary item			
USD	229,881	29.1360	6,697,820
EUR	2,000	38.6052	77,211
JPY	115,264	0.3375	38,901
HKD	2,341	3.7587	8,799
AUD	5,000	30.2607	151,303

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Notes to the Financial Statements

December 31, 2012			
	Foreign currency	Exchange rate	New Taiwan dollars
Financial liabilities			
Monetary item			
USD	238,739	29.1360	6,955,901
EUR	5,081	38.6052	196,170
JPY	271,489	0.3375	91,627
HKD	15,687	3.7587	58,962
AUD	9,290	30.2607	281,136
GBP	1,435	46.9556	67,381
CAD	1,642	29.2971	48,096
CHF	26	31.9474	831
NZD	2,499	23.9323	59,796
SGD	21	23.8409	505
ZAR	96,909	3.4297	332,365
January 1, 2012			
	Foreign currency	Exchange rate	New Taiwan dollars
Financial assets			
Monetary item			
USD	191,157	30.2900	5,790,153
EUR	2,593	39.2013	101,652
JPY	547,701	0.3906	214,315
HKD	1,925	3.8985	7,506
AUD	5,000	30.7595	153,797
Financial liabilities			
Monetary item			
USD	215,768	30.2900	6,535,604
EUR	4,207	39.2013	164,908
JPY	172,086	0.3905	67,215
HKD	20,585	3.8985	80,250
AUD	10,449	30.7594	321,400
GBP	1,738	46.7495	81,255
CAD	964	29.6844	28,621
CHF	32	32.2268	1,047
NZD	3,434	23.4050	80,375
ZAR	40,931	3.7386	153,026

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Notes to the Financial Statements

6) Capital management

1. Capital management objectives

The capital management objective of the Bank is to have sufficient eligible capital to meet the capital requirements and the minimum legal capital adequacy ratio. The eligible capital and the authorized capital are calculated pursuant to the regulations set by the regulators.

To enable the Bank to have adequate capital to cover various risks, the required capital should be calculated based on the portfolio risk and the risk characteristics that the Bank faces. Optimal allocation of resources can be achieved by regularly reviewing the objectives of capital management.

2. Capital management procedures

The Bank maintains adequate capital to meet the requirements of the authority and reports to the authority on a quarterly basis.

The Bank's regulatory capital is divided into Tier I Capital and Tier II Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

Tier I capital includes common equity and additional Tier I capital. Common equity includes common shares, capital surplus (except for additional paid-in capital in excess of par value of preferred shares), accumulated profit or loss, and adjustment items of equity. Items that should be deducted are intangible assets (including goodwill), unamortized loss on sales of non-performing loans, investments on financial institutions, deferred income tax assets, deferred pension costs, and the deduction items. Additional Tier I capital includes non-cumulative perpetual preferred shares and non-cumulative perpetual subordinated debt.

Tier II capital consists of cumulative perpetual preferred shares, cumulative perpetual subordinated debt, value increased through revaluation, convertible bonds, operating reserve, and loan-loss provisions.

To properly monitor and maintain the capital adequacy ratio, the Bank calculates the capital adequacy ratio on a quarterly basis, examines the risk exposure and the changes in eligible capital, and analyzes the achievement of the objectives and the changes in factors that may influence the capital adequacy ratio such as expected profit, provision of allowance for bad debt, changes in non-performing loans, investments in securities (financial and non-financial), and risky assets. If the estimated and actual results differ materially, reviews for improvements are conducted. When it is possible that the capital adequacy ratio is significantly lower than the management objective, top management or the risk management committee should be informed, and strategies should be developed, such as adjusting the asset structure or issuing qualified asset instruments in order to reduce risk exposures or to increase eligible capital.

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Notes to the Financial Statements

The capital adequacy ratios of the Bank and its subsidiaries are disclosed below:

Analysis item			Period-end December 31, 2013
Eligible capital	Common capital		7,905,757
	Other Tier I capital		-
	Tier II capital		1,191,685
	Eligible capital		9,097,442
Risk-weighted assets	Credit risk	Standardized approach	95,173,479
		Internal rating-based approach	-
		Securitization	-
	Operational risk	Basic indicator standardized approach	4,381,675
		Standardized approach / alternative approach	-
		Advanced measurement approach	-
	Market risk	Standardized approach	2,082,288
		Internal model approach	-
	Total risk-weighted assets		101,637,442
Capital adequacy ratio			8.95%
Tier 1 capital / risk-weighted assets ratio			7.78%
Common stock / risk-weighted assets ratio			7.78%
Leverage ratio			4.33%

Note:1. The calculation of eligible capital, risk-weighted assets, and the total amount of risk exposure shall follow the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks".

2. The table uses the calculation formulas as follows:

- (1) Eligible capital = common equity + other Tier I capital + tier II capital
- (2) Risk-weighted assets = credit risk-weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5
- (3) Capital adequacy ratio = eligible capital / risk-weighted assets
- (4) Common stock-based capital ratio = common equity / total risk-weighted assets
- (5) Tier I risk-based capital ratio = (common equity + other Tier I capital) / risk-weighted assets
- (6) Leverage ratio = Tier I capital / total exposure

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Notes to the Financial Statements

Analysis Item			Period-end December 31, 2012 (note)
Self-owned capital	Tier I capital		7,225,039
	Tier II capital		989,751
	Tier III capital		-
	Capital		8,214,790
Risk-weighted assets	Credit risk	Standardized approach	83,879,425
		Internal rating-based approach	-
		Secularizations	34,484
	Operational risk	Basic indicator approach	3,925,400
		Standardized approach / alternative approach	-
		Advanced measurement approach	-
	Market risk	Standardized approach	4,174,838
		Internal model approach	-
	Risk-weighted assets		92,014,147
Capital adequacy ratio			8.93%
Tier I capital / risk-weighted assets			7.85%
Tier II capital / risk-weighted assets			1.08%
Tier III capital / risk-weighted assets			- %
Common stock / total assets			5.97%
Leverage ratio			4.56%

Note: The Regulations Governing the Capital Adequacy and Capital Category of Banks, as required by the Banking Bureau's letter dated November 26, 2012 (Ref. No. 10110007015)

(43) Related-party transactions

- 1) Name of subsidiaries of the Bank

		Equity (% of ownership)		
		December 31, 2013	December 31, 2012	January 1, 2012
Location				
Panshin Assets Management Co., Ltd.	Taiwan	100.00	100.00	100.00
Panshin Insurance Broker Co., Ltd.	Taiwan	100.00	100.00	100.00

The Bank is the ultimate controlling party of the Bank and its subsidiaries.

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Notes to the Financial Statements

2) Name and relationship of related parties

Name	Relationship
Directors and supervisors (noncorporate), etc.	The individual directors and supervisors of the Bank, and their spouses, close relatives, etc.
President, general manager, managers, etc.	The president, general manager, and their spouses, close relatives, etc.
The major individual stockholders of the Bank	The top ten major stockholders with stockholdings more than 1%
Ta Shun Construction Co., Ltd., etc.	The Bank's chairman's spouse is the chairman of the company
San Jun Construction Co., Ltd.	The Bank's chairman spouse is the chairman of the company
Shan Hwei Construction Co., Ltd.	The Bank's chairman's spouse is the chairman of the company; a corporate director of the Bank is the chairman of the company
Yuan Chi Investment Co., Ltd.	The Bank's legal supervisor
Fu Jin Investment Co., Ltd.	The Bank's legal supervisor
Sun Shan Construction Co., Ltd.	Disclosed as a related party as required by the authorities

3) Significant transactions with related parties

1. Deposits

	2013		
Name	Ending balance	Percentage of deposits	Interest rate
Deposits by each related party not over 1% of total deposits	\$ 493,465	0.34	0.08~8.37

	2012		
Name	Ending balance	Percentage of deposits	Interest rate
Deposits by each related party not over 1% of total deposits	\$ 1,059,151	0.73	0.08~8.37

For the years ended December 31, 2013 and 2012, apart from an interest rate limit on staff demand savings deposits of 6.630% to 6.990% and 6.750% to 6.980%, respectively, the interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2013 and 2012, interest expense paid on the above deposits was \$2,947 and \$6,946, respectively.

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Notes to the Financial Statements

2. Loans

Type of loan	Number of accounts or name of related party	Maximum during the period	2013		Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
			Ending balance		On time	Overdue		
Employee credit loan	5	122,044	-	-	-	-	Real estate and deposits	None
Others	Chu Yue Shuan	1,200	600	600	-	-	Real estate	None
	Liu Bin Hui	86,000	84,987	84,987	-	-	Real estate	None
	Kuo Tao Ming	114,000	57,000	57,000	-	-	Real estate	None
	Chu Yiao Chi	54,000	18,000	18,000	-	-	Real estate	None
	Liao Ke Huang	7,455	7,118	7,118	-	-	Real estate	None
	Chien Lin Lung	16,000	-	-	-	-	Real estate	None
	Liao Rong Chuan	7,005	-	-	-	-	Real estate	None
	Kuo Lin Mei Hui	24,000	12,000	12,000	-	-	Real estate	None
	Ye Kuo Li Yu	28,750	20,250	20,250	-	-	Real estate	None
	Yang Mei Ru	28,777	13,042	13,042	-	-	Real estate	None
	Liao Mei Yun	104,000	94,963	94,963	-	-	Real estate	None
	Sun Shan Construction Co., Ltd.	1,186,960	101,246	101,246	-	-	Real estate	None

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Notes to the Financial Statements

Type of loan	Number of accounts or name of related party	Maximum during the period	2012		Repayment		Difference between terms and conditions offered to the accounts and to the general public	
			Ending balance		On time	Overdue		Collateral
Employee credit loan	9	20,413	8,289		8,289	-	Real estate	None
Mortgage	4	11,403	10,765		10,765	-	Real estate	None
Others	Wu Ke Long	5,000	-		-	-	Real estate	None
	Kao Chao Mao	4,500	4,500		4,500	-	Real estate	None
	Chiu Yue Shuan	600	600		600	-	Real estate	None
	You Da Hu	5,000	5,000		5,000	-	Real estate	None
	Jiang Jin Quan	40	10		10	-	None	None
	Liu Bin Hui	86,000	86,000		86,000	-	Real estate	None
	Kuo Tao Ming	114,000	57,000		57,000	-	Real estate	None
	Liao Chia Pung	10,000	8,805		8,805	-	Real estate	None
	Liao Ke Huang	7,700	7,455		7,455	-	Real estate	None
	Chien Lin Lung	16,000	8,000		8,000	-	Real estate	None
	Lin Lai Wang	7,845	4,620		4,620	-	Real estate	None
	Liao Rong Chuan	7,480	7,005		7,005	-	Real estate	None
	Wu Kai Ming	1,307	1,173		1,173	-	Real estate	None
	Wang Yi Ming	1,947	1,641		1,641	-	Real estate	None
	Chu Yiao Chi	44,000	26,000		26,000	-	Real estate	None
	Lu Fu Shan	1,578	1,480		1,480	-	Real estate	None
	Huang Hsin Mao	7,793	6,639		6,639	-	Real estate	None
	Kuo Hua Yi	384	348		348	-	Real estate	None
	Kuo Lin Mei Hui	24,000	12,000		12,000	-	Real estate	None
	Ye Kuo Li Yu	32,852	5,500		5,500	-	Real estate	None
	Yang Mei Ru	65,310	14,541		14,541	-	Real estate	None
	Liao Mei Yun	104,000	96,000		96,000	-	Real estate	None
	Kao Yi Chang	7,700	3,366		3,366	-	Real estate	None
	Liao Lin Su Hsiang	357	-		-	-	Real estate	None
	Jiang Hung Chang	2,160	2,009		2,009	-	Real estate	None

For the years ended December 31, 2013 and 2012, interest income recognized for the above loans was \$19,462 and \$9,638, respectively.

3. Rental revenue

The details of office rentals by the Bank to a related party for operating purposes are as follows:

Name	Building	Period	2013	2012
Panhsin Insurance Broker	Zhongzheng Rd., Panchiao City, No. 330, 11th floor	March 12, 2009 ~March 11, 2012; March 12, 2012~March 11, 2013	\$ 762	762
Panhsin Asset Management	Zhongzheng Rd., Panchiao City, No. 330, 9th floor	January 6, 2009 ~January 5, 2014; March 12, 2013~March 11, 2014	144	144
			<u>\$ 906</u>	<u>906</u>

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Notes to the Financial Statements

4. Property transactions

On December 27, 2006, the Bank entered into contracts with Panhsin Asset Management Co., Ltd. to sell foreclosed assets for \$550,000, and they were partially transferred from December 27, 2006, to December 31, 2007. As of December 31, 2013, and December 31 and January 1, 2012, the amount of the ownership been transferred was \$550,000. After deducting \$110,000, proceeds not yet received were \$440,000, recorded under accounts receivable—notes receivable. The Bank obtained an appraisal report from real estate appraisers, and the appraised amount was \$486,117.

5. Sale of non-performing loans

Counterparty: Panhsin Asset Management Co., Ltd.

Disposal date: December 26, 2007

Loan components			Loan amount	Book value	Share price
Corporate	Secured		206,247	180,578	171,517
	Unsecured		541,784	500,134	336,245
Consumer	Secured	Mortgage	2,055,339	1,223,629	867,119
		Car loan	-	-	-
		Others	-	-	-
	Unsecured	Credit card	-	-	-
		Cash card	279	234	17
		Credit loan	1,706	1,570	102
		Other	-	-	-
Total			2,805,355	1,906,145	1,375,000

Note: The aforementioned non-performing loans have a loan amount of \$7,739, a book value of \$7,648, and a selling price of \$6,530.

Counterparty: Panhsin Asset Management Co., Ltd.

Disposal date: July 26, 2006

Loan components			Loan amount	Book value	Share price
Corporate	Secured		-	-	-
	Unsecured		-	-	-
Consumer	Secured	Mortgage	2,050,625	1,835,421	1,501,310
		Car loan	-	-	-
		Others	-	-	-
	Unsecured	Credit card	-	-	-
		Cash card	2,908	2,738	139
		Credit loan	1,196	1,127	57
		Other	-	-	-
Total			2,054,729	1,839,286	1,501,506

Note: The aforementioned non-performing loans have a loan amount of \$201,910, a book value of \$198,429, and a selling price of \$181,608.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

On December 26, 2007, the Bank entered into contracts with Panhsin Asset Management Co., Ltd. (Panhsin AMC) to sell non-performing loans at a price of \$1,375,000. The price was determined according to the assessment report made by certified public accountants. The assessed value ranged from \$948,087 to \$1,377,414. The terms of payment were that Panhsin AMC had to make the first payment (5% of the contract price) upon signing the contract. Within three months after the transfer of loans, the second payment (15% of the contract price) should be paid. The remaining proceeds should be paid in full by Panhsin AMC three years after the signing of the contract. However, if there have been any buybacks due to defaults within one month after settlement, the defaults would be deducted from the second payment. On December 26, 2007, and February 22, April 29, May 16, July 11 and August 19 of 2008, since the debtors made agreements with the Bank before the Bank could settle with Panhsin AMC, a discrepancy with the contract existed. \$24,487 was bought back by the Bank, reducing the contract price to \$1,350,513 as of December 31, 2012. As of December 31, 2012, the proceeds had been fully received.

In addition, on July 26, 2006, the Bank entered into contracts with Panhsin AMC to sell non-performing loans at a price of \$1,501,506. The price was determined according to the assessment report made by certified public accountants. The assessed value ranged from \$1,086,224 to \$1,481,799. The method of payment was that Panhsin AMC had to pay 10% of the contract price upon the signing of the contract. Three months after the transfer of loans, 70% of the contract price should be paid (the second proceeds). The remaining proceeds should be paid in full by Panhsin AMC on July 20, 2007, one year after the signing of the contract. However, if there have been any buybacks due to defaults, they would be deducted from the remaining proceeds. On July 26, August 29, and September 21 of 2006, March 14 of 2007, and June 2 of 2008, the debtors made agreements with the Bank before the Bank could settle with Panhsin AMC. As a result, a discrepancy with the contract existed. As of December 31, 2013 and 2012, \$212,257 had been bought back by the Bank, reducing the contract price to \$1,289,249. The transfer of loans was completed in November 2006; moreover, the remaining proceeds amounting to \$300,301 were paid by Panhsin AMC's post-dated check dated July 20, 2007. In addition, Panhsin AMC signed an agreement with the Bank on November 15, 2006, to postpone the payment of the remaining contract price to November 10, 2008. As of the due date, Panhsin AMC did not have sufficient funds in its checking account to cover the checks for the second and remaining proceeds, and the Bank agreed that Panhsin AMC could postpone the payment for one year. As of December 31, 2012 and 2011, the amounts that had been received were \$1,238,948 and \$988,948, respectively. As of December 31, 2013 and 2012, the proceeds that had not yet been received were \$50,301 and \$300,301, respectively, recorded under accounts receivable—net

As of December 31, 2013 and 2012, the interest not received was \$2,368 and \$5,611, respectively, recorded under accounts receivable—net.

For the years ended December 31, 2013 and 2012, the interest revenue due to the postponed repayments was \$17,637 and \$23,182, respectively.

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Notes to the Financial Statements

6. Other

- (A) For the years ended December 31, 2013 and 2012, the details of the Bank's selling a series of subordinated financial debentures to related parties were as follows:

Related party		2013		Interest rate	Interest expense
		Highest balance	Ending balance		
Directors, supervisors, and main stockholders	\$	200	<u>200</u>	2.59	<u>5</u>

Related party		2012		Interest rate	Interest expense
		Highest balance	Ending balance		
Directors, supervisors, and main stockholders	\$	600	<u>400</u>	2.59	<u>12</u>

- (B) The Bank has entered into an insurance commission fee-splitting agreement with Panhsin Insurance Broker Co., Ltd. According to the agreement, the Bank provides the operating venue, facilities or manpower. As a result, the Bank has gained commission revenue of \$151,682 from Panhsin Insurance Broker Co., Ltd. in this transaction, recorded under "fees and commission income – net".

(C) Joint venture building

For the construction of the Bank's ChengDu building located at No. 696, No. 697-1, No. 713-1, and No. 717, Zhongxian Section, Banquiao District, New Taipei City, and No. 694, No. 696-1, No. 696-2 of public use land (hereinafter the project land), the Bank has entered into a trust contract with Panhsin Asset Management Co., Ltd. (Panhsin AMC), Sun Shen Construction Company, and Industrial Bank of Taiwan, the trustees. The Bank has assigned the trustees to perform property transfer, registry, management, and disposal, and has transferred the project land to the trustees. As of December 31, 2013, the progress was as follows:

- A) Panhsin ChengPing (No. 696, Zhongxian Section, Banquiao District, New Taipei City)
- This project was a joint venture among the Bank, Panhsin Asset Management Co., Ltd., and Sun Shen Construction Company for a building, with sales revenue of \$822,190 going to the Bank and \$245,580 going to Panhsin Asset Management Co., Ltd.
 - Progress of construction: Obtained user license in May 2013.
 - Progress of sales: The project has been sold out.
 - Sales profit: \$751,423 to the Bank and \$180,839 to Panhsin Asset Management Co., Ltd.

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BANK OF PANHSIN

Notes to the Financial Statements

- E. The aforementioned revenue from sales to individual board members' relatives and other related parties was \$64,460, of which \$49,640 went to the Bank and \$14,820 went to Panhsin Asset Management Co., Ltd., and profits were \$56,177, of which \$45,217 went to the Bank and \$10,960 went to Panhsin Asset Management Co., Ltd.

B) Panhsin Bank Houpu Branch

- A. The land of this project was the same as that of the "Panhsin ChengPing" project. The first and second floors of the building are reserved for the Bank.
- B. Progress of construction: A user license was obtained in May 2013. The site is currently undergoing interior decoration, and relocation will be completed by January 2014.

4) Key management personnel compensation

	2013	2012
Short-term employee benefits	\$ 45,498	45,490
Post-employment benefits	\$ 423	432

(44) Pledged assets

Pledged assets of the Bank and its subsidiaries were as follows:

Pledged Assets	Pledged for	December 31, 2013	December 31, 2012	January 1, 2012
Government bonds (recorded as available-for-sale financial assets)	Reserve for trust business	\$ 50,530	51,518	50,261
	Provisional seizure	53,659	47,370	49,555
	Operating deposits for trading bills	51,540	52,046	50,261
	Operating deposits for trading bonds	10,308	10,409	10,052
	Deposits for Taxation Administration, Ministry of Finance	94,941	96,552	-
Time deposit (recorded as other assets)	Deposits for Taxation Administration, Ministry of Finance	-	-	100,000
Bank deposit (recorded as other financial assets)	Settlement deposits for bonds	7,400	7,400	7,400
	Deposits for lawsuits	12,604	15,195	34,222
	Reserve for derivative transactions	-	-	87,841
		<u>\$ 280,982</u>	<u>280,490</u>	<u>389,592</u>

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Notes to the Financial Statements

(45) Significant contingent liabilities and unrecognized contract commitments

1) Significant contingent liabilities and unrecognized contract commitments

1. Significant purchase agreements

December 31, 2013		
Contract name	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	<u>\$ 43,790</u>	<u>14,058</u>

December 31, 2012		
Contract name	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	<u>\$ 33,618</u>	<u>17,772</u>

January 1, 2012		
Contract name	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	\$ 57,406	34,248
Head office building construction	<u>3,746,081</u>	<u>426,697</u>
	<u>\$ 3,803,487</u>	<u>460,945</u>

2. For significant leases and capital expenditure, please refer to note 44.

3. Significant mergers and acquisitions

On December 1, 2013, the Bank decided to generally assume all operating profits, assets and liabilities of The Ninth Credit Cooperative of Taipei in the stakeholders' provisional meeting. This general assumption has been evaluated by the Bank for its net tangible assets and liabilities; Meanwhile, the Bank entrusted an independent third party perform a merger and acquisition premium evaluation analysis (evaluation basis date: June 30, 2013) and decided the general assumption price. The general assumption price was agreed by the two parties as \$3,980,000. The assignment basis date was set as June 30, 2014. The assignment basis date shall become effective after the related authority's approval.

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BANK OF PANHSIN
Notes to the Financial Statements

2) Other

	December 31, 2013	December 31, 2012	January 1, 2012
Consignment collection for others	\$ 10,719,400	8,967,545	8,759,253
Consignment released and loans for others	964,459	1,294,202	1,118,380
Collateral held as performance bond	69,471	71,252	81,963
Traveler's checks held for consignment sale	8,872	10,120	13,294
Custodial securities	50,000	50,000	50,000
Trust assets	43,688,114	34,527,944	28,986,871
Total	<u>\$ 55,500,316</u>	<u>44,921,063</u>	<u>39,009,761</u>
Lines of credit provided but not used	<u>\$ -</u>	<u>3,071,461</u>	<u>3,398,126</u>
Guarantees	<u>\$ 2,421,243</u>	<u>2,518,124</u>	<u>2,260,766</u>
Letters of credit issued but not yet presented	<u>\$ 990,295</u>	<u>1,120,388</u>	<u>903,703</u>
Total price to buy back government bonds under repurchase agreements	<u>\$ -</u>	<u>1,299,394</u>	<u>-</u>
Credit default swap sold	<u>\$ 85,807</u>	<u>83,475</u>	<u>302,900</u>

3) In accordance with local regulations, disclosure of accounts in the statement of financial position and a summary of trust asset items for trust business are as follows:

Trust balance sheet			
December 31, 2013			
Trust assets		Trust liabilities	
Bank deposits	\$ 7,200,584	Trust capital — monetary trust	20,421,079
Investment in funds	15,893,805	Trust capital — real estate	21,780,412
Investment in bonds	198,000	Trust capital — monetary loans and guaranteed assets	1,159,982
Investment in loans	1,047,479	Trust capital — securities trust	176,843
Land	14,678,461	Trust capital — land rights trust	204,152
Building	958,059	Net income	554,273
Construction in progress	3,507,574	Unappropriated earnings	(608,627)
Land rights	204,152		
Total trust assets	<u>\$ 43,688,114</u>	Total trust liabilities	<u>43,688,114</u>

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BANK OF PANHSIN
Notes to the Financial Statements

Trust balance sheet
December 31, 2012

Trust assets		Trust liabilities	
Bank deposits	\$ 2,983,510	Trust capital — monetary trust	17,655,984
Investment in funds	15,597,903	Trust capital — real estate	15,425,283
Investment in bonds	210,000	Trust capital — monetary loans and guaranteed assets	1,116,503
Investment in loans	1,116,500	Trust capital — securities trust	194,615
Land	11,143,916	Trust capital — land rights trust	204,152
Building	717,901	Net income	350,087
Construction in progress	2,554,062	Unappropriated earnings	(418,680)
Land rights	204,152		
Total trust assets	<u>\$ 34,527,944</u>	Total trust liabilities	<u>34,527,944</u>

Trust balance sheet
January 1, 2012

Trust assets		Trust liabilities	
Bank deposits	\$ 1,569,330	Trust capital — monetary trust	16,308,054
Investment in funds	15,383,468	Trust capital — real estate	11,344,562
Investment in bonds	380,000	Trust capital — monetary loans and guaranteed assets	844,518
Investment in loans	844,500	Trust capital — securities trust	341,143
Land	7,294,365	Trust capital — land rights trust	204,152
Building	262,651	Net income	469,547
Construction in progress	3,048,405	Unappropriated earnings	(525,105)
Land rights	204,152		
Total trust assets	<u>\$ 28,986,871</u>	Total trust liabilities	<u>28,986,871</u>

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BANK OF PANHSIN
Notes to the Financial Statements

Trust income statement

	2013	2012
Trust revenue:		
Interest revenue	\$ 12,130	9,269
Realized investment gain — funds	197,117	93,624
Realized investment gain — bond	409	-
Cash dividends revenue	591,175	552,873
	<u>800,831</u>	<u>655,766</u>
Trust expenses:		
Management expenses	11,969	6,704
Realized investment loss — funds	233,381	298,073
Other expenses	14	8
	<u>245,364</u>	<u>304,785</u>
Net income before income tax	555,467	350,981
Income tax expense	1,194	894
Net income after income tax	<u><u>\$ 554,273</u></u>	<u><u>350,087</u></u>

Summary of trust asset items

December 31, 2013

Item	Amount
Bank deposits	\$ 7,200,584
Investment in funds	15,893,805
Bonds	198,000
Investment in common stocks	1,047,479
Land	14,678,461
Building	958,059
Construction in progress	3,507,574
Land rights	<u>204,152</u>
	<u><u>\$ 43,688,114</u></u>

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Notes to the Financial Statements

Summary of trust asset items

December 31, 2012

Item	Amount
Bank deposits	\$ 2,983,510
Investment in funds	15,597,903
Bonds	210,000
Investment in common stocks	1,116,500
Land	11,143,916
Building	717,901
Construction in progress	2,554,062
Land rights	204,152
	<u><u>\$ 34,527,944</u></u>

Summary of trust asset items

January 1, 2012

Item	Amount
Bank deposits	\$ 1,569,330
Investment in funds	15,383,468
Bonds	380,000
Investment in common stocks	844,500
Land	7,294,365
Building	262,651
Construction in progress	3,048,405
Land rights	204,152
	<u><u>\$ 28,986,871</u></u>

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Notes to the Financial Statements

(46) Other

- 1) The employee benefits, depreciation, depletion, and amortization, categorized by function, were as follows:

By function By account	2013			2012		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	-	918,996	918,996	-	1,007,444	1,007,444
Labor and health insurance	-	75,556	75,556	-	74,531	74,531
Pension	-	52,840	52,840	-	50,707	50,707
Other personnel expense	-	26,061	26,061	-	26,920	26,920
Depreciation	-	110,751	110,751	-	96,902	96,902
Depletion	-	-	-	-	-	-
Amortization	-	52,031	52,031	-	53,278	53,278

The depreciation expense for leased-out assets was \$20,070 and \$12,219 in 2013 and 2012, respectively, and was recorded under other non-interest income — net.

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Notes to the Financial Statements

- 2) Average amount of, and current average interest rates on, interest-bearing assets and liabilities:

	2013	
	Average Amount	Average Interest Rate
Interest-earning assets:		
Cash due from banks	\$ 953,102	0.71
Due from Central Bank and call loans to banks	33,167,955	0.82
Financial assets at fair value through profit or loss	950,758	0.54
Loans and advances to customers	97,900,972	2.77
Available-for-sale financial assets	7,960,585	1.14
Held-to-maturity financial assets	710,707	1.39
Securities purchased under resell agreements	1,534,415	0.67
Interest-bearing liabilities:		
Due to banks	1,815,438	0.92
Securities purchased under resell agreements	449,894	0.06
Demand deposits	24,383,065	0.11
Time deposits	37,068,705	0.37
Negotiable time deposits	21,126,028	1.06
Demand savings deposits	61,055,610	1.28
Time savings deposits	958,246	0.68
Financial debentures	2,939,000	3.07

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Notes to the Financial Statements

	2012	
	Average Amount	Average Interest Rate
Interest-earning assets:		
Cash due from banks	\$ 932,137	0.59
Due from Central Bank and call loans to banks	2,827,861	0.84
Financial assets at fair value through profit or loss	771,809	0.91
Loans and advances to customers	101,965,432	2.73
Available-for-sale financial assets	5,554,960	1.19
Held to maturity financial assets	715,827	1.39
Securities purchased under resell agreements	84,197	0.74
Interest-bearing liabilities:		
Due to banks	1,840,943	1.00
Securities sold under repurchase agreements	77,228	0.42
Demand deposits	19,349,089	0.11
Time deposits	34,976,586	0.37
Negotiable time deposits	21,160,032	1.05
Demand savings deposits	63,663,060	1.28
Time savings deposits	1,364,030	0.72
Financial debentures	3,038,235	3.06

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BANK OF PANHSIN

Notes to the Financial Statements

- 3) Supplementary disclosures of asset quality, overdue loans and receivables, concentration of credit extensions, interest rate sensitivity information, profitability, and the structure analysis of assets' and liabilities' time to maturity were as follows:

1. Asset quality

Unit: NT thousands

Period			December 31, 2013					
			Overdue loan amount		Loan balance	Overdue ratio	Allowance for bad debts	Cover rate
Product								
Corporate banking	Secured		701,854	33,642,176	2.09 %	449,757	64.08 %	
	Unsecured		311,834	22,699,999	1.37 %	369,016	118.34 %	
Consumer banking	Mortgage		185,624	25,958,598	0.72 %	294,154	158.47 %	
	Cash card		-	-	- %	-	- %	
	Credit loan		25,203	572,546	4.40 %	17,880	70.94 %	
	Others	Secured	21,000	20,525,335	0.10 %	138,538	659.70 %	
		Unsecured	6,657	1,046,460	0.64 %	13,596	204.24 %	
	Total			1,252,172	104,445,114	1.20 %	1,282,941	102.46 %
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate	
Credit cards			-	-	- %	-	- %	
Without-recourse factoring			-	-	- %	-	- %	

Period			December 31, 2012				
			Overdue loan amount		Loan balance	Overdue ratio	Allowance for bad debts
Product							
Corporate banking	Secured		726,482	25,793,750	2.82 %	658,629	90.66 %
	Unsecured		140,412	26,155,263	0.54 %	248,237	176.79 %
Consumer banking	Mortgage		251,538	28,827,383	0.87 %	295,446	117.46 %
	Cash card		-	-	- %	-	- %
	Credit loan		37,266	895,347	4.16 %	36,837	98.85 %
	Others	Secured	32,046	16,163,078	0.20 %	84,969	265.15 %
		Unsecured	6,022	834,959	0.72 %	12,291	204.10 %
	Total			1,193,766	98,669,780	1.21 %	1,336,409
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate
Credit cards			-	-	- %	-	- %
Without-recourse factoring			-	-	- %	-	- %

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Notes to the Financial Statements

Period			January 1, 2012				
			Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate
Product							
Corporate banking	Secured		165,548	26,936,618	0.61 %	196,913	118.95 %
	Unsecured		515,973	23,281,292	2.22 %	1,098,815	212.96 %
Consumer banking	Mortgage		310,684	33,705,547	0.92 %	87,764	28.25 %
	Cash card		-	-	- %	-	- %
	Credit loan		110,616	1,503,869	7.36 %	122,812	111.03 %
	Others	Secured	92,435	17,463,771	0.53 %	54,988	59.49 %
		Unsecured	9,518	842,802	1.13 %	8,208	86.24 %
Total			1,204,774	103,733,899	1.16 %	1,569,500	130.27 %
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate
Credit cards			-	-	- %	-	- %
Without-recourse factoring			-	-	- %	-	- %

Exemption from reporting non-performing loans (NPL) and overdue receivables

	December 31, 2013		December 31, 2012		January 1, 2012	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loan agreement	157,974	-	213,458	-	288,265	-
As a result of debt solvency and restart plan	45,097	-	54,998	-	63,338	-
Total	203,071	-	268,456	-	351,603	-

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Notes to the Financial Statements

2. Information on concentration of credit risk

Unit: NT thousand

December 31, 2013			
Rank	Group company	Outstanding loan	Percentage of net worth (%)
1	Hung Kuo	2,283,985	23.27 %
2	Duen Yang	1,021,670	10.41 %
3	Chiau Wei	890,900	9.08 %
4	E United Group	822,846	8.38 %
5	Zhong Xian	767,500	7.82 %
6	Ya Xin	643,352	6.55 %
7	Bau Shing	624,000	6.36 %
8	Kuo Shing	533,577	5.44 %
9	Zhong Tai	452,400	4.61 %
10	Tian Chang	435,461	4.44 %
	Total	8,475,691	

December 31, 2012			
Rank	Group company	Outstanding loan	Percentage of net worth (%)
1	Hung Kuo	2,119,900	26.52 %
2	Duen Yang	1,042,563	13.04 %
3	Bau Shing	944,700	11.82 %
4	Duen Yang	942,000	11.79 %
5	Chiau Wei	890,900	11.15 %
6	E United Group	828,338	10.36 %
7	He Wang	748,500	9.36 %
8	Chiuan Yang	720,000	9.01 %
9	Jiou Yang	617,698	7.73 %
10	Radium Life Tech	615,740	7.70 %
	Total	9,470,339	

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Notes to the Financial Statements

January 1, 2012			
Rank	Group company	Outstanding loan	Percentage of net worth (%)
1	Hung Kuo	2,039,900	26.16 %
2	Jion Yuan	1,190,998	15.27 %
3	Yem Chio	930,000	11.93 %
4	Bau Shing	891,780	11.44 %
5	Chiau Wei	887,608	11.38 %
6	He Wang	765,800	9.82 %
7	E United Group	764,125	9.80 %
8	Chiuan Yang	720,000	9.23 %
9	Jin hong Jhuang Enterpricse	712,500	9.14 %
10	Duen Yang	682,000	8.75 %
	Total	9,584,711	

3. Interest rate sensitivity information

(A) Sensitivity analysis of interest rate for assets and liabilities (NTD)

December 31, 2013

Unit: NT thousand

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 124,730,425	94,018	191,872	10,364,320	135,380,635
Interest-rate-sensitive liabilities	42,890,187	70,552,120	22,295,489	5,576,311	141,314,107
Interest-rate sensitivity gap	81,840,238	(70,458,102)	(22,103,617)	4,788,009	(5,933,472)
Net worth					9,818,689
Ratio of interest-rate-sensitive assets to liabilities					95.80
Ratio of interest-rate sensitivity gap to net worth					(60.43)

December 31, 2012

Unit: NT thousand

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 122,523,697	4,461	606,317	8,544,531	131,679,006
Interest-rate-sensitive liabilities	45,124,848	64,195,535	22,968,847	7,468,297	139,757,527
Interest-rate sensitivity gap	77,398,849	(64,191,074)	(22,362,530)	1,076,234	(8,078,521)
Net worth					7,992,869
Ratio of interest-rate-sensitive assets to liabilities					94.22
Ratio of interest-rate sensitivity gap to net worth					(101.07)

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Notes to the Financial Statements

January 1, 2012

Unit: NT thousand

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 120,630,252	2,599,883	797,008	7,389,349	131,416,492
Interest-rate-sensitive liabilities	52,238,582	58,692,867	22,536,366	5,464,716	138,932,531
Interest-rate sensitivity gap	68,391,670	(56,092,984)	(21,739,358)	1,924,633	(7,516,039)
Net worth					7,798,490
Ratio of interest-rate-sensitive assets to liabilities					94.59
Ratio of interest-rate sensitivity gap to net worth					(96.38)

(B) Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2013

Unit: USD thousand

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 234,954	29,324	599	-	264,877
Interest-rate-sensitive liabilities	158,770	40,207	15,477	10	214,464
Interest-rate sensitivity gap	76,184	(10,883)	(14,878)	(10)	50,413
Net worth					5,611
Ratio of interest-rate-sensitive assets to liabilities					123.51
Ratio of interest-rate sensitivity gap to net worth					898.47

December 31, 2012

Unit: USD thousand

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 244,404	43,868	-	-	288,272
Interest-rate-sensitive liabilities	189,207	33,097	15,697	150	238,151
Interest-rate sensitivity gap	55,197	10,771	(15,697)	(150)	50,121
Net worth					3,206
Ratio of interest-rate-sensitive assets to liabilities					121.05
Ratio of interest-rate sensitivity gap to net worth					1,563.35

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Notes to the Financial Statements

January 1, 2012

Unit: USD thousand

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 207,058	41,678	1,347	4,502	254,585
Interest-rate-sensitive liabilities	179,578	16,948	21,001	208	217,735
Interest-rate sensitivity gap	27,480	24,730	(19,654)	4,294	36,850
Net worth					1,312
Ratio of interest-rate-sensitive assets to liabilities					116.92
Ratio of interest-rate sensitivity gap to net worth					2,808.69

4. Profitability

%

Item		December 31, 2013	December 31, 2012
Return on total assets	Before income tax	1.22	0.16
	After income tax	1.17	0.09
Return on net worth	Before income tax	22.15	3.23
	After income tax	21.18	1.86
Profit margin		47.83	5.73

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

Note 2: Return on net worth = Income before (after) income tax / Average equity

Note 3: Profit margin = Income after income tax / Total operating revenues

Note 4: Income before (after) income tax is the income for the whole year.

5. Structure analysis of assets' and liabilities' time to maturity

(A) Duration analysis in New Taiwan dollars

December 31, 2013

Unit: NTD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$ 153,471,147	37,300,630	9,929,524	10,659,568	17,942,756	77,638,669
Capital used	164,159,875	13,442,741	19,571,234	23,573,288	50,866,673	56,705,939
Spread	(10,688,728)	23,857,889	(9,641,710)	(12,913,720)	(32,923,917)	20,932,730

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Notes to the Financial Statements

December 31, 2012

Unit: NTD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$ 150,904,522	41,673,555	8,988,230	9,525,756	12,325,091	78,391,890
Capital used	162,605,478	12,772,583	18,650,419	22,826,781	50,081,669	58,274,026
Spread	(11,700,956)	28,900,972	(9,662,189)	(13,301,025)	(37,756,578)	20,117,864

January 1, 2012

Unit: NTD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$ 150,123,579	26,895,405	15,214,119	11,702,213	14,457,833	81,854,009
Capital used	163,549,393	12,333,133	19,332,841	22,470,695	52,697,794	56,714,930
Spread	(13,425,814)	14,562,272	(4,118,722)	(10,768,482)	(38,239,961)	25,139,079

(B) Duration analysis in US dollars

December 31, 2013

Unit: USD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$ 284,867	88,508	42,364	64,553	19,549	69,893
Capital used	245,156	69,162	40,408	51,511	31,916	52,159
Spread	39,711	19,346	1,956	13,042	(12,367)	17,734

December 31, 2012

Unit: USD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$ 300,222	115,116	70,120	55,064	17,315	42,607
Capital used	268,096	64,841	56,487	49,257	35,057	62,454
Spread	32,126	50,275	13,633	5,807	(17,742)	(19,847)

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Notes to the Financial Statements

January 1, 2012

Unit: USD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~1year	Over 1 year
Capital provided	\$ 269,497	105,393	60,643	43,693	22,144	37,624
Capital used	242,747	70,407	39,064	31,598	46,305	55,373
Spread	26,750	34,986	21,579	12,095	(24,161)	(17,749)

(47) Notes to disclosure items

1) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Publicly Held Banks":

- Information regarding securities for which the accumulated purchase or sale amounts for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 millions or 10% of the Bank's paid-in capital: None.
- Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

Unit: NTD thousand

Name of company	Name of assets	Date	Original purchase date	Book value	Amount	Details of receiving payment	Gain (loss) on disposal of assets	Transaction counterparty	Relationship with transaction counterparty	Purpose of disposal	Price reference	Other
Bank of Panhsin	Real estate	2013.8.23	1967.12.26	39,069	772,550	Except for \$7,210 not received, the remaining amount was received.	706,206	OO Li and 63 others	Non-related parties	Activation in working capital	Market price	None
"	"	"	"	4,424	49,640	Received	45,217	OO Chen and 5 others	Related parties	"	"	"

- Information regarding discounted processing fees on transactions for which the amount exceeded \$5 million: None.
- Information regarding receivable from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid-in capital:

Unit: NTD thousand

Company that recognized account receivables	Counterparty	Relationship	Ending balance of account receivables from related parties	Turnover rate	Overdue account receivables from related parties		Amount collected in subsequent period	Amount accrued for allowance for bad debt
					Amount	Process		
The Bank	Panhsin Asset Management Co., Ltd.	The Bank's subsidiary	490,301 (note)	-%	-		-	490,301

Note: The transaction mentioned of above was recorded as receivables—notes receivable.

- Financial derivative transactions: None.

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BANK OF PANHSIN

Notes to the Financial Statements

7. Information regarding selling non-performing loans: None.
8. Approved securitization instrument types and related information according to "asset-backed securitization" or "mortgage-backed securitization": None.
9. Other material transaction items which were significant to people who use the information in the financial statements: None.

2) Information on investees

The following is the information on investees:

Unit: NTD Thousand

Name of investee	Investee location	Investee's operation	Percentage of ownership	Highest percentage of ownership during period	Book value of investments	Gain (loss) recognized during the period (note)	Holdings				Remark
							Number of shares	Pro forma number of shares	Total		
									Shares	Percentage	
Panhsin Insurance Broker Co., Ltd.	11F, No. 330, Zhongzheng Rd., Panchiao City, Taipei County	Insurance agency	100.00%	100.00%	209,457	143,213	3,095	-	3,095	100.00%	subsidiary
Panhsin Asset Management Co., Ltd.	9F, No. 330, Zhongzheng Rd., Panchiao City, Taipei County	Purchasing non-performing loans	29.41%	100.00%	50,351	44,049	17,000	-	17,000	100.00%	subsidiary

- 3) Information regarding investment in China: None.

(48) Operating segment information

Please refer to consolidated financial statements for 2013.

(49) First-time adoption of IFRSs

The financial reports of the Bank as of and for the year ended December 31, 2012, were prepared following the former generally accepted accounting principles in the Republic of China. As stated in note 4, these are the first annual financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, and they are in accordance with IFRS 1 "First-time Adoption of IFRSs" as endorsed by the FSC.

The accounting policies described in note 4 have been applied to the comparative financial statements for the year ended December 31, 2012, the statement of financial position as of December 31, 2012, and the initial IFRS statement of financial position as of January 1, 2012, the conversion date for the consolidated entities.

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Notes to the Financial Statements

When preparing financial statements in accordance with IFRSs, the bank should follow regulatory requirements and make the required retroactive adjustments except for applying the Optional Exemptions and Mandatory Exceptions. The financial report applied the Optional Exemptions below:

- 1) The Bank chose not to make retrospective adjustments under IFRS 3 for mergers prior to the date of transition. Therefore, mergers done prior to the transition date do not need to adjust the Bank's books.
- 2) The Bank chose to recognize all accumulated actuarial gains and losses through retained earnings.
- 3) The Bank recognized property, plant and equipment at remeasurement value prior to the date of transition under generally accepted accounting principles in the Republic of China.

When preparing financial statements for the year ended December 31, 2012, the Bank began with the reporting amount under former generally accepted accounting principles in the Republic of China. The conversion from former generally accepted accounting principles in the Republic of China to the IFRSs endorsed by the FSC has impacts on the financial position, financial performance, and cash flows of the Bank as of each time-point or for each period, as stated below:

- 1) The reconciliation report for financial position

The reconciliation report for financial position on December 31, 2012

Generally accepted accounting principles in the Republic of China (R.O.C. GAAP)		IFRS conversion's impact Difference in recognition and measurement		IFRSs endorsed by the FSC		
Item	Amount		Difference in presentation	Amount	Item	Note
Assets						
Cash and cash equivalents	\$ 3,773,972	-	-	3,773,972	Cash and cash equivalents	
Due from Central Bank and call loans to banks	33,427,689	-	-	33,427,689	Due from Central Bank and placement to other banks	
Financial assets at fair value through profit or loss — net	1,009,623	100,074	-	1,109,697	Financial assets at fair value through profit or loss — net	(7)
Accounts receivable — net	1,405,561	58,342	(53,825)	1,410,078	Accounts receivable — net	(3), (4), (7)
	-	-	53,825	53,825	Current income tax assets	(4)
Loans and advances to customers — net	102,164,399	-	-	102,164,399	Loans and advances to customers — net	
Available-for-sale financial assets — net	4,225,302	-	-	4,225,302	Available-for-sale financial assets — net	
Held-to-maturity financial assets — net	718,181	-	-	718,181	Held-to-maturity financial assets — net	
Long-term investments under equity method — net	128,581	-	-	128,581	Long-term investments under equity method — net	
Other financial assets — net	348,893	-	(286,346)	62,547	Other financial assets — net	(10)
Property and equipment — net	7,971,193	-	25,542	7,996,735	Property and equipment — net	(11), (12)
	-	-	156,356	156,356	Investment property — net	(6)
Intangible assets	1,543,924	-	-	1,543,924	Intangible assets	(11), (12)
Deferred income tax assets	1,050,293	25,073	79,690	1,155,056	Deferred income tax assets	(4)
Other assets	1,223,950	(12,668)	104,448	1,315,730	Other assets	(2), (6), (10), (11), (12)
Total Assets	\$ 158,991,561	170,821	79,690	159,242,072	Total Assets	

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Notes to the Financial Statements

The reconciliation report for financial position on December 31, 2012 (continued)

Generally accepted accounting principles in the Republic of China (R.O.C. GAAP)		IFRS conversion's impact		IFRSs endorsed by the FSC		
Item	Amount	Difference in recognition and measurement	Difference in presentation	Amount	Item	Note
Liabilities					Liabilities	
Deposits by Central Bank and other banks	1,315,248	-	-	1,315,248	Deposits by Central Bank and other banks	
Financial liabilities at fair value through profit or loss	22,647	-	-	22,647	Financial liabilities at fair value through profit or loss	
Accounts payable	2,510,950	157,550	-	2,668,500	Payables	(3), (4), (7)
Deposits and remittances	142,643,324	-	-	142,643,324	Deposits and remittances	
Subordinated financial debentures	4,339,000	-	-	4,339,000	Subordinated financial debentures	
Accrued pension liabilities	96,899	(96,899)	-	-		(2)
Other financial liabilities	28,043	-	-	28,043	Other financial liabilities	
	-	179,722	3,938	183,660	Provisions	(1), (2), (8)
	-	148	118,470	118,618	Deferred tax liabilities	(4)
Other liabilities	167,260	-	(42,718)	124,542	Other liabilities	(4), (8)
Total liabilities	151,123,371	240,521	79,690	151,443,582	Total liabilities	
Stockholders' Equity					Equity	
Common stock	9,557,900	-	-	9,557,900	Common stock	
Retained earnings:					Retained earnings:	
Special reserve	5	-	-	5	Special reserve	
Accumulated deficits	(1,760,825)	(7,391)	-	(1,768,216)	Accumulated deficits	(1)~(5)
Other adjustments to stockholders' equity:					Other equity	
Unrealized revaluation increment	114,308	(114,308)	-	-		(5)
Unrealized gain on available-for-sale financial assets	8,801	-	-	8,801	Unrealized gain on available-for-sale financial assets	
Change in unrecognized pension cost	(51,999)	51,999	-	-		(2)
Total stockholders' equity	7,868,190	(69,700)	-	7,798,490	Total equity	
Total liabilities and stockholders' equity	158,991,561	170,821	79,690	159,242,072	Total liabilities and equity	

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BANK OF PANHSIN
Notes to the Financial Statements

The reconciliation report for financial position on December 31, 2012

Generally accepted accounting principles in the Republic of China (R.O.C. GAAP)		IFRS conversion's impact Difference in recognition and measurement		IFRSs endorsed by the FSC		
Item	Amount		Difference in presentation	Amount	Item	Note
Assets						
Cash and cash equivalents	\$ 3,578,526	-	-	3,578,526	Cash and cash equivalents	
Due from Central Bank and call loans to banks	37,191,391	-	-	37,191,391	Due from Central Bank and call loans to banks	
Financial assets at fair value through profit or loss	714,318	-	-	714,318	Financial assets at fair value through profit or loss	
Securities purchased under agreements to resell	1,299,002	-	-	1,299,002	Securities purchased under resell agreements	
Receivable—net	1,060,452	25,447	(68,579)	1,017,320	Receivable—net	(3), (4)
	-	-	68,579	68,579	Current income tax assets	(4)
Loans and discounts—net	97,333,371	-	-	97,333,371	Loans and discounts—net	
Available-for-sale financial assets —net	6,671,543	-	-	6,671,543	Available-for-sale financial asset— net	
Held-to-maturity financial assets— net	713,084	-	-	713,084	Held-to-maturity financial assets— net	
Long-term investments under equity method—net	178,446	-	-	178,446	Long-term investments under equity method—net	
Other financial assets—net	142,615	-	(80,068)	62,547	Other financial assets—net	(10)
Property and equipment—net	5,858,182	-	24,488	5,882,670	Property and equipment—net	(11), (12)
	-	-	2,048,406	2,048,406	Investment property—net	(6)
Intangible assets—net	1,511,801	-	-	1,511,801	Intangible assets—net	(11)
Deferred income tax assets—net	945,612	23,634	79,690	1,048,936	Deferred income tax assets—net	(4)
Other assets	3,023,143	(41,418)	(1,992,826)	988,899	Other assets	(2), (6), (10), (11) , (12)
Total assets	\$ 160,221,486	7,663	79,690	160,308,839	Total assets	

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BANK OF PANHSIN
Notes to the Financial Statements

The reconciliation report for financial position on December 31, 2012 (continued)

Generally accepted accounting principles in the Republic of China (R.O.C. GAAP)		IFRS conversion's impact		IFRSs endorsed by the FSC		
Difference in recognition and measurement	Amount	Difference in recognition and measurement	Difference in presentation	Amount	Item	Note
Liabilities				Liabilities		
Deposits by Central Bank and other banks	1,112,671	-	-	1,112,671	Deposits by Central Bank and other banks	
Financial liabilities at fair value through profit or loss	6,863	-	-	6,863	Financial liabilities at fair value through profit or loss	
Payables	2,362,716	9,291	-	2,372,007	Payables	(3), (4)
Deposits and remittances	145,493,410	-	-	145,493,410	Deposits and remittances	
Financial bonds payable	2,939,000	-	-	2,939,000	Financial bonds payable	
Accrued pension liabilities	120,374	(120,374)	-	-		(2)
Other financial liabilities	18,810	-	-	18,810	Other financial liabilities	
	-	165,357	3,938	169,295	Provision	(1), (2), (8)
	-	2,747	117,201	119,948	Provision for deferred tax liabilities	(4)
Other liabilities	125,415	-	(41,449)	83,966	Other liabilities	(4), (8)
Total liabilities	152,179,259	57,021	79,690	152,315,970	Total liabilities	
Equity				Equity		
Capital stock	9,557,900	-	-	9,557,900	Capital stock	
Retained earnings:					Retained earnings:	
Special reserve	5	-	-	5	Special reserve	
Accumulated deficits	(1,633,062)	11,437	-	(1,621,625)	Accumulated deficits	(1)~(5)
Other adjustments to stockholders' equity:					Other equity	
Unrealized revaluation increment	113,417	(113,417)	-	-		(5)
Unrealized gain on available-for-sale financial assets	56,589	-	-	56,589	Unrealized gain on available-for-sale financial assets	
Change in unrecognized pension cost	(52,622)	52,622	-	-		(2)
Total equity	8,042,227	(49,358)	-	7,992,869	Total equity	
Total liabilities and equity	\$ 160,221,486	7,663	79,690	160,308,839	Total liabilities and equity	

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Notes to the Financial Statements

2) The reconciliation report for comprehensive income

The reconciliation report for comprehensive income for the year ended December 31, 2012

Generally accepted accounting principles in the Republic of China (R.O.C. GAAP)		IFRS conversion's impact Difference in recognition and measurement		IFRSs endorsed by the FSC		
Item	Amount		Difference in presentation	Amount	Item	Note
Interest income	\$ 3,162,927	-	(7,043)	3,155,884	Interest income	(1) , (9)
Less: Interest expense	1,309,867	-	(49,852)	1,260,015	Less: Interest expense	
Net interest income	1,853,060	-	42,809	1,895,869	Net interest income	
Non-interest income:					Non-interest income:	
Fees and commission income — net	323,393	-	-	323,393	Fees and commission income — net	
Gain (loss) on financial instruments at fair value through profit or loss	108,780	-	7,043	115,823	Gain (loss) on financial instruments at fair value through profit or loss	(9)
Realized gain on available-for-sale financial assets	39,261	-	-	39,261	Realized gain on available-for-sale financial assets	
Investment income under the equity method	107,465	-	-	107,465	Investment income under the equity method	
Foreign exchange gain (loss) — net	(54,356)	-	-	(54,356)	Foreign exchange gain (loss) — net	
Asset impairment loss	(6,562)	-	-	(6,562)	Asset impairment loss	
Other non-interest income, net	121,683	16,274	-	137,957	Other non-interest income, net	(3), (5)
Net revenue	2,492,724	16,274	49,852	2,558,850	Net revenue	
Bad debt expenses	307,766	-	-	307,766	Bad debt expenses and reserve for guarantees	
Operating expenses:					Cost and expense:	
Personnel costs	1,118,217	(8,467)	49,852	1,159,602	Employee benefit expenses	(1), (2)
Depreciation and amortization	150,180	-	-	150,180	Depreciation and amortization expenses	
Other general and administrative expenses	684,117	1,875	-	685,992	Other general and administrative expenses	(3)
Gain (loss) from continuing operations before income tax	232,444	22,866	-	255,310	Income before income tax	
Income tax expense	104,681	4,038		108,719	Plus: Income tax expense	(4)
Net income	\$ 127,763	18,828	-	146,591	Net income	

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BANK OF PANHSIN**Notes to the Financial Statements**

3) Material adjustment to statement of cash flows

Under R.O.C. GAAP, the Bank prepared the statement of cash flows using an indirect method and classified the interest received, dividends received, income tax paid, and interest paid as part of operating cash flows and was not asked to show them as separate items. Following IAS 7 *Statement of Cash Flows* as endorsed by the FSC, however, for the year ended December 31, 2012, the Bank showed them as separate items under operating cash flows, and the amounts were as follows: interest received amounted to \$3,142,787; interest paid amounted to \$1,297,344; dividends received amounted to \$98,005; and income tax paid amounted to \$14,754.

Except for those stated above, the consolidated statement of cash flows prepared in accordance with the IFRSs accepted by the FSC and with R.O.C. GAAP had no significant differences.

4) Reconciliation note

1. Preferential interest rate for retired employees

As of December 31 and January 1, 2012, the Bank applied an actuarial valuation to preferential interest on retired employees' deposits in conformity with IFRS 19 and the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, effective from year 2013, which resulted in increments in provisions for employees amounting to \$24,968 and \$22,163, respectively, and increments in employee benefit expenses amounting to \$24,968 and \$22,163, respectively. The effect on the statement of comprehensive income for 2012 was an increase in pension cost of \$2,805.

According to IFRS 19 endorsed by the FSC, if the Bank's preferential deposit rate stated in the employment contract exceeds the market interest rate, the Bank should reclassify the interest expense for employees' deposits to employee benefit expenses. The reclassification resulted in an increase of \$49,852 in employee benefit expenses and a decrease of \$49,852 in interest expense for the year ended December 31, 2012.

2. Adjustments to pension actuarial gains and losses and pension obligations

Following the instructions related to defined benefit plans in IAS 1, the Bank chose to apply the exemption therein. Pension expense under the defined benefit pension plan is determined on the basis of actuarial calculations. Unrecognized net transition obligation is amortized over the average remaining service years of employees based on R.O.C. GAAP. The Bank recognized actuarial gains and losses on defined benefit obligations and transitional liability as retained earnings. The Bank also adjusted the related accounts on January 1, 2012, which resulted in a decrease of \$96,899 in accrued pension liability, an increase of \$157,559 in provision, a decrease of \$125,327 in retained earnings, an increase of \$51,999 in other components of equity, and a decrease of \$12,668 in other assets.

The adjusted accounts on December 31, 2012, were a decrease of \$120,374 in accrued pension liability, an increase of \$140,389 in provision, a decrease of \$114,055 in retained earnings, an increase of \$52,622 in other components of equity, a decrease of \$41,418 in other assets, and an increase of \$11,272 in employment benefit expense in the 2012 statement of comprehensive income.

BANK OF PANHSIN**Notes to the Financial Statements****3. Operating leases**

In accordance with IAS 17 endorsed by the FSC, as a lessee, lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term, and as a lessor, lease income from operating leases shall be recognized in income on a straight-line basis over the lease term. The adjusted accounts on December 31 and January 1, 2012, were increases of \$25,447 and \$8,282, respectively, in receivables, increases of \$9,291 and \$7,416, respectively, in payables; and increases of \$16,156 and \$866, respectively, in retained earnings. For the year ended December 31, 2012, there was an increase of \$17,165 in other net non-interest income and an increase of \$1,875 in other general and administrative expenses.

4. Income tax

In accordance with IAS 12 and SIC 21, the Bank reclassified land value increment tax, which was a taxable temporary difference, as deferred tax liabilities. The adjustment was on January 1 and December 31, 2012, which resulted in decreases of \$38,780 and \$37,511, respectively, in other liabilities and increases of \$38,780 and \$37,511, respectively, in deferred tax liabilities.

Following IAS 1 and the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, effective from year 2013, the Bank reclassified tax assets and tax liabilities for the period, and presents deferred tax assets and deferred tax liabilities separately. On December 31 and January 1, 2012, the adjustment affected related accounts, which were as follows: for deferred tax assets for the period, increases of \$68,579 and \$53,825, respectively; for receivables, decreases of \$68,579 and \$53,825, respectively; for both deferred tax assets and deferred tax liabilities, increases of \$79,690.

The employee benefit obligation adjustments mentioned in notes (1) and (2), and operating leases in note (3) had income tax effects. On December 31 and January 1, 2012, the effects on related accounts were as follows: for deferred tax assets, there were increases of \$23,634 and \$25,037, respectively; increases of \$2,747 and \$148, respectively, in deferred tax liabilities; and increases of \$20,887 and \$24,925, respectively in retained earnings. In addition, there was an increase of \$4,038 in income tax expense on the statement of comprehensive income.

5. Property and equipment

The Bank adopted the exemption under IAS 1 related to property, plant and equipment. Land revaluation increment was reclassified as retained earnings under R.O.C. GAAP, and the adjustment on December 31 and January 1, 2012, resulted in a decrease of \$114,308 in other components of equity and an increase of \$114,308 in retained earnings. For land revaluation increment mentioned above, there was a reversal of loss on disposal of land, which decreased other non-interest expense by \$891 on the statement of comprehensive income for 2012.

6. Investment properties

Under IAS 40 requirements, the Bank reclassified assets held for rental-earning purposes or for capital appreciation, which had been recognized as other assets, as investment properties. They were adjusted on December 31 and January 1, 2012, which caused decreases of \$2,048,400 and \$156,356, respectively, in other assets and increases of \$2,048,406 and \$156,356, respectively, in investment properties.

BANK OF PANHSIN**Notes to the Financial Statements****7. Regular way purchase or sale of financial instruments**

Based on IAS 39, a regular way purchase or sale of financial assets is recognized and derecognized using either trade-date or settlement-date accounting. The method used is to be applied consistently for all purchases and sales of financial assets that belong to the same category of financial asset as defined in IAS 39. The Bank reclassified financial liabilities from settlement-date accounting to trade-date accounting.

The adjustment caused the financial assets recognized at fair value to increase by \$100,047, the payables to increase by \$150,134, and the receivables to increase by \$50,060.

8. Provisions

In accordance with IAS 1 and the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, effective from year 2013, provisions should be recognized separately, so that other provisions previously recognized under other liability are reclassified to provisions. The adjustment caused a decrease of \$3,938 in other liability on both December 31 and January 1, 2012, and an increase of \$3,938 in provisions on both December 31 and January 1, 2012.

9. Financial instruments

In accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, the Bank reclassified the interest on financial assets at fair value as financial assets at fair value through profit or loss. The adjustment in 2012 caused a decrease of \$7,043 in interest income and an increase of \$7,043 in financial assets at fair value through profit or loss.

10. Refundable deposits, operating guarantee deposits, and settlement fund

Under the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, effective from 2013, the Bank reclassified the operating guarantee deposits and settlement fund as other assets. The adjustments on December 31 and January 1, 2012, increased other assets by \$80,068 and \$286,346, respectively, and decreased other financial assets by \$80,068 and \$286,346, respectively.

11. Other deferred expenses

Other deferred expenses were building improvement and other equipment. These other deferred expenses, which had belonged to other assets, were reclassified as property, plant and equipment. The adjustment on December 31 and January 1, 2012, resulted in a decrease of \$41,956 and \$48,732, respectively, in other assets and an increase of \$41,956 and \$48,732, respectively, in property, plant and equipment.

12. Prepayment for equipment

The purpose of prepayment for equipment was to purchase equipment and software, so the Bank reclassified the prepayment, which had been under property, plant and equipment, as other assets. The adjustment on December 31 and January 1, 2012, decreased the property, plant and equipment account by \$17,468 and \$23,190, respectively. In addition, it increased the other assets account by \$17,468 and \$23,190, respectively.