



板信商業銀行
BANK OF PANHSIN

2012 Annual Report

Bank of Panhsin Head Office

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Tel: (02) 2962-9170

Website: www.bop.com.tw

Spokesman

Name: Fu-Chai Teng

Title: SEVP

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Deputy Spokesman

Name: Chi-Hsun Chang

Title: EVP & General Manager

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Stock Registration Office

Name: Bank of Panhsin, General Affair Department

Address: 9F., No. 330, Zhongzheng Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)

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Credit Rating Services Organization

Taiwan Ratings Corporation

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

Tel: (02) 8722-5800

Website: 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

Website: www.kpmg.com.tw

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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).

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 、Date of Incorporation

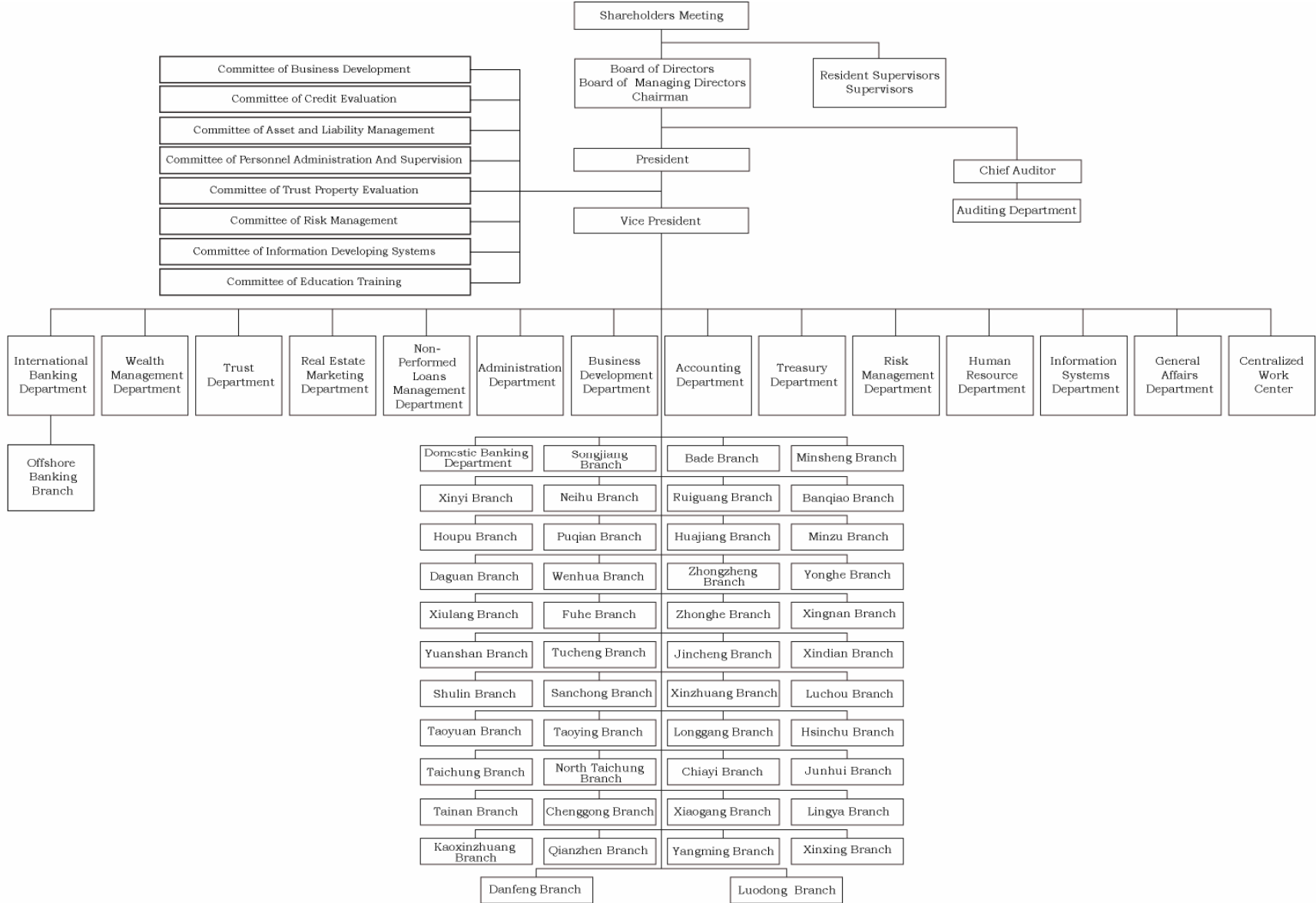
Panchiao Credit Cooperative (PCC) was founded on April 25, 1957, then transformed into a commercial bank and renamed Bank of Panhsin (BOP) on September 30, 1997.

II 、Credit Rating

Rating Agency	Date	Long-Term	Short-Term	Outlook
Taiwan Ratings Co.	Oct. 29, 2012	tw BBB-	twA-3	Stable

Corporate Governance
I、Organization Chart

As of Dec.31,2012



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

(I)Directors and Supervisors

As of Dec.31,2012

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	65,772,606	6.88	78,542,397	8.22	Chihlee College of Business/ Chairman of PCC	Chairman of BOP/ Supervisor of San Light Construction Co.,Ltd./ Supervisor of Shan Hui Construction Co.,Ltd./ Supervisor of Yuan Chi Investment Co.,Ltd./ Chairman of BOP Charity Foundation/ Director 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./ Supervisor of Chi Fa Construction 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		Jun.20,2006	8,383,837	0.88	8,383,837	0.88	615,321	0.06	Tamkang University/ EVP of 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 of BOP Charity Foundation
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./ Chairman 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	7,182,567	0.75	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 Yi Gang Construction Co.,Ltd./ Supervisor of Yong Zhen Construction Co.,Ltd./ Charge in Gi Tong Lin Corporate Social/ Charge in Gi Ping Mi Yuan/ Charge in Haocaitou Construction Site
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	Charge in Sheng- Hong Shao Co.
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	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	Bai-Yuan Investment Co.,Ltd. (An-Hsiung Chen)	Jul.01,2012	3	Jun.23,2009	24,000,000	2.51	24,000,000	2.51	-	-	National Chengchi University/ President of Taiwan Cooperative 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	Independent Director of E-Ton Solar Technology Co., Ltd./ Chairman of Chih-Jen Science and Technology Development Co.,Ltd./ Director of Natural Beauty Biological Technology Co.,Ltd./ Chairman of Powerchip Technology Co.,Ltd. Chairman of Hann Star Board Co.,Ltd./ Chairman of Asia Cement Co.,Ltd./ Chairman of PowerGate Optical Co.,Ltd./ Independent Director of CPC Co.,Ltd./ Managing Director of Formosa Chemicals & Fibre Co.,Ltd./ Chairman of Sinocon Industrial Standards Foundation
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./ Director of BOP Charity Foundation
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
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	Director of BOP Charity Foundation

Note: Name in brackets means Representative.

(II) President, Vice Presidents and Major Managers

As of Mar. 31, 2013

Position	Name	Date Appointed	Shares Held		Shares Held by Spouse & Minor Children		Major Education
			Shares	%	Shares	%	
President	An-Hsiung Chen	Sept.01,2008	50,000	0.01	-	-	International Trade Dept., National Chengchi University
SEVP	Jia-Nan Fang	Sept.21,2006	17,343,424	1.81	9,110,400	0.95	Economic Dept., Soochow University
SEVP	Fu-Chai Teng	Feb.10,2010	129,858	0.01	-	-	Business Administration Dept., National Chung Hsing University
Chief Auditor	Rong-Kun Jhangjian	Feb.10,2010	47,278	-	-	-	Banking Dept., National Chengchi 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 Real Estate Marketing Dept.	Li-Chin Wei	Jan.21,2013	20,752	-	3,254	-	Business Administration Dept., Chihlee College of Business
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	-	52,720	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	5,639	-	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
SVP & 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	241,888	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
SVP & GM of Tucheng Branch	Wen-Chung Lai	Jan.21,2013	60,812	0.01	-	-	Banking & Insurance Dept., Tatung College of Business
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 Daguan 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 Xinzhuang Branch	Shu-Min Liu	Jan.24,2011	17,000	-	-	-	Application Commercial Science Dept., Open Business Bollege Affiliated With NTCB
AVP & GM of Xiulang Branch	Hsing-Yi Tsao	Jan.19,2012	19,460	-	5,993	-	Master of Economics Dept., Chinese Culture University
VP & GM of Sanchong Branch	Jhao-Mao Kao	Jul.25,2011	17,352	-	-	-	Cooperative Economics Dept., National Chung Hsing University
VP & 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
AVP & GM of Jincheng Branch	Jui-Tien Chen	Jan.21,2013	33,035	-	-	-	Industrial Management Dept., National Taipei Institute of Technology
VP & 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
AVP & 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 Fuhe Branch	Kai-Ming Wu	Nov.26,2008	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	Xian-Cong Cheng	Jan.24,2011	8,000	-	-	-	Math Dept., Chung Yuan Christian 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 Neihu 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
VP & GM of Hsinchu Branch	Shih-Ming Lin	Jan.21,2013	21,040	-	-	-	Business Dept., YPU
SVP & GM of Taichung Branch	Yong-Lun Lee	Apr.01,2008	47,113	-	-	-	Business Administration Dept., Taichung College of Business
AVP & GM of North Taichung Branch	Tsung-Hsin Li	Jul.23,2012	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
VP & GM of Lingya Branch	Shou-Yao Chen	Jan.21,2013	63,282	0.01	-	-	Banking & Insurance Dept., China Institute of Technology
SVP & GM of Xiaogang Branch	Chia-Ching Chang	Jan.21,2013	-	-	-	-	Business Administration Dept., Tunghai University
VP & GM of Xinxing Branch	Ming-Kung Tsai	Aug.03,2011	-	-	-	-	Master of Graduate Institute of Business, Chaoyang University of Technology
AVP & 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 Kaoxinzhuang 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) Change in Shareholdings of Directors, Supervisors and Managers and Principal Shareholders

As of Mar. 31, 2013

Title	Name	Mar.31,2013		2012	
		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	-	2,000,000 (2,000,000)	-	2,850,000 (2,850,000)
Director	Lin-Long Chien	-	-	41,000	-
Director	Lai-Wei Liu	-	-	-	(5,229,611)
Representative of Corporate Director (Substantial shareholders)	Mei-Yun Liao	-	4,000,000 (4,000,000)	9,000,000	20,100,000 (20,000,000)
Representative of Corporate Supervisor	Hsien-Tse Chiu	(30,000)	-	-	-
Director	San Light Construction Co.,Ltd	-	-	3,000,000	3,000,000
Supervisor (Substantial shareholders)	Yuan-Chi Investment Co.,Ltd.	-	-	(14,215,000)	200,000
Director (Substantial shareholders)	Bai-Yuan Investment Co.,Ltd.	-	-	(14,600,000)	-
Supervisor (Substantial shareholders)	Fu-Jing Investment Co.,Ltd.	-	-	(13,000,000)	10,000,000
Supervisor	Shang-Che Chen	-	-	88,087	-
Representative of Corporate Supervisor	Teng-Chun Chen	-	-	(488,087)	-
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	-	14,215,000 (14,215,000)	26,815,000	12,600,000
	Yuan-Mao Construction Co.,Ltd	-	14,000,000 (14,000,000)	4,000,000	4,000,000
S.E.V.P (Substantial shareholders)	Jia-Nan Fang	-	5,800,000 (5,800,000)	-	11,500,000 (11,500,000)
V.P.& GM	Chun-Lian Lin	-	-	77,000	-
SVP & GM	Lai-Wong Lin	10,000	-	-	-
SVP & GM	Hsin-Mao Huang	648	-	-	-

(II) Transfer in Shareholdings

As of Mar. 31, 2013

Name	Reason for Transferring	Transaction Date	Transaction Party	Shares	Trading Price (Dollar)
Mei-Yun Liao	Acquire	Apr.17,2012	Fu-Jing Investment Co.,Ltd.	9,000,000	8.50
Fu-Jing Investment Co.,Ltd.	Prosecuted	Apr.17,2012	Mei-Yun Liao	9,000,000	8.50
Fu-Jing Investment Co.,Ltd.	Prosecuted	Apr.17,2012	Yuan-Mao Construction Co.,Ltd.	4,000,000	8.50
Yuan-Chi Investment Co.,Ltd.	Prosecuted	Apr.18,2012	Shan-Hui Construction Co.,Ltd.	14,215,000	8.50
Bai-Yuan Investment Co.,Ltd.	Prosecuted	Apr.19,2012	Shan-Hui Construction Co.,Ltd.	12,600,000	8.50
Bai-Yuan Investment Co.,Ltd.	Prosecuted	Apr.19,2012	Hsin-Hui Construction Co.,Ltd.	1,000,000	8.50
Bai-Yuan Investment Co.,Ltd.	Prosecuted	Apr.19,2012	Cheng-Hui Construction Co.,Ltd.	1,000,000	8.50
Lin-Long Chien	Acquire	Aug.29,2012	Li-Ssu Chao	41,000	6.00
Hsien-Tse Chiu	Prosecuted	Jan.28,2013	Ching-Yu Tung	30,000	6.80
Teng-Chun Chen	Prosecuted	Jul.19,2012	Wan-Ling Chang	100,000	7.00
Teng-Chun Chen	Prosecuted	Jul.24,2012	Pei-Yu Shen	100,000	7.00
Teng-Chun Chen	Prosecuted	Jul.24,2012	Pei-Chen Chen	100,000	7.00
Teng-Chun Chen	Prosecuted	Sep.21,2012	Shang-Che Chen	50,000	7.00
Teng-Chun Chen	Prosecuted	Sep.21,2012	Yen-Hsing Yu	100,000	7.00
Teng-Chun Chen	Prosecuted	Nov.07,2012	Shang-Che Chen	38,087	7.00
Shang-Che Chen	Acquire	Sep.21,2012	Teng-Chun Chen	50,000	7.00
Shang-Che Chen	Acquire	Nov.07,2012	Teng-Chun Chen	38,087	7.00
Shan-Hui Construction Co.,Ltd.	Acquire	Apr.18,2012	Yuan-Chi Investment Co.,Ltd.	14,215,000	8.50
Shan-Hui Construction Co.,Ltd.	Acquire	Apr.19,2012	Bai-Yuan Investment Co.,Ltd.	12,600,000	8.50
Yuan-Mao Construction Co.,Ltd.	Acquire	Apr.17,2012	Fu-Jing Investment Co.,Ltd.	4,000,000	8.50
Chun-Lian Lin	Acquire	Jul.12,2012	Tzu-Hui Lin	47,000	2.00
Chun-Lian Lin	Acquire	Oct.02,2012	Tzu-Hui Lin	30,000	3.50
Lai-Wong Lin	Acquire	Jan.31,2013	Chih-Wen Huang	10,000	6.00
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

(III) Pledge in Shareholdings

As of Mar. 31, 2013

Name	Reason for Pledging	Changing Date	Transaction Party	Shares
Ping-Hui Liu	Pledge	Aug.28,2012	Mega Bills Finance	2,850,000
Ping-Hui Liu	Redeem	Aug.28,2012	En Tie Bank	2,850,000
Ping-Hui Liu	Pledge	Mar.22,2013	Mega Bills Finance	2,000,000
Ping-Hui Liu	Redeem	Mar.21,2013	Chinatrust Commerical Bank	2,000,000
Mei-Yun Liao	Pledge	Aug.22,2012	Union Bank of Taiwan	100,000
Mei-Yun Liao	Pledge	Aug.22,2012	Mega Bills Finance	10,000,000
Mei-Yun Liao	Pledge	Dec.22,2012	Taichung Bank Leasing	10,000,000
Mei-Yun Liao	Redeem	Aug.22,2012	En Tie Bank	10,000,000
Mei-Yun Liao	Redeem	Dec.22,2012	Chinatrust Bank	9,000,000
Mei-Yun Liao	Redeem	Dec.22,2012	Chinatrust Bank	1,000,000
Mei-Yun Liao	Pledge	Mar.22,2013	Mega Bills Finance	4,000,000
Mei-Yun Liao	Redeem	Mar.21,2013	Chinatrust Bank	4,000,000
Lai-Wei Liu	Redeem	Apr.20,2012	TC Bank	5,229,611
San Light Construction Co.,Ltd.	Pledge	Aug.28,2012	Mega Bills Finance	3,000,000
Yuan-Chi Investment Co.,Ltd.	Pledge	Dec.22,2012	TC Bank	200,000
Fu-Jing Investment Co.,Ltd.	Pledge	Dec.22,2012	TC Bank	10,000,000
Jia-Nan Fang	Pledge	Dec.03,2012	Sino Pac Bank	11,500,000
Jia-Nan Fang	Redeem	Dec.03,2012	En Tie Bank	500,000
Jia-Nan Fang	Redeem	Dec.03,2012	En Tie Bank	11,000,000
Jia-Nan Fang	Pledge	Jan.09,2013	King's Town Bank	5,800,000
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
Shan-Hui Construction Co.,Ltd	Pledge	Apr.19,2012	Yuanta Bank	12,600,000
Shan-Hui Construction Co.,Ltd	Pledge	Jan.01,2013	King's Town Bank	14,215,000
Shan-Hui Construction Co.,Ltd	Redeem	Jan.01,2013	En Tie Bank	14,215,000
Yuan-Mao Construction Co.,Ltd.	Pledge	Apr.17,2012	Chinatrust Bank	4,000,000
Yuan-Mao Construction Co.,Ltd.	Pledge	Mar.22,2012	Mega Bills Finance	14,000,000
Yuan-Mao Construction Co.,Ltd.	Redeem	Mar.21,2012	Chinatrust Bank	10,000,000
Yuan-Mao Construction Co.,Ltd.	Redeem	Mar.21,2012	Chinatrust Bank	4,000,000

IV 、Information on the Inter-Relations of the Bank's Top 10 Shareholders

As of Dec. 31, 2012

Name	Shares Held		Shares Held by Spouse & Minor Children		Inter-Relations	
	Shares	%	Shares	%	Name	Relation
Mei-Yun Liao	78,542,397	8.22	65,772,606	6.88	Yuan-Chi Investment Co.,Ltd. Shan-Hui Construction Co.,Ltd Ping-Hui Liu	Chairman Chairman Spouse
Ping-Hui Liu	65,772,606	6.88	78,542,397	8.22	Yuan- Chi Investment Co.,Ltd. Shan Hui Construction Co.,Ltd Mei-Yun Liao	Director Supervisor Spouse
Shan-Hui Construction Co.,Ltd (Mei-Yun Liao)	26,815,000 78,542,397	2.81 8.22	- 65,772,606	- 6.88	- -	- -
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 78,542,397	2.11 8.22	- 65,772,606	- 6.88	Mei-Yun Liao Ping-Hui Liu	Chairman Director
Jia-Nan Fang	17,343,424	1.81	9,110,400	0.95	-	-
Yuan-Mao Construction Co.,Ltd. (Chun-E Lin)	14,010,500 -	1.47 -	- 43,311	- -	- -	- -
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	-	-

Note: Name in brackets means Representative.

V、Status on Consolidated Shares Holding

As of Dec. 31, 2012

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	%
Taipei Credit Cooperative	100	27.03	-	-	100	27.03
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.	266,290	0.08	-	-	266,290	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

Note: In accordance with article 74 of Banking Law.

Funding Status

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, 2012

Structure Quantity	Government Institutions	Financial Institutions	Domestic Institutions	Individuals	Foreign Institution & Foreigners	Total
Number of Shareholders	2	-	91	99,153	10	99,256
Number of Shares Held	677,677	-	134,396,549	819,613,397	1,102,377	955,790,000
Ratio of Share Holding(%)	0.07	-	14.06	85.75	0.12	100.00

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

As of Dec. 31, 2012

Shareholding Classifications	Number of Shareholders	Shares	Ratio(%)
1~999	74,088	25,141,782	2.63
1,000~5,000	13,487	39,790,317	4.16
5,001~10,000	2,613	17,256,361	1.81
10,001~15,000	1,994	23,673,886	2.48
15,001~20,000	463	7,948,469	0.83
20,001~ 30,000	3,989	93,403,588	9.77
30,001~ 50,000	751	28,212,723	2.96
50,001~100,000	1,323	81,641,975	8.54
100,001~200,000	242	31,901,762	3.34
200,001~400,000	129	36,504,819	3.82
400,001~600,000	42	20,960,168	2.19
600,001~800,000	44	29,960,251	3.13
800,001~1,000,000	24	21,855,754	2.29
1,000,001~	67	497,538,145	52.06
Total	99,256	955,790,000	100.00

(IV)Major Shareholders

As of Dec. 31, 2012

Major Shareholders	Item	Shares	Ratio (%)
	Mei-Yun Liao	78,542,397	8.22
	Ping-Hui Liu	65,772,606	6.88
	Shan Hui Construction Co.,Ltd.	26,815,000	2.81
	Bai-Yuan Investment Co.,Ltd.	24,000,000	2.51
	Fu-Jing Investment Co.,Ltd.	20,393,872	2.13
	Yuan-Ci Investment Co.,Ltd.	20,210,750	2.11
	Jia-Nan Fang	17,343,424	1.81
	Yun-Mao Construction Co.,Ltd	14,010,500	1.47
	Mao-Li Investment Co.,Ltd.	10,000,000	1.05
	Tung-Yi Lin	9,203,378	0.96

II 、Status on the Issuance of Financial Debenture

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%	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	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+

Business Operation

I. Business Scope

(I) Major Business & Its Relative Weight

1. Deposit

Unit: NT\$ Thousand

Item	2012		2011		Difference	
	Amount	Weight (%)	Amount	Weight (%)	Amount	Growth Rate (%)
Current Deposit	60,074,375	40.98	56,811,882	39.49	3,262,493	5.74
Checking Account	1,675,482	1.14	1,732,782	1.20	(57,300)	(3.31)
Demand Deposit	22,092,059	15.07	20,263,314	14.09	1,828,746	9.02
Demand Saving	36,306,834	24.77	34,815,786	24.20	1,491,047	4.28
Time Deposit	85,395,041	58.26	85,804,989	59.65	(409,948)	(0.48)
Time Deposit	21,965,048	14.98	19,536,050	13.58	2,428,998	12.43
Negotiable Certificates of Deposit	1,168,900	0.80	1,561,200	1.09	(392,300)	(25.13)
Interest-Drawing Saving Deposit	51,660,395	35.24	48,630,976	33.80	3,029,419	6.23
Non-Interest-Drawing Time Saving Deposit	10,488,596	7.16	15,969,894	11.10	(5,481,298)	(34.32)
Installment Saving Deposit	112,102	0.08	106,869	0.07	5,233	4.90
Re-Deposit from Banks & Post Office	1,112,671	0.76	1,241,052	0.86	(128,381)	(10.34)
Total Deposit	146,582,086	100.00	143,857,923	100.00	2,724,163	1.89

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

2. Loan

(1) Consumer Banking (NT Dollars)

Unit: NT\$ Thousand

Item	2012		2011		Difference	
	Amount	Weight (%)	Amount	Weight (%)	Amount	Growth Rate (%)
Secured Overdraft	5,572	0.01	8,108	0.02	(2,536)	(31.28)
Short-Term Loan	516,508	1.11	452,192	0.85	64,316	14.22
Short-Term Secured Loan	4,471,673	9.63	4,357,022	8.21	114,651	2.63
Medium-Term Loan	351,020	0.76	584,981	1.10	(233,962)	(39.99)
Medium-Term Secured Loan	1,005,636	2.17	1,450,552	2.73	(444,916)	(30.67)
Long-Term Loan	718,951	1.55	977,408	1.84	(258,458)	(26.44)
Long-Term Secured Loan	39,358,757	84.77	45,238,091	85.24	(5,879,333)	(13.00)
Total Loan	46,428,116	100.00	53,068,354	100.00	(6,640,238)	(12.51)

Note: Total Loan does not include Foreign Currency Loan.

(2) Corporate Banking (NT Dollars)

Unit: NT\$ Thousand

Item	2012		2011		Difference	
	Amount	Weight (%)	Amount	Weight (%)	Amount	Growth Rate (%)
Overdraft	0	0.00	0	0.00	0	0.00
Short-Term Loan	8,480,167	19.18	7,520,289	17.28	959,878	12.76
Short-Term Secured Loan	6,029,928	13.64	6,357,227	14.61	(327,298)	(5.15)
Medium-Term Loan	10,708,918	24.23	9,195,803	21.14	1,513,115	16.45
Medium-Term Secured Loan	17,612,839	39.84	18,707,092	43.00	(1,094,253)	(5.85)
Long-Term Loan	223,741	0.51	221,313	0.51	2,428	1.10
Long-Term Secured Loan	1,149,010	2.60	1,506,974	3.46	(357,964)	(23.75)
Total Loan	44,204,603	100.00	43,508,697	100.00	695,906	1.60

Note: Total Loan does not include Foreign Currency Loan.

3. Wealth Management & Trust Business

Unit: NT\$ Thousand

Item	2012		2011		Difference	
	Amount	Weight (%)	Amount	Weight (%)	Amount	Growth Rate (%)
Designated Purpose Trust Fund	114,226	29.70	117,223	40.49	(2,998)	(2.56%)
Real Estate Trust	53,490	13.91	39,468	13.63	14,022	35.53%
Other Trust	11,147	2.90	18,580	6.42	(7,433)	(40.01%)
Subtotal	178,862	46.51	175,271	60.53	3,591	2.05%
Insurance	205,721	53.49	114,270	39.47	91,451	80.03%
Total	384,583	100.00	289,541	100.00	95,042	32.83%

4.NPL Collection & Management

Unit: NT\$ Thousand

Item	2012	2011	Difference	
	Amount	Amount	Amount	Growth Rate (%)
Overdue Loans	1,193,766	1,204,774	(11,008)	(0.91%)

5.Foreign Exchange & International Banking

Unit: US\$ Thousand

Item	2012	2011	Difference	
	Amount	Amount	Amount	Growth Rate (%)
Import	476,679	436,734	39,945	9.15%
Export	267,741	239,228	28,513	11.92%
Outward Remittance	1,555,471	1,379,125	176,346	12.79%
Inward Remittance	1,900,743	1,814,410	86,333	4.76%
Total	4,200,634	3,869,497	331,137	8.56%
Foreign Deposit Outstanding	276,935	247,692	29,243	11.81%
Foreign Loan Outstanding (Including Investment)	236,049	198,999	37,050	18.62%

6.Weight of Major Asset by Type to Total Asset

Unit: NT\$ Thousand

Major Business	2012		2011	
	Amount	Ratio to Total Asset (%)	Amount	Ratio to Total Asset (%)
Total Asset	160,221,486	100.00	158,991,561	100.00
Loan & Advance	97,333,371	60.75	102,164,399	64.26
Due from Central Bank & Placement to Other Banks	37,191,391	23.21	33,427,689	21.02
Bills & Bonds & Security Investments	9,397,947	5.87	5,953,106	3.74
Other	16,298,777	10.17	17,446,367	11.42
Total Liability	152,179,259	94.36	151,123,371	95.05
Deposit & Remittance	145,493,410	90.81	142,643,324	89.72
Deposit by Central Bank & Other Banks	1,112,671	0.07	1,315,248	0.83
Financial Debenture Payable	2,939,000	1.83	4,339,000	2.73
Other	2,634,178	1.65	2,825,799	1.77

7.Weight of Major Income by Type to Total Income

Unit: NT\$ Thousand

Major Business	2012		2011	
	Amount	Ratio to Total Income (%)	Amount	Ratio to Total Income (%)
Net Interest Income	1,853,060	74.34	1,903,951	80.66
Net Fee Income	323,393	12.97	307,979	13.05
Financial Liability at Fair Value through Profit or Loss	108,780	4.36	(7,949)	(0.34)
Realized Gain (Loss) on Available for Sale Financial Asset	39,261	1.58	48,631	2.06
Investment Gain with Equity Method-Net	107,465	4.31	57,704	2.44
Translation Gain-Net	(54,356)	(2.18)	61,116	2.59
Asset Impairment Loss	(6,562)	(0.26)	(23,973)	(1.02)
Other Non-interest Income	121,683	4.88	12,996	0.55
Net Income	2,492,724	100.00	2,360,455	100.00

II. Personnel Information

(I) Employee Information in the Past Two Years

Item		Mar. 31, 2013	2012	2011
Number Of Employee	Employee	1,143	1,156	1,201
	Intern	22	22	28
	Total	1,165	1,178	1,229
Average Age		34.37	38.3	38.30
Average Seniority		5.36	10.9	10.60
Academic Distribution (%)	Master & Above	8.24	8.16	8.14
	College	83.95	84.12	83.97
	Senior High	7.55	7.47	7.64
	Junior High & Below	0.26	0.25	0.25

(II) Status on Employee Training

Year	Educational Expenditure (NT\$ Thousand)	Internal Training		External Training	
		Attendant	Course	Attendant	Course
2012	6,359	4,778	81	989	289
Mar.31, 2013	570	282	5	282	31

Financial Status

I、Abbreviated Balance Sheet & Income Statement in the Past Five Years

(I) Abbreviated Balance Sheet

Unit: NT\$ Thousand

Item	Year	Financial Status in the Past Five Years				
		2012	2011	2010	2009	2008
Cash & Cash Equivalents						
Due from Central Bank & Placement to Other Banks		40,769,917	37,201,661	33,224,545	27,340,747	24,320,737
Financial Assets at Fair Value through Profit or Loss		714,318	1,009,623	690,083	701,332	1,361,684
Bills & Bonds Purchased under Agreements to Resell		1,299,002	-	-	-	-
Available for Sale - Financial Assets		6,671,543	4,225,302	1,331,167	861,418	1,600,309
Loans & Advances		97,333,371	102,164,399	106,313,757	114,033,176	122,014,564
Account Receivables		1,060,452	1,405,561	2,576,311	5,256,115	3,261,247
Held-to-Maturity Financial Assets		713,084	718,181	106,921	-	-
Long-term Investment under Equity Method		178,446	128,582	115,677	86,158	135,798
Fixed Assets(Property & Equipment)		5,858,182	7,971,193	7,507,237	7,093,203	6,912,524
Intangible Assets		1,511,801	1,543,924	1,582,283	1,629,463	1,358,550
Other Financial Assets		142,615	348,893	360,737	700,693	1,443,293
Other Assets		3,968,755	2,274,242	2,274,392	3,222,787	3,203,209
Total Assets		160,221,486	158,991,561	156,083,110	160,925,092	165,611,915
Deposits by Central Bank and Other Banks		1,112,671	1,315,248	1,450,176	3,835,415	5,074,878
Deposits & Remittances		145,493,410	142,643,324	139,340,821	142,004,002	144,287,739
Financial Liabilities at Fair Value through Profit or Loss		6,863	22,647	42,114	55,120	218,288
Bills & Bonds Sold under Agreements to Repurchase		-	-	-	-	325,725
Central Bank and Other Banks Financing, Financial Debentures Payable		2,939,000	4,339,000	3,939,000	3,888,600	4,719,000
Accrued Pension Liabilities		120,374	96,899	101,672	103,393	92,342
Other Liabilities		2,506,941	2,706,253	2,607,383	2,452,559	2,122,014
Total Liability	Before Distribution	152,179,259	151,123,371	147,481,166	152,339,089	156,839,986
	After Distribution	152,179,259	151,123,371	147,481,166	152,339,089	156,839,986
Capital Stock		9,557,900	9,557,900	9,557,900	9,557,900	9,557,900
Legal Reserve		-	-	-	-	-
Retained Earning	Before Distribution	(1,633,057)	(1,760,820)	(926,875)	(929,615)	(767,068)
	After Distribution	(1,633,057)	(1,760,820)	(926,875)	(929,615)	(767,068)
Unrealized Gain(Loss) on Financial Instruments		56,589	8,801	36,717	32,608	45,125
Accumulated Translation Adjustments		-	-	-	-	-
Other Adjustments to Shareholders' Equity		60,795	62,309	(65,798)	(74,890)	(64,028)
Total Shareholders' Equity	Before Distribution	8,042,227	7,868,190	8,601,944	8,586,003	8,771,929
	After Distribution	8,042,227	7,868,190	8,601,944	8,586,003	8,771,929

(II) Abbreviated Income Statement

Unit: NT\$ Thousand

Item	Year	Financial Status in the Past Five Years				
		2012	2011	2010	2009	2008
Net Interest Income		1,853,060	1,903,951	1,856,235	1,177,033	1,935,351
Net Non-interest Income		639,664	456,504	310,820	1,845,187	(1,248)
Bad Debt Expense for Margin Loans		307,766	1,404,338	15,674	1,843,147	801,523
Operating Expense		1,952,514	1,955,795	1,836,361	1,808,610	2,089,736
Income from Continuing Operation before Tax		232,444	(999,678)	315,020	(629,537)	(957,156)
Income from Continuing Operation after Tax		127,763	(833,950)	2,740	(162,547)	(866,022)
Net Income		127,763	(833,950)	2,740	(162,547)	(866,022)
EPS(Loss)		0.13	(0.94)	(0.05)	(0.24)	(1.06)

II · Financial Analysis in the Past Five Years

Unit:NT\$ Thousand

Item	Year	Financial Status in the Past Five Years				
		2012	2011	2010	2009	2008
Operation Capability	Loan to Deposit Ratio(%)	68	73	77	83	86
	NPL Ratio(%)	1.21	1.16	1.68	3.83	4.59
	Interest Expense to Average Deposit Outstanding(%)	0.85	0.79	0.72	1.18	2.08
	Interest Income to Average Loan Outstanding(%)	2.73	2.66	2.49	2.44	3.84
	Total Asset Turnover Ratio(Time)	0.02	0.01	0.01	0.02	0.01
	Average Revenue per Employee	2,116	1,924	1,704	2,357	1,436
	Average Income per Employee	108	(680)	2	(127)	(643)
Profitability	Return on Tier 1 Capital(%)	3	(14)	5	(10)	(14)
	ROA(%)	0.08	(0.53)	0.00	(0.10)	(0.52)
	ROE(%)	1.61	(10.13)	0.03	(2)	(9)
	Net Income Ratio(%)	5.13	(35.33)	0.13	(5)	(45)
	EPS(Dollar)	0.13	(0.94)	(0.05)	(0.24)	(1.06)
Financial Structure	Ratio of Liability to Total Asset	95	95	94	95	95
	Ratio of Fixed Asset to Shareholders' Equity	73	101	87	83	79
Growth Rate	Asset Growth Rate (%)	1	2	(3)	(3)	(3)
	Profit Growth Rate (%)	123	(417)	150	(Note 8)	(242)
Cash Flows	Cash Flow Ratio (%)	39	46	135	(Note 9)	20
	Cash Flow Adequacy Ratio (%)	141	104	92	84	139
	Cash Flow Sufficiency Ratio(%)	(Note 10)	(Note 10)	(Note 9)	(Note 9)	(Note 10)
Liquidity Reserve Ratio(%)		25	22	17	13	12
Related Parties' Secured Lending Outstanding		1,519,923	1,754,535	1,498,259	1,436,666	2,230,613
Related Parties' Secured Lending Outstanding to Total Lending Outstanding(%)		1.50	1.65	1.36	1.17	1.74
Operating Scale	Market Share of Asset(%)	0.34	0.35	0.36	0.39	0.41
	Market Share of Net Worth(%)	0.29	0.30	0.35	0.37	0.41
	Market Share of Deposits(%)	0.45	0.45	0.46	0.49	0.53
	Market Share of Loans(%)	0.46	0.50	0.54	0.63	0.67

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 in the Past Five Years

(I)Parent Company

Unit:NT\$ Thousand

Year			2012	2011	2010	2009	2008
Item							
Equity Capital	Tier 1 Capital	Common Stock	9,557,900	9,557,900	8,557,900	8,557,900	8,557,900
		Perpetual, Non-Cumulative Preferred Stock	-	-	-	-	-
		Non-Matured,Non-Cumulative Subordinated Debenture	-	-	-	-	-
		Capital in Advance	-	-	-	-	-
		Legal Reserve (Excluding Legal Reserve for Fixed Asset Appreciation)	-	-	-	-	-
		Legal Earning Reserve	5	5	-	-	57,103
		Special Earning Reserve	-	-	-	-	29,345
		Cumulative Earning	-	-	-	-	-
		Minor Interests	-	-	-	-	-
		Other Shareholders Equity	(54,797)	(54,763)	(74,502)	(75,933)	(64,363)
		Less: Goodwill	1,316,159	1,316,159	1,316,159	1,316,159	1,316,159
		Less: Loss from Unamortized NPL Sold	-	-	-	-	-
		Less: Capital Deduction Item	961,910	988,055	575,548	788,666	714,168
		Total Tier 1 Capital	7,225,039	7,198,928	6,591,691	6,377,143	6,549,658
	Tier 2 Capital	Perpetual, Cumulative Preferred Stock	-	-	-	-	-
		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	20,457
		Convertible Bond	-	-	-	-	-
		Operation Reserve & Bad Debt Account	-	-	-	-	-
		Long-term Subordinated Debentures	1,811,800	1,439,600	1,827,400	2,015,200	1,928,920
		Non-perpetual Preferred Stock	-	-	-	200,000	400,000
		Sum of(Perpetual, Non-Cumulative Preferred Stock+Non-Mature, Non-Cumulative Subordinated Financial Debenture)Surpassed 15% of Tier 1 Capital	-	-	-	-	-
		Less: Capital Deduction Item	961,910	988,055	575,545	788,668	714,169
		Total Tier 2 Capital	989,751	571,057	1,272,294	1,441,676	1,635,208
	Tier 3 Capital	Short-term Subordinated Debentures	-	-	-	-	-
		Non-Perpetual Preferred Stock	-	-	-	-	-
		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	101,016,756
		Internal Rating-Based Approach	-	-	-	-	-
		Asset Securitization	34,484	331,678	344,985	347,071	291,982
	Operation Risk	Basic Indicator Approach	3,925,400	3,799,288	4,180,063	5,363,938	6,354,825
		Standardized/Alternative Approach	-	-	-	-	-
		Advanced Measurement Approach	-	-	-	-	-
	Market Risk	Standardized Approach	4,174,838	2,493,700	1,901,863	924,825	1,111,138
		Internal Models Approach	-	-	-	-	-
CAR(%)			8.93	8.37	8.57	7.68	7.52
Tier 1 Capital to Risk-Weighted Asset(%)			7.85	7.76	7.19	6.27	6.02
Tier 2 Capital to Risk-Weighted Asset(%)			1.08	0.62	1.39	1.42	1.50
Tier 3 Capital to Risk-Weighted Asset(%)			-	-	-	-	-
Common Stock to Total Asset(%)			5.97	6.01	5.48	5.32	5.17

(II) Consolidated Company

Unit: NT\$ Thousand

Year			2012	2011	2010	2009	2008	
Item								
Equity Capital	Tier 1 Capital	Common Stock	9,557,900	9,557,900	8,557,900	8,557,900	8,557,900	
		Perpetual, Non-Cumulative Preferred Stock	-	-	-	-	-	
		Non-matured, Non-Cumulative Subordinated Debenture	-	-	-	-	-	
		Capital in Advance	-	-	-	-	-	
		Legal Reserve (Excluding Legal Reserve for Fixed Asset Appreciation)	-	-	-	-	-	
		Legal Earning Reserve	-	-	-	-	57,103	
		Special Earning Reserve	5	5	-	-	29,345	
		Cumulative Earning	-	-	-	-	-	
		Minor Interests	-	-	-	-	-	
		Other Shareholders Equity	(54,797)	(54,763)	(74,502)	(75,933)	(64,363)	
		Less: Goodwill	1,316,159	1,316,159	1,316,159	1,316,159	1,316,159	
		Less: Loss from Unamortized NPL Sold	-	-	-	-	-	
		Less: Capital Deduction Item	872,687	923,765	517,709	745,588	646,270	
		Total Tier 1 Capital	7,314,262	7,263,218	6,649,530	6,420,221	6,617,556	
	Tier 2 Capital	Perpetual, Cumulative Preferred Stock	-	-	-	-	-	
		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	20,457	
		Convertible Bond	-	-	-	-	-	
		Operation Reserve & Bad Debt Account	-	-	-	-	-	
		Long-Term Subordinated Debentures	1,811,800	1,439,600	1,827,400	2,015,200	1,928,920	
		Non-Perpetual Preferred Stock	-	-	-	200,000	400,000	
		Sum of (Perpetual, Non-Cumulative Preferred Stock, & Non-mature, Non-Cumulative Subordinated Financial Debenture) Surpassed 15% of Tier 1 Capital	-	-	-	-	-	
		Less: Capital Deduction Item	872,688	923,765	517,708	745,588	646,269	
		Total Tier 2 Capital	1,078,973	635,347	1,330,131	1,484,756	1,703,108	
		Tier 3 Capital	Short-Term Subordinated Debentures	-	-	-	-	-
			Non-Perpetual Preferred Stock	-	-	-	-	-
			Total Tier 3 Capital	-	-	-	-	-
	Equity Capital		8,393,235	7,898,565	7,979,661	7,904,977	8,320,664	
Risk-weighted Asset	Credit Risk	Standardized Approach	83,937,136	86,219,196	85,474,503	95,189,251	100,935,783	
		Internal Rating-Based Approach	-	-	-	-	-	
		Securitization Framework	34,484	331,678	344,985	347,071	291,982	
	Operation Risk	Basic Indicator Approach	3,925,400	3,799,288	4,180,063	5,363,938	6,354,825	
		Standardized/Alternative Approach	-	-	-	-	-	
		Advanced Measurement Approach	-	-	-	-	-	
	Market Risk	Standardized Approach	4,174,838	2,493,700	1,901,863	924,825	1,111,138	
		Internal Model-Based Approach	-	-	-	-	-	
CAR(%)			9.12	8.51	8.68	7.76	7.66	
Tier 1 Capital to Risk-Weighted Asset(%)			7.94	7.82	7.24	6.31	6.09	
Tier 2 Capital to Risk-Weighted Asset(%)			1.17	0.68	1.45	1.46	1.57	
Tier 3 Capital to Risk-Weighted Asset(%)			-	-	-	-	-	
Common Stock to Total Asset(%)			5.97	6.01	5.48	5.32	5.17	

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

Note 2: Calculation Methods:

(1) Equity Capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital

(2) Risk-Weighted Asset = Credit Risk-Weighted Assets + Required Capital for (Operation Risk + Market Risk) × 12.5

(3) Capital Adequacy Ratio = Equity Capital / Total Risk-Weighted Assets

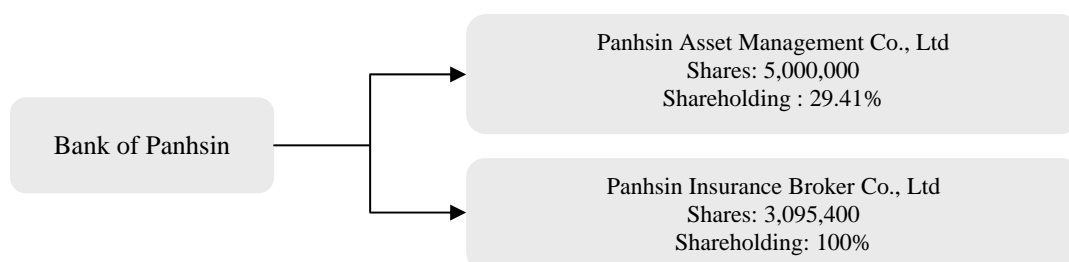
(4) Tier 1 (or 2,3) capital to risk-weighted Asset ratio = Tier 1 (or 2,3) capital / Total risk-weighted assets

(5) Common Stock to Total Asset = Common Stock / Total Assets

Related Information on the Bank's Subsidiaries

I 、Relationship Chart

As of Dec. 31, 2012



II 、Profile of 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 on Directors,Supervisors and President of Subsidiaries

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	Mao-Yang Chu (Representative of BOP)		
	President	Chan-Wu Chao	-	-

IV 、Operation Status of Subsidiaries

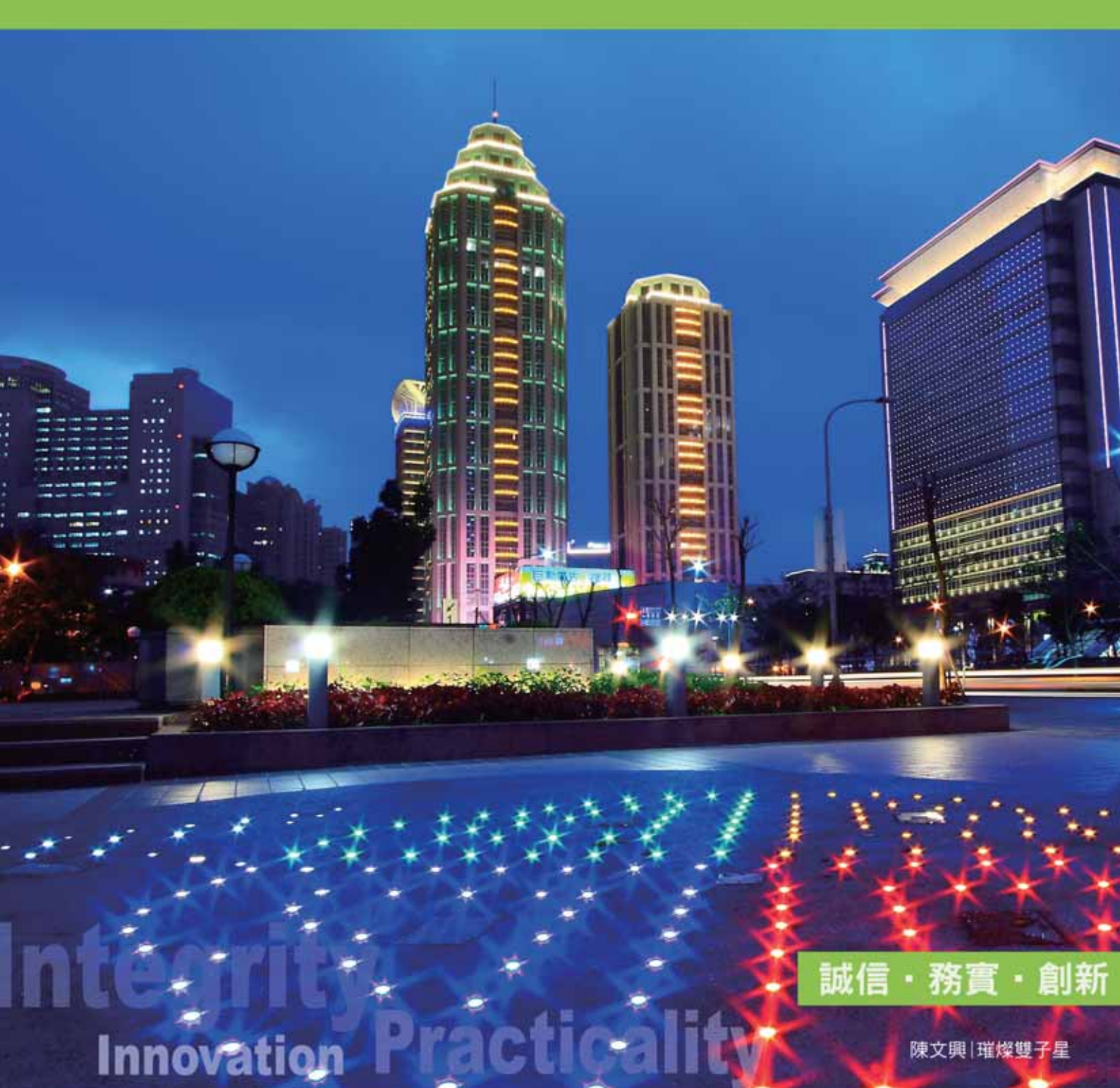
Unit:NT\$ Thousand

Name of Subsidiary	Capital	Total Asset	Total Liability	Equity	Operating Income	Operating Revenue	Current Profit	EPS (Dollar)
Panhsin Asset Management Co.,Ltd	170,000	808,469	787,042	21,427	11,285	(3,785)	(34,497)	(2.03)
Panhsin Insurance Broker Co.,Ltd	30,954	200,837	28,693	172,144	210,354	170,889	117,610	38.00

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.65, Chengdu St., Banqiao Dist., New Taipei City	(02)29629121	(02)29560201
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
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
Fuhe Branch	No.45, Yongzhen Rd., Yonghe Dist., New Taipei City	(02)89211919	(02)89213377

Units	Address	Telephone	Fax
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
Lingya Branch	No.10, Linsen 2nd Rd., Lingya Dist., Kaohsiung City	(07)3337177	(07)3311363
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



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Certified Financial Statement

BANK OF PANHSIN

Financial Statements

December 31, 2012 and 2011
(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 balance sheets of Bank of Panhsin as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. 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 Republic of China 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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, and Republic of China generally accepted accounting principles.

Bank of Panhsin has prepared consolidated financial statements for itself and its subsidiaries as of and for the years ended December 31, 2012 and 2011, on which we have expressed an unqualified opinion.

KPMG

March 20, 2013

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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

Balance Sheets

December 31, 2012 and 2011

(Expressed in thousands of New Taiwan dollars, except for par value)

	2012	2011	Change %		2012	2011	Change %
Assets				Liabilities and Stockholders' Equity			
Cash and cash equivalents (note 4)	\$ 3,578,526	3,773,972	(5)	Deposits by Central Bank and other banks (note 17)	\$ 1,112,671	1,315,248	(15)
Due from Central Bank and placement to other banks (note 5)	37,191,391	33,427,689	11	Financial liabilities at fair value through profit or loss (notes 6 and 24)	6,863	22,647	(70)
Financial assets at fair value through profit or loss, net (notes 6, 24 and 26)	714,318	1,009,623	(29)	Accounts payable	2,362,716	2,510,950	(6)
Bills and bonds purchased under agreements to resell (notes 9 and 24)	1,299,002	-	-	Deposits and remittances (notes 18 and 24)	145,493,410	142,643,324	2
Accounts receivable, net (notes 10, 24 and 25)	1,060,452	1,405,561	(25)	Subordinated financial debentures (notes 19 and 24)	2,939,000	4,339,000	(32)
Loans and advances to customers, net (notes 11 and 25)	97,333,371	102,164,399	(5)	Accrued pension liabilities (note 20)	120,374	96,899	24
Available-for-sale financial assets, net (notes 7 and 24)	6,671,543	4,225,302	58	Other financial liabilities	18,810	28,043	(33)
Held-to-maturity financial assets, net (note 8)	713,084	718,181	(1)	Other liabilities (note 13)	<u>125,415</u>	<u>167,260</u>	(25)
Long-term investments under equity method, net (note 12)	178,446	128,581	39	Total liabilities	<u>152,179,259</u>	<u>151,123,371</u>	1
Other financial assets, net (notes 12, 24 and 25)	142,615	348,893	(59)	Stockholders' Equity (notes 7, 13, 21 and 22):			
Property and equipment, net (notes 13 and 25)	5,858,182	7,971,193	(27)	Share capital:			
Goodwill and intangible assets (note 14)	1,511,801	1,543,924	(2)	Common stock of \$10 par value per share; authorized 1,500,000 thousand shares and issued 955,790 thousand shares in 2011 and 2010	<u>9,557,900</u>	<u>9,557,900</u>	-
Other assets:				Retained earnings:			
Other assets (notes 15 and 16)	3,023,143	1,223,950	147	Special reserve	5	5	-
Deferred income tax assets (note 21)	<u>945,612</u>	<u>1,050,293</u>	(10)	Accumulated deficits	<u>(1,633,062)</u>	<u>(1,760,825)</u>	7
	3,968,755	2,274,243	75		<u>(1,633,057)</u>	<u>(1,760,820)</u>	7
				Other adjustments to stockholders' equity:			
				Unrealized revaluation increment	113,417	114,308	(1)
				Unrealized gain on available-for-sale	56,589	8,801	543
				Net loss from unrecognized pension cost	<u>(52,622)</u>	<u>(51,999)</u>	(1)
					<u>117,384</u>	<u>71,110</u>	65
				Total stockholders' equity	8,042,227	7,868,190	2
				Commitments and contingencies (notes 14, 21, 23 and 26)			
Total Assets	<u><u>\$ 160,221,486</u></u>	<u><u>158,991,561</u></u>	1	Total Liabilities and Stockholders' Equity	<u><u>\$ 160,221,486</u></u>	<u><u>158,991,561</u></u>	1

See accompanying notes to financial statements.

Bank of Panhsin

Statements of Income

For the years ended December 31, 2012 and 2011

(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2012	2011	Change %
Interest income (notes 6 and 25)	\$ 3,162,927	3,141,001	1
Less: Interest expense (note 25)	<u>1,309,867</u>	<u>1,237,050</u>	6
Net interest income	1,853,060	1,903,951	(3)
Non-interest income:			
Fees and commission income, net	323,393	307,979	5
Gain (loss) on financial instruments at fair value through profit or loss (notes 6 and 24)	108,780	(7,949)	1,468
Realized gain on available-for-sale financial assets (note 7)	39,261	48,631	(19)
Investment income under the equity method, net	107,465	57,704	86
Foreign exchange gain (loss), net	(54,356)	61,116	(189)
Asset impairment loss (note 16)	(6,562)	(23,973)	73
Other non-interest income, net (notes 15, 16, and 30)	<u>121,683</u>	<u>12,996</u>	836
Net revenue	<u>2,492,724</u>	<u>2,360,455</u>	6
Bad debt expenses (note 11)	<u>307,766</u>	<u>1,404,338</u>	(78)
Operating expenses:			
Personnel costs (notes 20 and 30)	1,118,217	1,043,302	7
Depreciation and amortization (note 13)	150,180	138,938	8
Other general and administrative expenses (note 24)	<u>684,117</u>	<u>773,555</u>	(12)
	<u>1,952,514</u>	<u>1,955,795</u>	-
Gain (loss) from continuing operations before income tax	232,444	(999,678)	123
Income tax expense (benefit) (note 21)	<u>104,681</u>	<u>(165,728)</u>	163
Net income (loss)	<u>\$ 127,763</u>	<u>(833,950)</u>	115

	Before tax	After tax	Before tax	After tax
Basic earnings per share (note 22)	<u>\$ 0.24</u>	<u>0.13</u>	<u>(1.12)</u>	<u>(0.94)</u>

See accompanying notes to financial statements.

Bank of Panhsin

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	Share capital		Retained earnings		Other adjustments			
	Common stock	Preferred stock	Special reserve	Unappropriated earnings (accumulated deficits)	Unrealized revaluation increment	Unrealized gain (loss) on available-for-sale financial assets	Net loss from unrecognized pension cost	Total
Balance at January 1, 2011	\$ 8,557,900	1,000,000	-	(926,875)	-	36,717	(65,798)	8,601,944
Proceeds from new issue (note 22)	1,000,000	-	-	-	-	-	-	1,000,000
Redemption of special shares (note 22)	-	(1,000,000)	-	-	-	-	-	(1,000,000)
Net loss for 2011	-	-	-	(833,950)	-	-	-	(833,950)
Change in unrealized revaluation increment (note 13)	-	-	-	-	114,308	-	-	114,308
Reversal of unrealized gain on available-for-sale financial assets (note 7)	-	-	-	-	-	(27,916)	-	(27,916)
Transaction loss reserve transferred into special reserve	-	-	5	-	-	-	-	5
Net loss from unrecognized pension cost	-	-	-	-	-	-	13,799	13,799
Balance at December 31, 2011	9,557,900	-	5	(1,760,825)	114,308	8,801	(51,999)	7,868,190
Net loss for 2012	-	-	-	127,763	-	-	-	127,763
Change in unrealized revaluation increment (note 13)	-	-	-	-	(891)	-	-	(891)
Recognition of unrealized gain on available-for-sale financial assets (note 7)	-	-	-	-	-	47,788	-	47,788
Net loss from unrecognized pension cost	-	-	-	-	-	-	(623)	(623)
Balance at December 31, 2012	<u><u>\$ 9,557,900</u></u>	<u><u>-</u></u>	<u><u>5</u></u>	<u><u>(1,633,062)</u></u>	<u><u>113,417</u></u>	<u><u>56,589</u></u>	<u><u>(52,622)</u></u>	<u><u>8,042,227</u></u>

See accompanying notes to financial statements.

Bank of Panhsin

Statements of Cash Flows

For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flow from operating activities:		
Net income (loss)	\$ 127,763	(833,950)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	92,813	71,469
Amortization	69,586	68,326
Bad debt expenses	307,766	1,404,338
Gain on sale of available-for-sale financial assets, net	(39,261)	(48,631)
Amortization of bonds premium	5,097	4,972
Gain on disposal of foreclosed assets	(2,361)	15,988
Investment income under the equity method	(107,465)	(57,704)
Cash dividends from investees under the equity method	57,600	44,800
Gain on disposal of property and equipment, net	(56,728)	(4,273)
Gain on disposal of leasing property and equipment	(590)	-
Prepayments for equipment changed into expense	824	79
Impairment loss on foreclosed assets	6,562	23,973
Decrease (increase) in deferred income tax assets	104,681	(169,151)
Decrease (increase) in financial assets at fair value through profit or loss	295,305	(319,540)
Decrease (increase) in accounts receivable, net	37,343	953,332
Decrease (increase) in other financial assets, net	206,278	11,844
Decrease in financial liabilities at fair value through profit or loss	(15,784)	(19,467)
Increase (decrease) in accounts payable and other liabilities	(148,234)	46,982
Increase (decrease) in accrued pension liabilities	(5,898)	3,601
Net cash provided by operating activities	<u>935,297</u>	<u>1,196,988</u>
Cash flow from investing activities:		
Acquisition of available-for-sale financial assets	(3,064,978)	(3,723,086)
Proceeds from disposal of available-for-sale financial assets	705,786	849,666
Acquisition of held-to-maturity financial assets	-	(616,232)
Acquisition of property and equipment	(373,904)	(419,223)
Proceeds from disposal of property and equipment	475,345	64,251
Proceeds from disposal of foreclosed assets	103,718	86,290
Proceeds from disposal of leasing assets	61,979	-
Increase in due from Central Bank and placement to other banks	(3,763,702)	(3,050,252)
Decrease in loans and advances to customers	4,831,028	2,962,455
Increase in bills and bonds purchased under agreements to resell	(1,299,002)	-
Increase in other assets	(3,444)	(27,634)
Net cash used in investing activities	<u>(2,327,174)</u>	<u>(3,873,765)</u>
Cash flow from financing activities:		
Issuance of subordinated financial debentures	800,000	400,000
Decrease in subordinated financial debentures	(2,200,000)	-
Increase (decrease) in other financial liabilities	(9,233)	3,237
Increase (decrease) in other liabilities	(41,845)	32,829
Issuance of common stock	-	1,000,000
Redemption of Preferred Stock	-	(1,000,000)
Decrease in deposits by Central Bank and other banks	(202,577)	(134,928)
Increase in deposits and remittances	2,850,086	3,302,503
Net cash provided by financing activities	<u>1,196,431</u>	<u>3,603,641</u>
Net increase (decrease) in cash and cash equivalents	(195,446)	926,864
Cash and cash equivalents at beginning of year	<u>3,773,972</u>	<u>2,847,108</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,578,526</u></u>	<u><u>3,773,972</u></u>
Supplementary disclosure of cash flow:		
Cash payments of interest	<u><u>\$ 1,347,196</u></u>	<u><u>1,210,733</u></u>
Cash payments of income tax	<u><u>\$ 31,238</u></u>	<u><u>21,152</u></u>

See accompanying notes to financial statements.

BANK OF PANHSIN

Notes to Financial Statements

December 31, 2012 and 2011

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

(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.

As of December 31, 2012 and 2011, the number of the Bank's employees was 1,178 and 1,228, respectively.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****(2) Summary of Significant Accounting Policies**

The financial statements of the Bank are presented in the local currency and in Chinese. These financial statements have been translated into English. The translated information is consistent with the Chinese version of the Bank's financial statements from which it is derived.

The 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 financial statements, the Chinese version shall prevail.

The financial statements of the Bank are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and ROC generally accepted accounting principles. The financial statements are prepared primarily on a historical cost basis except as otherwise specified in the following accounting policies. The preparation of financial statements in conformity with related regulations requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Actual results could differ from these estimates. A summary of significant accounting policies and the measurement basis used in preparing the financial statements is as follows:

1) Basis of preparation

The financial statements include the accounts of the head office, branches and offshore banking unit. All intra-office balances and transactions have been eliminated in the preparation of the financial statements.

The Bank, for internal management purposes, should maintain separate accounts and prepare separate sets of financial statements for the entrusted funds managed by the Bank. All the entrusted assets are booked to a memo account.

2) Foreign currency transactions

Except for accounts in its Offshore Banking Unit that are maintained in US dollars, accounts in all other departments are maintained in New Taiwan dollars. For those transactions denominated in foreign currencies, assets and liabilities are recorded in their original foreign currencies, and all income and expense accounts denominated in original foreign currencies are translated into New Taiwan dollars at daily closing exchange rates. At the balance sheet date, the financial statement amounts in all foreign currencies are translated into New Taiwan dollars at exchange rates assigned on that date. Differences from translation are recorded as gains or losses for the current period.

3) Cash and cash equivalents

The Bank considers cash and due from banks as cash and cash equivalents.

4) Financial instruments at fair value through profit or loss

The Bank accounts for financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement".

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

Financial assets whose changes in fair value are recognized in profit or loss include debt securities, beneficiary certificates, equity shares and derivative instruments held or issued by the Bank. These financial assets can be classified into two subcategories: financial assets held for trading purposes and financial assets designated at fair value. Financial assets held for trading purposes are acquired or held principally for the purpose of selling or repurchasing them in the near term.

The Bank recognizes the purchases or sales of stocks, funds and beneficiary certificates using trade-date accounting and of other financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.

Financial instruments with fair value changes recognized in profit or loss should be measured at fair value. The fair value of an asset is the amount at which the asset could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value. The fair value of listed or OTC stocks is the market closing price of the last transaction day. The market price of open-end funds is the net asset value on balance sheet date. The fair value of local bonds is represented by the OTC's quoted market price of the last transaction day of the bonds. However if a quoted market price is not available, fair value should be estimated using the information available in the circumstances or estimated using pricing models. Estimation of fair value is usually based on recent trading prices of such financial instruments and supplemented by related valuation techniques available.

The realized and unrealized gain or loss on financial instruments at fair value through profit or loss whose changes in fair value are recognized in the income statement. Interest income (expense) and cash dividends received during the holding period are recorded under the accounts of "interest income (expense)" and "gain (loss) on financial instruments at fair value through profit or loss", respectively. Cash dividends are recognized as income on the ex-dividend date or when the board approves the cash dividends. Stock dividends are not recognized as income but treated as increases in the number of shares held.

5) Available-for-sale financial assets

The Bank adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement". Except for stocks, funds, and beneficiary certificates which use transaction-date accounting, the Bank recognizes the purchase or sale of the financial assets by using settlement-date accounting. These financial instruments are initially recognized at fair value, and the amount recognized includes acquisition or issuance cost.

Available-for-sale financial assets are subsequently remeasured at fair value, and the changes therein are recognized in the shareholders' equity adjustment account. Fair value is based on the quoted market price or estimated amount if the quoted market price is not available. Interest income and cash dividends are recorded under "interest income" and "realized gain on available-for-sale financial assets", respectively. Cash dividends are recognized as income on the ex-dividend date or when the board approves the cash dividends. Cash dividends received are deducted from the amount invested in the same year. Stock dividends are not recognized as income but treated as increases in the number of shares held.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

When there is any indication of impairment in the value of available-for-sale financial assets, the impairment loss should be recognized in the income statement. The impairment losses recognized in the income statement on debt instruments classified as available-for-sale are reversed through the income statement if the fair value of such debt instruments increases in a subsequent period. When available-for-sale financial assets are sold, cumulative gains or losses previously recognized in equity are recognized in the income statement.

6) 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.

7) Derivative financial instruments

Derivative financial instruments are foreign exchange forward contracts, currency swaps, interest rate swaps, and options, which are entered into by the Bank in foreign exchange, interest rate, and capital markets. Derivative financial instruments are for trading purposes except those accounted for under hedge accounting. Trading purposes include market creation, customer services, trading and other relevant arbitrage.

Derivative financial instruments held for trading purposes are evaluated at fair value. Changes in fair value are recorded as current period income or loss. Fair value is the amount at which the asset could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value; however, if a quoted market price is not available, fair value should be estimated using the information available in the circumstances or using pricing models. Estimation of fair value is usually based on recent trading prices of similar financial instruments and supplemented by related valuation techniques available.

An embedded derivative financial instrument is split from the host contract and accounted for as a separate derivative if the embedded derivative financial instrument meets the definition specified in the Statements of Financial Accounting Standards. The host contract, depending on whether or not it is a financial instrument, is recognized according to the related Statements of Financial Accounting Standards.

Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

8) Transactions under agreements

Transactions under agreements from financing activities are recorded at acquisition cost. The difference between the cost and the repurchase/resell price is treated as interest expense/revenue and recognized over the term of the agreement.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

9) Loans and receivables

Loans and receivables are recorded at their fair value, and recognized as book cost deducting allowance for valuations.

Credit terms are decided by the term to maturity of loans. The loan period of short term loans is within one year, the loan period of medium term loans is one to seven years, and the loan period of long term loans is more than seven years. Loans with pledged assets are recorded as secured loans.

Principal or interest overdue over three months is categorized as overdue accounts. In addition, when principal or interest has not been paid for over six months, the said principal and interest are transferred to non-performing loans. When this occurs, interest will only be calculated and booked to the memo accounts accordingly.

10) Provision of allowance for doubtful accounts

Under the definition of loans and receivables in SFAS No. 34, objective evidence should be identified first to reveal the occurrence of any impairment. If objective evidence reveals that individually significant financial assets have been impaired, its impairment should be individually assessed. If objective evidence reveals that individual or collective impairment have occurred for financial assets that are not individually significant, its impairment should be collectively assessed. If no objective evidence of impairment exists for an individually assessed financial asset, it should be included in a set of financial assets with similar credit risk characteristics and collectively assessed for impairment. Individually assessed financial assets that have already recognized, or continued to recognize, impairment are not required to be collectively assessed.

If there is objective evidence that impairment loss on financial assets have occurred, the amount of loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. When impairment occurs, the carrying amount of the asset is lowered through the allowance account, and the amount of loss is recognized as bad debt expense in the current period. When calculating the impairment amount, the estimation of future cash flows includes the recoverable amount of collateral and related insurance.

The aforementioned objective evidence includes the following:

1. Significant financial difficulty of the issuer or obligor;
2. A breach of contract, such as a default or delinquency in interest or principal payments;
3. The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
4. It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
5. The disappearance of an active market for the financial asset because of the issuer's financial difficulties;
6. Adverse changes in the payment status of the borrower; and

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

7. Changes in national or regional economic conditions that correlate with the occurrence of defaults on the assets.

Starting July 1, 1999, the Bank has to provide 3% of operating revenue as allowance for bad debt to speed up the write-off of default accounts. This allowance should be provided until the Bank's overdue accounts ratio has dropped to lower than 1%. The aforementioned allowance is recognized under bad-debt expense and allowance for bad debt expense accounts.

Reserves for guarantees are appropriately provided based on "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans".

11) Long-term investments under equity method

Long-term investments are accounted for under the equity method when the percentage of ownership exceeds 20%, or is less than 20% with significant influence over the investee.

When the Bank disposes of long-term investment accounted for under the equity method, the difference between the cost and the selling price at the disposal date is recorded in gain (loss) on disposal of long-term equity investment. If there is any capital surplus arising from long-term investment under the equity method, such capital surplus is transferred to current income or loss by the percentage of disposal.

Investments in which the Bank has controlling interests are consolidated into the Bank's consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 7 (SFAS 7) "Consolidated Financial Statements".

12) Other financial assets

Holdings of unlisted or non-OTC stocks over which the Bank does not have significant influence are classified as financial assets stated at cost. Since the fair value cannot be obtained, these financial assets are measured at cost. If there is any objective evidence of impairment in the value of the financial assets stated at cost, an impairment loss is recognized in the income statement accordingly. This impairment loss cannot be reversed.

Cash dividends from the aforementioned financial assets stated at cost are recorded under "other non-interest income, net". Cash dividends are recognized as income on the ex-dividend date or when the board approves the cash dividends. Cash dividends received are deducted from the amount invested in the same year. Stock dividends are not recognized as income but treated as increases in the number of shares held. In addition, if fair value is available and reliably measurable, the aforementioned financial assets should be evaluated by using fair value and reclassified as "available-for-sale financial assets".

Other investments are originally held for strategic investments in cooperatives and credit unions. On disposition, paid-in capital is to be refunded, and gain or loss is recognized when it occurs. The profits on investments are based on the cost and recorded under non-interest income, net. Distributed earnings are recorded as gains on investment.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

13) Property and equipment, and related depreciation

Property and equipment are stated at acquisition cost. Interest expense on the acquisition of assets is capitalized and classified under appropriate categories of property and equipment. Major renewals and betterments of property and equipment are capitalized, while maintenance and repairs are expensed.

Apart from land, depreciation is calculated on a straight line basis over the estimated useful lives of the respective assets. In addition, the salvage value is amortized over the estimated remaining useful life of an asset. Gains or losses on the disposal of property and equipment are recorded as non operating income or loss.

The Bank adopted Accounting Research and Development Foundation Interpretation (97) Ji-Mi-Zih 340. In accordance with the interpretation, asset useful life, depreciation method, and residual value should be evaluated at the end of the year, and any changes shall be accounted for as changes in accounting estimates.

The estimated useful lives of property and equipment are as follows:

Building	3~60 years
Equipment	3~6 years
Transportation equipment	3~11 years
Other equipment	3~16 years
Leasehold improvement	1~10 years

14) Intangible assets — goodwill

Goodwill arose on the acquisition of "The 5th Credit Cooperative of Kaohsiung" and "The 1st Credit Cooperative of Chiayi". It was recognized as the purchase price less the market value of tangible assets obtained, and classified as an intangible asset. Goodwill previously was amortized over 20 years and 5 years, respectively, on a straight-line basis. Starting in 2006, in accordance with the newly revised SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill shall not be amortized.

15) Other intangible assets

Computer software is recorded at acquisition cost and amortized over three to eight years.

16) Other assets — non-operating assets

Property and equipment leased out under operating leases are reclassified as non-operating assets. Depreciation is provided on a straight-line basis over the estimated useful lives of the leased-out assets, and is recorded as a non-interest expense or income, net.

17) 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.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****18) Asset impairment**

The Bank adopted Statement of Financial Accounting Standards No. 35 (SFAS 35) "Impairment of Assets". In accordance with SFAS 35, the Bank assesses at each balance sheet date whether there is any indication that an asset other than goodwill may have been impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset and recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Bank assesses the cash generating unit of goodwill on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

The Bank reverses the impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying 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 in prior periods.

An impairment loss recognized for goodwill cannot be reversed.

19) Deposits by banks and deposits and remittances

Deposits are recorded at the contracted principal amount or the expected value on maturity. Negotiable certificates of deposit are issued at par value, and principal and accrued interest are paid on the maturity date.

20) Subordinated financial debentures

The Bank issued subordinated financial debentures at par with lump-sum payment at maturity, and the interest expenses are computed and recorded at par value multiplied by the stated interest rate every month. The annual fee paid to the OTC is recognized as operating expense.

21) Pension plan

The Bank has defined benefit pension plans for engaged managers and all regular employees, respectively. In accordance with the pension plans, benefit payments are provided based on the number of service years and the average salary of the qualified managers or employees six months prior to their retirement. For the engaged managers, the Bank deposits a certain percentage of the monthly gross salary payment with the Hou Pu Branch of the Bank in a retirement fund account. As for the employees, in accordance with the ROC Labor Standards Law, a retirement fund was set up with Bank of Taiwan with a monthly contribution of a certain percentage of the gross salary payment starting from 1998.

For the defined benefit pension plans, the measurement date for the completion of the actuarial assessment was the end of each fiscal year. The amount of the accumulated benefit obligation over pension plan assets is recognized as minimum pension liability on the reporting date. Furthermore, the Bank recognized net pension cost, which included service costs, interest costs, expected returns on plan assets, and the amortization of the net transition obligation, in accordance with the retirement plan's actuarial assessment. The initial net pension cost and unrecognized net transition obligation are amortized by using the straight line method over 15 and 27 years for engaged managers and regular employees, respectively.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

Minimum pension liability usually occurs due to the existence of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation. If the amount of minimum pension liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, then the difference would be charged to the deferred pension cost account; otherwise, the difference shall be charged to the account net loss not yet recognized as net pension cost. Deferred pension cost is classified as an intangible asset; net loss from unrecognized net pension cost is classified as a reduction of stockholders' equity.

The Labor Pension Act (the New System) is now in effect. Under the New System, the Bank has an obligation to contribute no less than 6% of monthly paid salary to the pension accounts in the Labor Insurance Bureau individually owned by the Bank's existing employees who chose to join the New System and the employees hired after the effective date. The amounts deposited are charged to current operations.

22) Recognition of revenue

Interest revenue, fees and commissions are recognized as income on an accrual basis.

23) Employees' bonuses and directors' and supervisors' remuneration

Employees' bonuses and directors' and supervisors' remuneration, are accounted for by Interpretation No. (96)Ji-Mi-Zhi 52 issued by the Accounting Research and Development Foundation. The Bank should estimate the amount of employees' bonuses and directors' and supervisors' remuneration according to the Interpretation and recognize it as operating expenses. Differences between the amounts approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

24) Income tax

Income tax is estimated based on the accounting income. Deferred income tax is determined based on temporary differences between the financial statements and tax basis of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects due to taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects due to deductible temporary differences, loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and a valuation allowance is recognized accordingly.

The 10% surtax on unappropriated earnings is recorded as expense in the year the stockholders approve the distribution of earnings.

Effective January 1, 2006, the Income Basic Tax Act has been applied to the calculation of the Bank's basic income tax. In accordance with the new act, basic income tax is calculated as one-tenth of the basic income. Basic income is calculated by using regular taxable income plus add-back items, such as tax-exempt income from securities and futures transactions. When the calculated regular tax amount is less than the basic tax amount, the Bank is required to pay the basic tax amount.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****25) Earnings (deficits) per share of common stock**

Earnings (deficits) 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.

26) Operating segments

Effective January 1, 2011, the Bank adopted SFAS No. 41 "Operating Segments". In accordance with SFAS No. 41, 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. Please refer to the consolidated financial statements for segment information.

(3) Reasons for and Effects of Accounting Changes

Effective January 1, 2011, the Bank adopted the third amendment of SFAS No. 34 "Financial Instruments: Recognition and Measurement." In accordance with SFAS No. 34, loans and receivables should apply the guidelines on recognition, subsequent evaluation, and impairment in SFAS No. 34. The troubled debt restructuring and negotiated debt instruments with new contracts and modification of terms were also in accordance with the third amendment of SFAS No. 34 effective January 1, 2011. Please refer to Notes 4(D) and (E) for more information. For the year ended December 31, 2011, such changes in accounting principle did not have any impact on the Bank's net income.

Effective January 1, 2011, the Bank adopted SFAS No. 41 "Operating Segments". In accordance with SFAS No. 41, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The Bank determines and presents operating segments based on the information that is internally provided to the chief operating decision maker. This standard supersedes SFAS No. 20 "Segment Reporting". For the year ended December 31, 2011, such changes in accounting principle did not have any impact on the Bank's net income. Please refer to the consolidated financial statements for segment information.

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BANK OF PANHSIN

Notes to Financial Statements

(4) Cash and Cash Equivalents

As of December 31, 2012 and 2011, cash and cash equivalents were as follows:

	2012	2011
Cash	\$ 1,141,158	1,242,579
Negotiable instruments for clearing	1,266,015	1,230,616
Deposits with other banks	<u>1,171,353</u>	<u>1,300,777</u>
	<u><u>\$ 3,578,526</u></u>	<u><u>3,773,972</u></u>

As of December 31, 2012 and 2011, composite banking insurance amounted to \$172,400 both.

(5) Due from Central Bank and Placement to Other Banks

As of December 31, 2012 and 2011, due from Central Bank and placement to other banks were as follows:

	2012	2011
Deposit reserve:		
Deposit reserve—checking account	\$ 3,438,740	3,035,360
Deposit reserve—demand account	3,947,500	3,903,889
ATM settlement account	<u>304,647</u>	<u>150,662</u>
	7,690,887	7,089,911
Certificates of deposit	28,000,000	24,600,000
Placement to other banks	<u>1,500,504</u>	<u>1,737,778</u>
	<u><u>\$ 37,191,391</u></u>	<u><u>33,427,689</u></u>

Deposit reserve is calculated based on the monthly average balance of the various types of deposits, using specific reserve ratios as promulgated by the Central Bank of the Republic of China (CBC) and the reserve for deposits—settlement account of Bank of Taiwan. There is no interest bearing on the reserve for deposits—checking account. The reserve for deposits—demand account is placed with the CBC and its usage is restricted only when the monthly reserve requirement is adjusted.

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BANK OF PANHSIN

Notes to Financial Statements

(6) Financial Assets and Liabilities at Fair Value through Profit or Loss

As of December 31, 2012 and 2011, financial assets and liabilities at fair value through profit or loss were as follows:

	2012	2011
Trading assets:		
Equity securities	\$ 40,580	-
Interest rate-related instruments	464,860	706,433
Beneficiary certificates	55,911	15,641
Derivatives	<u>6,982</u>	<u>5,555</u>
	<u>568,333</u>	<u>727,629</u>
Financial assets designated at fair value:		
Credit-linked notes	<u>145,985</u>	<u>281,994</u>
	<u>\$ 714,318</u>	<u>1,009,623</u>
	2012	2011

Trading liabilities:

Derivatives	<u>\$ 6,863</u>	<u>22,647</u>
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For the years ended December 31, 2012 and 2011, net gain (loss) on financial assets and financial liabilities at fair value through profit or loss were as follows:

	2012	2011
Net gain (loss) on valuation and disposal of trading assets:		
Interest rate-related instruments	\$ 13,436	4,215
Equity securities	(3,825)	(2,374)
Beneficiary certificates	368	(6,760)
Derivatives	<u>324,558</u>	<u>(8,839)</u>
	<u>334,537</u>	<u>(13,758)</u>
Dividend income	517	1,700
Interest income	<u>7,043</u>	<u>2,129</u>
	<u>7,560</u>	<u>3,829</u>
	<u>\$ 342,097</u>	<u>(9,929)</u>
	2012	2011

Financial assets designated at fair value:

Credit-linked notes	<u>\$ (64,238)</u>	<u>(12,258)</u>
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(Continued)

BANK OF PANHSIN

Notes to Financial Statements

	2012	2011
Net gain on valuation and disposal of trading liabilities:		
Derivatives	\$ <u>(162,036)</u>	<u>16,367</u>

Please refer to note 26 for the financial assets at fair value through profit or loss under pledge.

(7) Available-for-sale Financial Assets

As of December 31, 2012 and 2011, available-for-sale financial assets were as follows:

	Cost after amortization	2012 Assessment adjustment	Fair value
Interest rate-related instruments			
Government bonds	\$ 1,700,586	11,021	1,711,607
Corporate bonds	4,380,940	36,815	4,417,755
Beneficiary securities	50,000	331	50,331
Equity securities	<u>483,428</u>	<u>8,422</u>	<u>491,850</u>
	<u>\$ 6,614,954</u>	<u>56,589</u>	<u>6,671,543</u>
		2011	
	Cost after amortization	Assessment adjustment	Fair value
Interest rate-related instruments			
Government bonds	\$ 3,017,784	3,502	3,021,286
Corporate bonds	<u>1,198,717</u>	<u>5,299</u>	<u>1,204,016</u>
	<u>\$ 4,216,501</u>	<u>8,801</u>	<u>4,225,302</u>

For the years ended December 31, 2012 and 2011, movements of unrealized gain on available-for-sale financial assets were as follows:

	2012	2011
Beginning balance	\$ 8,801	36,717
Add: unrealized gain recognized in the period	87,049	20,715
Less: realized loss on disposal in the period	<u>39,261</u>	<u>48,631</u>
Ending balance	<u>\$ 56,589</u>	<u>8,801</u>

Please refer to note 26 for the available-for-sale financial assets under pledge.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(8) Held-to-maturity Financial Assets

	December 31, 2012			December 31, 2011		
	Percentage of ownership	Face value	Amount	Percentage of ownership	Face value	Amount
Government bonds	-	\$ 200,000	213,973	-	200,000	219,304
Corporate bonds	-	<u>500,000</u>	<u>499,111</u>	-	<u>500,000</u>	<u>498,877</u>
		<u>\$ 700,000</u>	<u>713,084</u>		<u>700,000</u>	<u>718,181</u>

(9) Bills and bonds purchased under agreements to resell

December 31, 2012	
Agreed to repurchase or resell before	Agreed interest rate range (%)
January 25, 2013	0.64~0.72

(10) Accounts Receivable, Net

As of December 31, 2012 and 2011, accounts receivable, net, were as follows:

	2012	2011
Interest receivable	\$ 224,369	211,173
Accounts receivable	26,673	26,853
Notes receivable—PANHSIN AMC	740,301	874,145
Spot exchange receivable	218,183	437,768
Income tax receivable	68,579	53,825
Acceptance receivable	270,517	271,758
Other receivable—other	<u>62,564</u>	<u>84,543</u>
	1,611,186	1,960,065
Less: allowance for bad and doubtful accounts—notes receivable—PANHSIN AMC	548,400	548,400
allowance for bad and doubtful accounts—other receivable	2,334	6,104
	<u>\$ 1,060,452</u>	<u>1,405,561</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

As of December 31, 2012 and 2011, receivables assessed for impairment under SFAS No. 34 were as follows:

Items		December 31, 2012	
		Receivables	Allowance for credit losses
With objective evidence of impairment	Individual assessment	742,635	550,734
	Collective assessment	-	-
Without objective evidence of impairment	Collective assessment	868,551	-
Total		1,611,186	550,734

Items		December 31, 2011	
		Receivables	Allowance for credit losses
With objective evidence of impairment	Individual assessment	880,249	554,504
	Collective assessment	-	-
Without objective evidence of impairment	Collective assessment	1,079,816	-
Total		1,960,065	554,504

(11) Loans and Advances to Customers

As of December 31, 2012 and 2011, details of loans and advances to customers were as follows:

	2012	2011
Remittance and discounts for exports	\$ 80,028	91,167
Short-term loans, overdrafts, and bills purchased	13,300,987	12,376,889
Short-term secured loans and overdrafts	10,576,753	10,645,202
Medium-term loans	13,276,395	11,113,123
Medium-term secured loans	18,825,615	20,434,576
Long-term loans	942,692	1,198,722
Long-term secured loans	40,507,767	46,745,064
Non-performing loans	<u>1,159,543</u>	<u>1,129,156</u>
Subtotal	98,669,780	103,733,899
Less: allowance for bad and doubtful accounts	<u>1,336,409</u>	<u>1,569,500</u>
	<u>\$ 97,333,371</u>	<u>102,164,399</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

As of December 31, 2012 and 2011, receivables assessed for impairment under SFAS No. 34 were as follows:

Items		December 31, 2012	
		Loans	Allowance for credit losses
With objective evidence of impairment	Individual assessment	1,244,118	468,395
	Collective assessment	462,098	221,702
Without objective evidence of impairment	Collective assessment	96,963,564	646,312
Total		98,669,780	1,336,409

Items		December 31, 2011	
		Loans	Allowance for credit losses
With objective evidence of impairment	Individual assessment	1,124,821	771,807
	Collective assessment	597,804	259,920
Without objective evidence of impairment	Collective assessment	102,011,274	537,773
Total		103,733,899	1,569,500

Movements of allowance for bad and doubtful accounts for the years ended December 31, 2012 and 2011, were as follows:

	2012	2011
Beginning balance	\$ 2,124,004	1,449,574
Add: provision for doubtful accounts	434,619	1,528,974
Less: write-off	<u>671,480</u>	<u>854,544</u>
Ending balance	<u>\$ 1,887,143</u>	<u>2,124,004</u>

As of December 31, 2012 and 2011, details of allowance for bad and doubtful accounts were as follows:

	2012	2011
Loans and advances (excluding non-performing loans)	\$ -	104,000
Non-performing loans	1,336,409	1,465,500
Accounts receivable and others	<u>550,734</u>	<u>554,504</u>
	<u>\$ 1,887,143</u>	<u>2,124,004</u>

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

For the years ended December 31, 2012 and 2011, the provision for bad debt expenses was \$434,619 and \$1,528,974, respectively. For the years ended December 31, 2012 and 2011, the amounts collected after write-off were \$126,853 and \$124,636, respectively. For the years ended December 31, 2012 and 2011, the bad debt expenses net of the aforementioned collection after write-off were \$307,766 and \$1,404,338, respectively.

For the years ended December 31, 2012 and 2011, the amounts of allowance for bad and doubtful accounts generated from 3% of operating revenues were \$100,411 and \$102,156, respectively.

As of December 31, 2012 and 2011, loans and advances not accruing interest were \$1,159,544 and \$1,129,156, respectively. For the years ended December 31, 2012 and 2011, interest receivable not accrued was \$99,606 and \$99,334, respectively.

As of December 31, 2012 and 2011, loans classified by geographical region were as follows:

	2012	2011
Domestic	\$ 94,211,070	100,260,263
Overseas	<u>4,458,710</u>	<u>3,473,636</u>
	<u>\$ 98,669,780</u>	<u>103,733,899</u>

As of December 31, 2012 and 2011, loans classified by industry were as follows:

	2012	2011
Manufacturing	\$ 11,264,743	9,689,361
General commercial	29,399,465	29,375,099
Construction	1,956,669	1,803,907
Private	51,557,702	59,359,017
Others	<u>4,491,201</u>	<u>3,506,515</u>
	<u>\$ 98,669,780</u>	<u>103,733,899</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

As of December 31, 2012 and 2011, asset quality was as follows:

Period			2012				
			Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate
Product	Corporate Banking		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	111.95 %
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate
Credit card			-	-	- %	-	- %
Without-recourse factoring			-	-	- %	-	- %

Period			2011				
			Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate
Product	Corporate Banking		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 card			-	-	- %	-	- %
Without-recourse factoring			-	-	- %	-	- %

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The amount of excluded overdue loan and overdue receivables

	December 31, 2012		December 31, 2011	
	Excluded overdue loan amount	Excluded overdue receivable	Excluded overdue loan amount	Excluded overdue receivable
Loan balance subject to troubled debt restructure agreements as defined by the Bankers' Association of the Republic of China	213,458	-	288,265	-
Loan balance subject to troubled debt restructure agreements as defined by the Securities and Futures Bureau of the Financial Supervisory Commission	54,998	-	63,338	-
Total	268,456	-	351,603	-

(12) Long-term Investments under Equity Method and Other Investments

As of December 31, 2012 and 2011, details of long-term investments under equity method and other investments were as follows:

	Percentage of ownership	2012		Percentage of ownership	2011	
		Investment cost	Amount		Investment cost	Amount
Equity method:						
Panhsin Insurance Broker Co., Ltd.	100.00	\$ 20,100	172,144	100.00	20,100	112,134
Panhsin Asset Management Co., Ltd.	29.41	50,000	6,302	29.41	50,000	16,447
		<u>\$ 70,100</u>	<u>178,446</u>		<u>70,100</u>	<u>128,581</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

	Percentage of ownership	December 31, 2012		Percentage of ownership	December 31, 2011	
		Investment cost	Amount		Investment cost	Amount
Financial assets stated at cost:						
Xin-Rui-Du Development Co., Ltd.	1.86	\$ 4,940	4,940	1.86	4,940	4,940
Tsai-Jin Information Co., Ltd.	1.14	45,500	45,500	1.14	45,500	45,500
Taipei County Credit Cooperative Union	-	10	10	-	10	10
Taiwan Depository & Clearing Corporation	0.08	6,345	6,345	0.08	6,345	6,345
Taiwan High Speed Rail Corporation—preferred shares	0.01	10,000	10,000	0.01	10,000	10,000
Yang Guang Asset Management Company	1.15	692	692	1.15	692	692
		<u>67,487</u>	<u>67,487</u>		<u>67,487</u>	<u>67,487</u>
Less: accumulated impairment loss		-	4,940		-	4,940
		<u>\$ 67,487</u>	<u>62,547</u>		<u>67,487</u>	<u>62,547</u>

For the years ended December 31, 2012 and 2011, movements of accumulated impairment loss on financial assets stated at cost were as follows:

	2012	2011
Beginning balance	\$ 4,940	4,940
Add: provision	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 4,940</u>	<u>4,940</u>

The financial assets stated at cost (recorded under other financial assets) were accounted for by the cost method since there was no quoted market price and estimates of fair values were not available.

(Continued)

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Notes to Financial Statements

(13) Property and Equipment

As of December 31, 2012 and 2011, property and equipment were as follows:

	2012	2011
Cost:		
Land	\$ 2,397,475	3,233,288
Revaluation Increment-Land	129,244	130,135
Buildings	3,063,669	983,737
Equipment	386,909	412,324
Transportation equipment	111,730	110,391
Other equipment	98,222	89,608
Leasehold improvement	150,039	130,530
Subtotal	6,337,288	5,090,013
Less: accumulated depreciation	743,379	779,313
	5,593,909	4,310,700
Construction in progress and prepayments for equipment	264,273	3,660,493
	<u>\$ 5,858,182</u>	<u>7,971,193</u>

For the years 2012 and 2011, the movement of accumulated depreciation was as follows:

	2012	2011
Beginning balance	\$ 779,313	750,018
Add: depreciation	80,594	70,612
Less: disposal	109,189	32,821
reclassification	7,339	8,496
Ending balance	<u>\$ 743,379</u>	<u>779,313</u>

The Bank processes the revaluation in accordance with the relevant regulations. The following are the net amount after the accumulated revalued appreciation or diminution of preparation of land value-added tax included in the shareholder's equity as of December 31, 2012 and 2011. It has been included in the amount of shareholder's equity which amounted to \$113,417 and \$114,308, respectively.

	2012	2011
Land revaluation appreciation	\$ 130,135	130,135
Less: preparation of land value-added tax	(15,827)	(15,827)
sale	(891)	-
Ending balance	<u>\$ 113,417</u>	<u>114,308</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(14) Intangible Assets—Goodwill

As of December 31, 2012 and 2011, intangible assets—goodwill were as follows:

	2012	2011
Original cost	\$ 1,385,817	1,385,817
Less: accumulated impairment loss	<u>69,658</u>	<u>69,658</u>
	<u>\$ 1,316,159</u>	<u>1,316,159</u>

For the years ended December 31, 2012 and 2011, the movement of goodwill was as follows:

	2012	2011
Beginning balance	\$ 1,385,817	1,385,817
Increase	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 1,385,817</u>	<u>1,385,817</u>

For the years ended December 31, 2012 and 2011, the movement of accumulated impairment loss was as follows:

	2012	2011
Beginning balance	\$ 69,658	69,658
Add: provision	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 69,658</u>	<u>69,658</u>

(15) Other Assets—Non-operating Assets

As of December 31, 2012 and 2011, other assets—non-operating assets were as follows:

	2012	2011
Leased-out assets, net	\$ 2,006,055	114,005
Land in progress	<u>42,351</u>	<u>42,351</u>
	<u>\$ 2,048,406</u>	<u>156,356</u>

The depreciation expense for leased out assets was \$12,219 and \$857 in 2012 and 2011, respectively. These depreciation expenses were recorded under other non-interest income, net.

The major terms of the lease contracts are as follows:

- 1) Contract period is for 1 to 15 years.
- 2) The lessee has usage rights during the leasehold period. The leased assets cannot be mortgaged, securitized, sub-leased or disposed of in any manner without prior written consent from the Bank.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Rental income aforementioned for future years are as follow:

Year	Amount
2013	\$ 48,930
2014	39,262
2015	35,917
2016	26,530
2017 onward	<u>212,406</u>
	<u>\$ 363,045</u>

On May 25, 2010, the Bank and Panhsin Asset Management Co., Ltd. (Panhsin AMC) entered into a contract to build office buildings on lands owned by the Bank and Panhsin AMC. Lands located at No. 694, No. 696, No. 696-1, No. 696-2, No. 671-1, No. 713-1, and No. 717, Zhongxian Section, Banquiao District, New Taipei City were provided by the Bank; No. 717, Zhongxiao Section, New Taipei City and No. 125, No. 132, Jieshou Section, New Taipei City were provided by Panhsin AMC. The abovementioned lands provided by the Bank were recorded under other assets—non-operating assets. As of December 31, 2011 the project is under construction.

(16) Other Assets—Foreclosed Assets

As of December 31, 2012 and 2011, other assets—foreclosed assets were as follows:

	2012	2011
Foreclosed assets	\$ 884,798	1,149,619
Less: accumulated impairment loss	<u>17,140</u>	<u>168,049</u>
	<u>\$ 867,658</u>	<u>981,570</u>

For the years ended December 31, 2012 and 2011, the movement of accumulated impairment loss was as follows:

	2012	2011
Beginning balance	\$ 168,049	187,340
Add: Reserve	6,562	23,973
Less: write-off	<u>157,471</u>	<u>43,264</u>
Ending balance	<u>\$ 17,140</u>	<u>168,049</u>

The net gain (loss) on disposal of foreclosed assets was \$2,361 and \$(15,988) in 2012 and 2011, respectively, recorded under other non-interest income.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

As of December 31, 2011, of the foreclosed assets held by the Bank, the amounts related to Xin Rui-du and Annan Star (Cao Hu Section, Annan District, Tainan City) were \$632,994 and \$42,950, respectively. Measures taken by the Banks were as follows:

1) Xin Rui-du Court Case

1. The Bank undertook Xin Rui-du case from the 5th Credit Cooperative of Kaohsiung. Xin Rui-du provided 75 pieces of land, located at Land No.73 Tie-Fu Section, Hu-Nei District, Kaohsiung City, as collateral. These lands had been changed the title of usage to industrial and commercial complex. Because the major owner of Xin Rui-du, Su Huei Jen, involved in a political scandal, Xin Rui-du was not able to repay the loan. However, owing to some illegal actions done by the other debtor of Xin Rui-du, the court auctions were not successful, so the Bank took these lands as a repayment of loan. The Bank is entitled to own these lands and employed 24 hour security and set up fences to protect the land.
2. The foreclosed land was classified as industrial and commercial land. The Bank was entitled to own the property, but the rights of the property were separated from the ownership and granted to Xin Rui-du. Through undertaking legal action, the Bank was appointed as the liquidator of Xin Rui-du, and the Bank publicly auctioned the development rights. The Panhsin Asset Management Co., Ltd. acquired its development right from the auction, expecting to combine the Bank's ownership and Panhsin Asset Management Co., Ltd.'s development right to continue land development, so as to simplify legal relationship in search of potential investors. However, the Industrial Development Bureau of the Ministry of Economic Affairs consider the developing plan out of date and suggest that be applied with a new plan.
3. The developing schedule and construction permit are both expired. From the agreement made by Xin Rui-du company and the Kaohsiung County government, if Xin Rui-du breaches contract, the Kaohsiung County government (current Kaohsiung City government) has the right to cancel its construction approval, make announcement and return the property to its original classification (agricultural areas and agricultural areas level A construction site). All donations made by the Bank to the government in respect of the Xin Rui-du case was nonrefundable. It is a fact that the area has not been developed with developing plan assessed, yet whether the Kaohsiung City Government will demand the land be returned to original status is uncertain. Currently, the land has its status unchanged. The Bank has gradually sold its ownerships and increase its value by researching developing potentials through selling process.
4. The land has been appraised by external appraisal organization regularly to ensure whether there is impairment loss needed. As of December 31, 2012, no impairment was necessary.

2) Annan Star Phase One (Land No. 116, and 210-3, Cao Hu Section, Annan District, Tainan City)

1. The property was originally a fish farm land pledged to 5th Credit Cooperative. Because this was occupied by third party and its price was low, it is very hard to dispose.
2. After undertaking this property, in order to increase the benefit of the property, the Bank took legal action to expel the third party from this property and negotiated with Construction Company and Land Planning Agency to seek for the possibility of changing the usage of land and the opportunity of joint development.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

3. After several assessments, the Bank donated part of the land for public facility use and changed the remaining property, as construction land.
 4. The Bank entered into a co-construction project named “Annan Star” with Panhsin Asset Management Co., Ltd. (PANHSIN AMC) to promote 103 units commercial store and housing properties with a total minimal revenue of \$667,176. The Bank estimates that there is only little loss if this project is totally sold out. However, through the complete of project, it can benefit the economy of Annan District and then increase the economic benefit of Annan Star Phase Three.
 5. Progress of construction: The construction work and interior decoration were completed and, as of December 31, 2012, the whole project was closed.
 6. Process of sales: All 103 units were sold out with total amount of \$623,524.
- 3) Annan Star Phase Three (Land No. 145, Cao Hu Section, Annan District, Tainan City)

This property is located on a new development area. The planning Committee had been established already and the Bank is a member of the Committee. The Committee had submitted the development plan to Tainan City Government. After obtaining the approval, the Committee will establish a new company for the further planning.

(17) Deposits by Central Bank and Other Banks

As of December 31, 2012 and 2011, deposits by the Central Bank and other banks were as follows:

	2012	2011
Deposits by other banks	\$ 413,031	541,412
Call loans from banks-credit	-	74,196
Deposits transferred from Post Office	<u>699,640</u>	<u>699,640</u>
	<u>\$ 1,112,671</u>	<u>1,315,248</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(18) Deposits and Remittances

As of December 31, 2012 and 2011, deposits and remittances were as follows:

	2012	2011
Checking account	\$ 1,675,482	1,732,782
Demand deposits	22,092,059	20,263,314
Time deposits	17,551,190	16,049,166
Negotiable certificates of deposit	1,168,900	1,561,200
Foreign currency time deposits	4,413,858	3,486,884
Savings accounts:		
Demand deposits	35,357,543	33,912,715
Staff deposits	949,291	903,071
Installment savings deposits	112,102	106,869
Non-interest-drawing time savings deposits	10,488,596	15,969,894
Interest-drawing savings deposits	51,660,395	48,630,976
Remittances	<u>23,994</u>	<u>26,453</u>
	<u>\$ 145,493,410</u>	<u>142,643,324</u>

As of December 31, 2012 and 2011, the maturity dates for the above time deposits and savings, except for demand savings deposits, were between one month and one year.

(19) Subordinate Financial Debentures

As of December 31, 2012 and 2011, subordinate financial debentures were as follows:

	2012	2011
Subordinate financial debentures	<u>\$ 2,939,000</u>	<u>4,339,000</u>

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

The board of directors of the Bank resolved the issuance of subordinate financial debentures on December 21, 2005. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09500173780 on May 2, 2006. The Bank issued the first series of the subordinate financial debentures on June 16, 2006, and the period of the debentures was five years and eight months. The total amount was \$1,680,000, which was also the par value, and the debentures have matured on February 16, 2012. The details were as follows:

**The first series of the
subordinate financial
debentures in 2006**

Par value	\$ 1,680,000
Stated interest rate	
Fixed	3.30 %
Floating	Floating interest rate plus 1.10% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 2)
Period	Five years and eight months
Interest payment date	Payable every year
Terms of principal repayment	Repaid at maturity
Issued price	Priced at face value at issue date

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

The board of directors of the Bank resolved the issuance of subordinate financial debentures on April 18, 2007. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09600204740 on May 22, 2007. The Bank issued the first series of the subordinate financial debentures on June 28, 2007, and the period of the debentures was five years and six months. The total amount was \$520,000, which was also the par value, and the debentures have matured on December 28, 2012. The details were as follows:

**The first series of the
subordinate financial
debentures in 2007**

Par value	\$ 520,000
Stated interest rate	
Fixed	3.50 %
Floating	Floating interest rate plus 1.20% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)
Period	Five years and six months
Interest payment date	Payable every half-year
Terms of principal repayment	Repaid at maturity
Issued price	Priced at face value at issue date

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The board of directors of the Bank resolved the issuance of subordinate financial debentures on April 16, 2008. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09600204740 on May 22, 2007. The Bank issued the first series of the subordinate financial debentures on May 21, 2008, and the period of the debentures was six years. The total amount was \$239,000, which was also the par value. The details were as follows:

The first series of the subordinate financial debentures in 2008	
Par value	\$ 239,000
Stated interest rate	
Fixed	3.60 %
Floating	Floating interest rate plus 1.25% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)
Period	Six years
Interest payment date	Payable every half-year
Terms of principal repayment	Repaid at maturity
Issued price	Priced at face value at issue date

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The board of directors of the Bank resolved the issuance of subordinate financial debentures on October 15, 2008. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09700438300 on November 14, 2008. The Bank issued the second series of the subordinate financial debentures on December 25, 2008, June 26, 2009, and October 22, 2009, and the period of the debentures was six years. The total amount was \$1,000,000, which was also the par value. The details were as follows:

	The second series of the subordinate financial debentures in 2008	The first series of the subordinate financial debentures in 2009	The second series of the subordinate financial debentures in 2009
Par value	\$ 280,000	370,000	350,000
Stated interest rate			
Fixed	3.40 %	3.00 %	3.00 %
Floating	-	Floating interest rate plus 1.70% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)	Floating interest rate plus 1.70% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)
Period	Six years	Six years	Six years
Interest payment date	Payable every half-year	Payable every half- year	Payable every half- year
Terms of principal repayment	Repaid at maturity	Repaid at maturity	Repaid at maturity
Issued price	Priced at face value at issue date	Priced at face value at issue date	Priced at face value at issue date

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The board of directors of the Bank resolved the issuance of subordinate financial debentures on September 15, 2010. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09900391970 on October 7, 2010. The Bank issued the first series of the subordinate financial debentures on November 5, 2010, and the duration of the debentures was six years. The issuance was recorded at par value of \$500,000. The details were as follows:

**The first series of the
subordinate financial
debentures in 2010**

Par value	\$	500,000
Stated interest rate		
Fixed		3.25 %
Period	Six years	
Interest payment date	Payable every year	
Terms of principal repayment	Repaid at maturity	
Issued price	Priced at face value at issue date	

The board of directors of the Bank resolved the issuance of subordinate financial debentures on July 20, 2011. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 1000337280 on October 6, 2011. The Bank issued the first series of the subordinate financial debentures for 2011 on December 2, 2011, and the first series of subordinate financial debentures for 2012 on March 21, 2012. The duration of the debentures was six years. The issuance was recorded at par value of \$500,000. The details were as follows:

	The first series of the subordinate financial debentures in 2011	The first series of the subordinate financial debentures in 2012
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Par value	\$	400,000	100,000
Stated interest rate			
Fixed		3.00 %	3.00 %
Period	Six years	Six years	
Interest payment date	Payable every year	Payable every year	
Terms of principal repayment	Repaid at maturity	Repaid at maturity	
Issued price	Priced at face value at issue date	Priced at face value at issue date	

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

The board of directors of the Bank resolved the issuance of subordinate financial debentures on September 19, 2012. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 10100319820 on October 8, 2012. The Bank issued the first series of the subordinate financial debentures on November 12, 2012, and the period of the debentures was six years. The total amount was \$700,000, which was also the par value. The details were as follows:

**The second series of
the subordinate
financial debentures in
2012**

Par value	\$	700,000
Stated interest rate		
Fixed		3.00 %
Period	Six years	
Interest payment date	Payable every half-year	
Terms of principal repayment	Repaid at maturity	
Issued price	Priced at face value at issue date	

Note 1: The stated interest rates are recalculated every half-year, two business days prior to the effective date.

Note 2: The stated interest rates are recalculated every year, two business days prior to the effective date.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(20) Pension

In accordance with the pension plan, the Bank deposited an amount equal to 8% and 9.64% of the monthly gross salary payment in a retirement fund account for managers and employees, respectively, in 2012 and 2011. Furthermore, in accordance with the New System, from July 1, 2005, the Bank deposited in the Bureau of Labor Insurance an additional amount equal to 6% of the monthly gross salary payment for employees who chose the New System. The measurement dates of the actuarial valuation were December 31, 2012 and 2011. As of December 31, 2012 and 2011, the reconciliation of the funded status and accrued pension liabilities was as follows:

	2012		2011	
	Managers	Regular employees	Managers	Regular employees
Benefit obligation:				
Vested benefit obligation	\$ (71,029)	(102,531)	(69,927)	(81,123)
Non-vested benefit obligation	<u>(28,602)</u>	<u>(350,204)</u>	<u>(26,825)</u>	<u>(352,792)</u>
Accumulated benefit obligation	(99,631)	(452,735)	(96,752)	(433,915)
Additional benefits based on future salaries	<u>(17,874)</u>	<u>(111,984)</u>	<u>(8,377)</u>	<u>(52,283)</u>
Projected benefit obligation (PBO)	(117,505)	(564,719)	(105,129)	(486,198)
Fair value of plan assets	<u>46,718</u>	<u>385,274</u>	<u>41,530</u>	<u>392,238</u>
Funded status	(70,787)	(179,445)	(63,599)	(93,960)
Unrecognized net transitional benefit obligation (assets)	-	84,161	(301)	91,174
Unrecognized pension loss (gain)	70,496	69,242	60,677	(26,222)
Additional minimum pension liability	<u>(52,622)</u>	<u>(41,419)</u>	<u>(51,999)</u>	<u>(12,669)</u>
Accrued pension liabilities	<u>\$ (52,913)</u>	<u>(67,461)</u>	<u>(55,222)</u>	<u>(41,677)</u>
Vested benefit	<u>\$ 85,594</u>	<u>120,588</u>	<u>90,285</u>	<u>99,047</u>

For the years ended December 31, 2012 and 2011, the components of net pension cost were as follows:

	2012		2011	
	Managers	Regular employees	Managers	Regular employees
Service cost	\$ 1,908	9,570	2,272	11,784
Interest cost	1,927	9,614	2,004	9,467
Actual return on plan assets	(32)	(3,760)	(78)	(4,746)
Amortization	<u>4,190</u>	<u>2,920</u>	<u>6,957</u>	<u>4,878</u>
Net pension cost	<u>\$ 7,993</u>	<u>18,344</u>	<u>11,155</u>	<u>21,383</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Actuarial assumptions for the years 2012 and 2011 were as follows:

	2012		2011	
	Managers	Regular employees	Managers	Regular employees
Discount rate	1.50 %	1.75 %	1.88 %	2.00 %
Rate of increase in futures compensation	2.00 %	2.00 %	1.00 %	1.00 %
Rate of projected return on plan assets	1.50 %	1.75 %	0.25 %	2.00 %

As of December 31, 2012 and 2011, the balance of the pension funds deposits with the Bank's Hou Pu Branch for managers was \$46,787 and \$41,530, respectively.

For the years ended December 31, 2012 and 2011, net pension cost was as follows:

	2012	2011
Defined benefit pension plan	\$ 26,337	32,538
Defined contribution pension plan	<u>35,642</u>	<u>35,702</u>
	<u><u>\$ 61,979</u></u>	<u><u>68,240</u></u>

(21) Income Tax

The Bank is subject to a maximum income tax rate of 17% for the years ended December 31, 2012 and 2011 and the Income Basic Tax Act has been applied to the calculation of the Bank's basic income tax. The components of income tax expense for the years ended December 31, 2012 and 2011, were as follows:

	2012	2011
Income tax expense	\$ -	3,423
Deferred income tax (benefit) expense	<u>104,681</u>	<u>(169,151)</u>
Income tax (benefit) expense	<u><u>\$ 104,681</u></u>	<u><u>(165,728)</u></u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The differences between the expected income tax at the statutory income tax rate and the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2012 and 2011, were as follows:

	2012	2011
Income tax at statutory rate	\$ 39,516	(169,945)
Income of OBU exempt from tax	(15,879)	(6,754)
Investment income from long-term investment under equity method	(18,269)	(9,810)
Dealing gain from securities trading, net	(875)	(3,071)
Dividend income	(6,869)	(4,926)
Gain on sale of land, net	21,493	5,176
Provision for (reversal of) valuation loss (gain) on financial assets at fair value through profit or loss	(69)	441
Unused carryforward	-	12,831
Adjustment and expiration of prior year's loss carryforwards	5,586	7,972
Adjustment of prior year's tax	-	3,423
Adjustment and expiration of prior year's investment tax credit	2,856	1,875
Provision for (reversal of) allowance for deferred income tax assets	77,123	(3,000)
Other	68	60
Income tax expense (benefit)	<u>\$ 104,681</u>	<u>(165,728)</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

For the years ended December 31, 2012 and 2011, the major components of deferred income tax benefit were as follows:

	2012	2011
Decrease in allowance for bad and doubtful debts in excess of tax limitation	\$ (31,073)	(118,878)
Provision for impairment loss on foreclosed assets	13,265	3,273
Amortization of goodwill	-	25,053
Unfounded pension expense	1,002	(612)
Provision for valuation loss on financial assets at fair value through profit or loss	201	(994)
Utilization of (addition to) loss carryforwards	35,721	(83,840)
Adjustment and expiration of prior year's loss carryforwards	5,586	7,972
Adjustment and expiration of prior year's investment tax credit	2,856	1,875
Reversal of allowance for deferred income tax assets	<u>77,123</u>	<u>(3,000)</u>
Deferred income tax expense (benefit)	<u>\$ 104,681</u>	<u>(169,151)</u>

As of December 31, 2012 and 2011, the deferred income tax assets (liabilities) were as follows:

	2012	2011
Deferred income tax assets	\$ 1,109,113	1,136,671
Valuation allowance—deferred income tax assets	<u>(83,811)</u>	<u>(6,688)</u>
Net deferred income tax assets	1,025,302	1,129,983
Deferred income tax liabilities	<u>(79,690)</u>	<u>(79,690)</u>
Deferred income tax assets, net	<u>\$ 945,612</u>	<u>1,050,293</u>

(Continued)

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Notes to Financial Statements

As of December 31, 2012 and 2011, the components of deferred income tax assets (liabilities), including temporary differences, loss carryforwards, and tax credits, and the respective income tax effect for each component were as follows:

	2012		2011	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets (liabilities):				
Valuation loss (gain) on financial assets at fair value through profit or loss	\$ 4,170	708	5,353	909
Pension costs in excess of tax limitation	94,302	16,032	100,199	17,034
Allowance for bad and doubtful debts in excess of tax limitation	1,242,327	211,195	1,059,543	180,122
Allowance for loss on decline in net realizable value of foreclosed assets	86,247	14,662	164,276	27,927
Amortization of goodwill in excess of tax limitation	(468,767)	(79,690)	(468,767)	(79,690)
Loss carryforwards	5,074,726	862,705	5,317,709	904,012
Investment tax credit—staff training costs	3,811	3,811	6,667	6,667
		<u>\$ 1,029,423</u>		<u>1,056,981</u>

As of December 31, 2012 and 2011, the components of income tax receivable (recorded under accounts receivable, net) were as follows:

	2012	2011
Income tax expense	\$ -	3,423
Income tax receivable of prior years	(37,341)	(32,673)
Withheld income tax	(31,238)	(21,152)
Adjustment of prior year's income tax receivable	-	(3,423)
Income tax receivable	<u>\$ (68,579)</u>	<u>(53,825)</u>

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

The ROC Income Tax Act previously stated that net losses could be carried forward for five consecutive years to reduce taxable income. Following the amendment of the Income Tax Act announced in January 2009, assessed net losses can be carried forward for ten consecutive years to reduce taxable income; therefore, the unused assessed net loss in 2003 can be carried forward to 2013. As December 31, 2012, the amount of losses and the year of expiry were as follows:

Year of loss	2012	Year of expiry
2003	\$ 605,679	2013
2004	193,119	2014
2005	389,438	2015
2007	415,855	2017
2009	1,250,149	2019
2010	1,733,618	2020
2011	<u>486,868</u>	2021
	\$ <u>5,074,726</u>	

Pursuant to the R.O.C. Statute for Upgrading Industries, the Bank's unused investment tax credit—staff training costs as of December 31, 2012, was as follows:

Year incurred	2012	Year of expiry
2009	\$ <u>3,811</u>	2013

The ROC income tax authorities have examined the Bank's income tax returns filed before re-incorporation for all years through 1997. Income tax returns filed after re-incorporation have been examined for all years through 2009.

As of December 31, 2012 and 2011, the information related to the imputation credit account (ICA) was as follows:

	2012	2011
Balance of ICA	\$ <u>88,660</u>	<u>69,505</u>

Because the Bank had accumulated deficits, the imputation tax credit ratio of earnings distributed in 2012 and 2011 were both 0%.

The unappropriated earnings (accumulated deficits) as of December 31, 2012 and 2011, were as follows:

	2012	2011
Year 1998 and after	\$ <u>(1,633,062)</u>	<u>(1,760,825)</u>

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****(22) Stockholders' Equity**

1) Capital

In order to enhance self-owned capital and redeem mature special stock, the Bank has been approved by the board of directors on February 23, 2011 to issue 100,000 (thousands) common stock, \$10 per share, totaling \$1,000,000, to redeem mature special stock \$1,000,000. This capital increase plan has been set on June 17, 2011 as the capital increase base day.

The base day of special stock proceeds redemption was June 23, 2011. The aforementioned capital increase plan has been completed for amendment of registration on August 5, 2011.

2) Capital surplus

According to the ROC Company Act, realized capital surplus can be capitalized and transferred to share capital after offsetting accumulated deficits. Capital surplus should not be used for distribution of cash dividends. Realized capital surplus mentioned above includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Bank.

3) Restrictions on legal reserve and appropriation of retained earnings

According to the Company's articles of incorporation, any annual earnings of the Company 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 for 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, 2011, the Bank's accumulated unpaid preferred dividend for year 2008 to 2010 and 2011 were \$157,500.

According to the ROC Company Act, prior to the Bank's setting aside an accumulated legal reserve equalling the amount of the total share capital, this reserve can only be used to offset an accumulated deficit and cannot be distributed as cash dividends. However, one-half of the legal reserve can be converted to share capital when it reaches an amount equals to one-half of the issued share capital upon approval by the Bank's stockholders. According to the amended ROC Company Act, when the legal reserve has exceeded 25% of the Company's paid-in capital and the Company did not have any deficit, the excess may be transferred to the capital or it can be distributed in cash based on the resolution of the shareholders' meeting. In addition, in pursuant to the ROC Banking Law, the Bank cannot distribute cash dividends exceeding 15% of total share capital until the legal reserve reaches an amount equal to total share capital.

As the Bank had a net loss for the years ended December 31, 2012 and 2011, the Bank did not estimate employees' bonuses and supervisors' remuneration.

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Notes to Financial Statements

On June 19, 2012 and May 24, 2011, the stockholders' meeting decided not to distribute the surplus because of the net loss for the year ended December 31, 2011 and 2010.

(23) Earnings (deficits) per Share

For the years ended December 31, 2012 and 2011, the basic earnings (deficits) per share of the Bank were as follows (expressed in thousands of shares):

	2012		2011	
	Pre-tax	After tax	Pre-tax	After tax
Loss before cumulative effect of changes in accounting principle	\$ 232,444	127,763	(999,678)	(833,950)
Less: dividends on preferred stock	-	-	(22,500)	(22,500)
Net loss attributable to common stockholders	<u>\$ 232,444</u>	<u>127,763</u>	<u>(1,022,178)</u>	<u>(856,450)</u>
Weighted-average outstanding shares	<u>955,790</u>	<u>955,790</u>	<u>910,037</u>	<u>910,037</u>
Basic deficits per share (expressed in New Taiwan dollars)	<u>\$ 0.24</u>	<u>0.13</u>	<u>(1.12)</u>	<u>(0.94)</u>

(24) Disclosure of Financial Instruments

1) Fair value information on financial assets

The Bank's methods and assumptions for estimating the fair value of financial instruments were as follows:

1. The book value of the financial instruments which have a short maturity period will be considered as their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, due from Central Bank and placement to other banks, receivables, other financial assets (not including financial assets stated at cost), deposits by Central Bank and other banks, financial liabilities at fair value through profit or loss, bills and bonds sold under repurchase agreements, payables, bonds payable, other financial liabilities, and some components of other liabilities.
2. Fair values of financial instruments are the quoted market price if the instruments are actively traded on the market. If quoted market price is unavailable, the fair value is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques adopted by the Bank are identical to those adopted by other market participants. The discount rates the Bank uses are identical to those return rates of financial instruments with the same conditions, including the credit status of the debtor, the remaining periods of contracted interest based on fixed interest rates, the remaining periods of paying off principal, and currency used.

Among the derivative instruments, stock options embedded in convertible corporate bonds and credit-linked notes are evaluated by the prices offered by counterparties; forward contracts, currency swaps, currency and interest rate swaps, and interest rate swaps are evaluated by the rates of the Reuters system by discounting future cash flows to their present values.

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BANK OF PANHSIN

Notes to Financial Statements

3. The interest on net loans and advances to customers is based on floating rates. Thus, the book value is the fair value.
 4. Other assets—foreclosed assets and leased-out assets are stated at their net realizable value and are evaluated for accumulated impairment loss on the balance sheet date. Thus, the book value is the fair value.
 5. Most deposits and remittances mature in less than one year; even those which mature in more than one year are mostly based on floating rates. Thus, the book value is the fair value.
 6. Most of the off-balance-sheet financial assets, such as commitments and guarantees, mature in less than one year, so the contract amount is the fair value.
- 2) As of December 31, 2012, except for fair value based on the quoted market price, the evaluated fair values of the Bank's financial assets and liabilities were as follows:

	2012	2011
Trading assets:		
Derivatives	\$ <u>6,982</u>	<u>5,555</u>
Financial assets designated at fair value:		
Credit-linked notes	<u>145,985</u>	<u>281,994</u>
	<u>\$ <u>152,967</u></u>	<u><u>287,549</u></u>
Trading liabilities:		
Derivatives	\$ <u><u>6,863</u></u>	<u><u>22,647</u></u>

- 3) For the years ended December 31, 2012 and 2011, the Bank recognized a gain of \$98,284 and a loss of \$4,730, respectively, on financial instruments evaluated by using valuation techniques.
- 4) A summary of derivative instrument contracts not yet mature as of December 31, 2012 and 2011, is as follows:

		2012	Fair value	
	Notional amount	Gain	Loss	
Credit-linked notes	\$ 872,342	-	3,054	
Cross-currency swaps	<u>269,997</u>	<u>6,982</u>	<u>3,809</u>	
	<u>\$ <u>1,142,339</u></u>	<u><u>6,982</u></u>	<u><u>6,863</u></u>	
		2011	Fair value	
	Notional amount	Gain	Loss	
Credit-linked notes	\$ 302,900	-	15,923	
Forward Exchange Agreement	130,983	389	1,529	
Cross-currency swaps	<u>1,202,364</u>	<u>5,166</u>	<u>5,195</u>	
	<u>\$ <u>1,636,247</u></u>	<u><u>5,555</u></u>	<u><u>22,647</u></u>	

(Continued)

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Notes to Financial Statements

5)

1. Fair value hierarchy information of financial instruments

Fair value measurement for a financial instruments	December 31, 2012			
	Total	Level 1	Level 2	Level 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 at fair value	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 certification	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	-

(Continued)

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Notes to Financial Statements

Fair value measurement for a financial instruments	December 31, 2011			
	Total	Level 1	Level 2	Level 3
Non-Derivative Financial Instruments				
Assets				
Financial assets measured at fair value through profit or loss	\$ -	-	-	-
Financial assets held for trading				
Investment in debentures	706,433	706,433	-	-
Others	15,641	15,641	-	-
Financial assets designated at fair value	281,994	-	-	281,994
Available-for-sale financial assets				
Investment in stocks	-	-	-	-
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

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Notes to Financial Statements

2. Statement of changes in financial assets which were classified to Level 3 based on fair value measurement

December 31, 2012							
Items	Beginning balance	Amount recognized in current net income or stockholders'	Purchase or issue	Transfer in of Level 3	Current decrease	Sale, disposal, or settlement	Transfer out of Level 3
Financial liabilities measured at fair value through profit or loss							
Foreign securities	\$ 281,994	37,075	-	-	(173,084)	-	145,985
December 31, 2011							
Items	Beginning balance	Amount recognized in current net income or stockholders'	Purchase or issue	Transfer in of Level 3	Current decrease	Sale, disposal, or settlement	Transfer out of Level 3
Financial liabilities measured at fair value through profit or loss							
Foreign securities	\$ 430,375	(18,839)	-	-	(129,542)	-	281,994

3. Statement of changes in financial liabilities which were classified to Level 3 based on fair value measurement

December 31, 2012							
Items	Beginning balance	Amount recognized in current net income or stockholders'	Purchase or issue	Transfer in of Level 3	Current decrease	Sale, disposal, or settlement	Transfer out of Level 3
Financial liabilities measured at fair value through profit or loss							
Exchange rate options	\$ 15,923	16,271	-	-	(32,194)	-	-
December 31, 2011							
Items	Beginning balance	Amount recognized in current net income or stockholders'	Purchase or issue	Transfer in of Level 3	Current decrease	Sale, disposal, or settlement	Transfer out of Level 3
Financial liabilities measured at fair value through profit or loss							
Exchange rate options	\$ 28,693	(12,770)	-	-	-	-	15,923

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Notes to Financial Statements

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. In accordance with the fifth paragraph of SFAS No. 34 "Financial Instruments: Recognition and Measurement", 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 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). The examples of observable price are as follows:

- (1) 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.
- (2) The quoted market price of the same or identical financial instruments in an inactive market.
- (3) The fair value is estimated on the basis of the results 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).
- (4) 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 obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

6) Policy for managing financial risk and risk information

The Bank set up a risk management policy approved by the board of directors to control risk effectively. The chief executive officer of the centre is in charge of all activities to maximize and maintain profit for stockholders.

The Bank follows a risk management policy and strives to quantify, assess, and then manage risks in order to price risks and to obtain the optimal capital allocation.

The risks the Bank encountered were as follows:

1. Market risk

Market risk means changes such as in interest rates, exchange rates, and the prices of equity securities and instruments which may result in a loss for the Bank, either on or off the balance sheet. The Bank has set up a market risk management standard. Through the market management system, the Bank is able to evaluate and control each part of the market risk.

The Bank owns government bonds and negotiable certificates of deposit (recorded under available-for-sale financial assets). The fair value of fixed-rate government bond investment will be affected by a change in market rate. A 1% increase in market rate will decrease the fair value of bond investment by \$229,502.

The Bank engages in foreign currency transactions which give rise to foreign currency assets and liabilities. Therefore, changes in exchange rates will affect the fair value of the net position on foreign currencies. For assets denominated in USD, appreciation of the NTD by 0.1 against the USD will cause a loss of NT\$112.

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Notes to Financial Statements

2. Credit risk

Credit risk is the risk that borrowers and counter-parties will not be able to fulfil contracts. The Bank has set up a credit risk management standard which is able to evaluate and control possible credit risk resulting from business operations by establishing and implementing a management structure.

Financial instruments issued by or held by the Bank may cause loss if counter-parties are not able to fulfil contracts. The amount of the Bank's credit risk is equal to the financial instruments which remain positive on the balance sheet date. The Bank conducts a cautious credit assessment before qualifying loans and guarantees. Loans with collateral amounted to 72% of the total amount of loans in 2011. In order to obtain credit lines from the Bank, borrowers and guarantors are asked to provide collateral such as cash, fixed assets, securities with liquidity, and other assets. Furthermore, in order to reduce credit risk, the Bank follows certain credit policies and negotiates credit limits with counter-parties. In addition, the Bank signs master netting agreements with the counter-parties to reduce credit risk.

Concentration of credit risk refers to the significant concentration of credit risks from all financial instruments, whether the risks are from an individual counter-party or group of counter-parties. Group concentration of credit risk exists if a number of counter-parties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. There is no significant concentration of credit risk from counter-parties of the Bank's financial instruments. The related information can be found in note 10 to the financial statements and as follows:

(a) Information on concentration of credit risk is listed below.

Unit: NT thousand, %

December 31, 2012			
Rank	Group Company	Outstanding loan	% of net worth
1	Hung Kuo	2,119,900	26.36 %
2	Kuo Yang	1,042,563	12.96 %
3	Bau Shing	944,700	11.75 %
4	Duen Yang	942,000	11.71 %
5	Chiau Wei	890,900	11.08 %
6	E United Group	828,338	10.30 %
7	He Wang	748,500	9.31 %
8	Chiuan Yang	720,000	8.95 %
9	Jiou Yuang	617,698	7.68 %
10	Radium Life Tech	615,740	7.66 %
	Total	9,470,339	

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Notes to Financial Statements

December 31, 2011			
Rank	Group Company	Outstanding loan	% of net worth
1	Hung Kuo	2,039,900	25.90 %
2	Jion Yuan	1,190,998	15.12 %
3	Yem Chio	930,000	11.81 %
4	Bau Shing	891,780	11.32 %
5	Chiau Wei	887,608	11.27 %
6	He Wang	765,800	9.72 %
7	E United Group	764,125	9.70 %
8	Chiuan Yang	720,000	9.14 %
9	Jin hong Jhuang Enterpricse	712,500	9.05 %
10	Duen Yang	682,000	8.66 %
	Total	9,584,711	

- (b) As of December 31, 2012 and 2011, the unused contractual amount of financial instruments with off-balance-sheet credit risk was as follows:

	2012	2011
Unused lines of credit	\$ <u>3,071,461</u>	<u>3,398,126</u>
Other guarantees	\$ <u>2,518,124</u>	<u>2,660,766</u>
Unused L/C balance	\$ <u>1,120,388</u>	<u>903,703</u>

3. Liquidity risk

Liquidity risks include market and capital risks. Market risk is the risk that market prices will encounter obvious changes. Capital risk is the risk that a responsibility cannot be fulfilled because of being unable to convert assets into cash or acquire enough cash. The Bank's risk management approach starts with managing the daily payment queue and forecasting cash flows. It then covers tactical liquidity risk management dealing with access to unsecured funding sources. The Bank's cash flows are monitored by the treasury department on a daily basis to ensure the Bank's access to liquidity.

To control risk effectively, support and respect from management are essential in addition to the factors mentioned above. Under the full support of management, the risk management system of the Bank has been established. It has resulted in improving management efficiency, and the results are gradually becoming more evident.

The Bank controls the transaction risks of financial instruments by adopting a credit approval policy, position limitations, stop-loss point setting, and a management control process. In addition, the Bank maintains adequate current assets, and utilizes money market and foreign exchange market instruments to support its future cash flow requirements.

(Continued)

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Notes to Financial Statements

As of December 31, 2012, the liquidity reserve ratio was 24.91%; the bank has enough operating capital to fulfil all contractual obligations. Thus, there is no significant liquidity risk.

As of December 31, 2012 and 2011, the duration analysis of assets and liabilities was as follows:

Duration analysis in New Taiwan dollars

2012						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	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
Spreads	(11,700,956)	28,900,972	(9,662,189)	(13,301,025)	(37,756,578)	20,117,864

2011						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	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
Spreads	(13,425,814)	14,562,272	(4,118,722)	(10,768,482)	(38,239,961)	25,139,079

Duration analysis in US dollars

2012						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years
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
Spreads	32,126	50,275	13,633	5,807	(17,742)	(19,847)

2011						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years
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
Spreads	26,750	34,986	21,579	12,095	(24,161)	(17,749)

(Continued)

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Notes to Financial Statements

4. Cash flow risk arising from interest rate change

The analysis of ratios of interest-rate-sensitive currency held by the Bank as of December 31, 2012 and 2011, is as follows:

Risk sensitivity analysis in New Taiwan dollars

2012					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	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-sensitive spreads	77,398,849	(64,191,074)	(22,362,530)	1,076,234	(8,078,521)
Interest-rate-sensitive equity, net					8,023,076
Ratio of interest-rate-sensitive assets to liabilities (%)					94.22
Ratio of interest-rate-sensitive spreads to net equity (%)					(100.69)

2011					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	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-sensitive spreads	68,391,670	(56,092,984)	(21,739,358)	1,924,633	(7,516,039)
Interest-rate-sensitive equity, net					7,874,920
Ratio of interest-rate-sensitive assets to liabilities (%)					94.59
Ratio of interest-rate-sensitive spreads to net equity (%)					(95.44)

(Continued)

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Notes to Financial Statements

Risk sensitivity analysis in US dollars

2012					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	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-sensitive spreads	55,197	10,771	(15,697)	(150)	50,121
Interest-rate-sensitive equity, net					3,206
Ratio of interest-rate-sensitive assets to liabilities (%)					121.05
Ratio of interest-rate-sensitive spreads to net equity (%)					1,563.35

2011					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	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-sensitive spreads	27,480	24,730	(19,654)	4,294	36,850
Interest-rate-sensitive equity, net					1,312
Ratio of interest-rate-sensitive assets to liabilities (%)					116.92
Ratio of interest-rate-sensitive spreads to net equity (%)					2,808.69

(Continued)

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Notes to Financial Statements

Information regarding effective interest rates for financial instruments (not including financial assets at fair value through profit or loss) issued by or held by the Bank as of December 31, 2012 and 2011, was as follows:

Item	2012	
	New Taiwan dollars	US dollars
Available-for-sale financial assets:		
Government bonds	0.885%~1.305%	-
Corporate bond	1.24%~2.08%	-
Held-to-maturity financial assets:		
Government bonds	1.10%~1.13%	-
Corporate bond	1.50%	-
Loans and advances to customers		
Overdrafts and secured overdrafts	3.73%~4.14%	-
Short-term loans	2.44%~2.99%	0.50%~6.00%
Short-term secured loans	3.02%~3.15%	1.51%~6.00%
Medium-term loans	3.11%~3.21%	0.50%~7.00%
Medium-term secured loans	2.92%~2.99%	0.50%~4.00%
Long-term loans	2.96%~3.17%	-
Long-term secured loans	2.40%~2.45%	-
Subordinated financial debentures	2.59%~3.60%	-
Deposits		
Demand deposits	0.11%~0.12%	0.00%~0.40%
Time deposits	0.95%~1.31%	0.02%~2.00%
Demand savings deposits	0.08%~0.30%	-
Time savings deposits	1.27%~1.30%	-
Negotiable certificates of deposit	0.68%~0.75%	-

(Continued)

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Notes to Financial Statements

Item	2011	
	New Taiwan dollars	US dollars
Available-for-sale financial assets:		
Government bonds	1.050%~1.97%	-
Corporate bonds	1.320%~1.42%	-
Held-to-maturity financial assets:		
Government bonds	1.100%~1.13%	
Corporate bonds	1.50%	
Loans and advances to customers		
Overdrafts and secured overdrafts	3.65%~4.65%	-
Short-term loans	2.50%~3.05%	0.96%~5.86%
Short-term secured loans	2.90%~3.02%	1.81%~5.86%
Medium-term loans	2.96%~3.24%	0.10%~9.00%
Medium-term secured loans	2.89%~3.01%	0.96%~5.05%
Long-term loans	3.11%~3.32%	-
Long-term secured loans	2.21%~2.42%	-
Subordinated financial debentures	2.70%~3.84%	-
Deposits		
Demand deposits	0.09%~0.12%	0.00%~0.02%
Time deposits	0.79%~1.15%	0.20%~1.35%
Demand savings deposits	0.10%~0.12%	-
Negotiable certificates of deposit	0.58%~0.81%	-
Time savings deposits	1.06%~1.27%	-

5. Operational risk

Operational risk can be defined as the risk of monetary losses resulting from inadequate or failed internal processes, people, and systems or from external events. The Bank implements monitoring systems for operational risk exposures and losses for major business lines. Risk management policies and procedures for controlling or mitigating operational risk are in place and enforced through regular internal auditing.

6. Legal risk

Legal risk arises from the possibility that an entity may not be able to follow regulations issued by the government and may not be able to enforce a contract against another party. Legal risk arises from possible risk of loss due to an unenforceable contract or an "ultra vires" act of a counterparty. Legal risk involves the potential illegality of the contract, as well as the possibility that the other party entered into the contract without proper authority. The legal affairs department of the Bank is responsible for providing professional legal consulting and review services for internal regulations and all trading contracts, and making sure that the Bank follows the financial regulations and operational regulations.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(25) Related-party Transactions

1) Name and relationship of related party

Name	Relationship
Directors and supervisor (individual)	The individual directors and supervisor 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; stockholdings more than 1%
Panhsin Insurance Broker Co., Ltd.	Investee controlled by the Bank
Panhsin Asset Management Co., Ltd.	Investee controlled by the Bank
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; the chairman of the Company is the director of the Bank
Yuan-Chi Investment Co., Ltd.	The Bank's chairman's spouse is the chairman of the Company
Fu-Jin Investment Co., Ltd.	The Company is the legal supervisor of the Bank
San-Hwei Construction Co., Ltd.	The Bank's chairman's spouse is the chairman of the Company

2) Significant transactions with related parties

1. Deposits

Name	2012		
	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ <u>1,059,151</u>	<u>0.73</u>	0.08~8.37
Name	2011		
	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ <u>589,599</u>	<u>0.41</u>	0.09~6.91

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

For the years ended December 31, 2012 and 2011, apart from an interest rate limit on staff demand savings deposits of 6.750% to 6.980% and 6.660% to 6.910%, 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, 2012 and 2011, interest expense paid on the above deposits were \$6,946 and \$5,503, respectively.

2. Loans

2012							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-time	Overdue		
Employee credit loan	9	20,413	8,289	8,289	-	None	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
Others	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

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Unit: thousand dollars

2011							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-time	Overdue		
Employee credit loan	11	15,023	13,714	13,714	-	None	None
Mortgage	4	8,714	8,020	8,020	-	None	None
Others	Shan-Hwei Building Co., Ltd.	300,000	-	-	-	Real estate	None
	Kao Chao Mao	6,700	4,500	4,500	-	Real estate	None
	Chiu Yue Shuan	400	-	-	-	Real estate	None
	You Da Hu	5,000	5,000	5,000	-	Real estate	None
	Jiang Jin Quan	69	40	40	-	None	None
	Chen Shou Hui	3,295	1,563	1,563	-	Real estate	None
	Liu Bing Hui	86,000	86,000	86,000	-	Real estate	None
	Chen Tsung Liang	6,000	-	-	-	Real estate	None
	Kao Dai Ming	114,000	5,700	5,700	-	Real estate	None
	Lian Chia Peng	10,000	10,000	10,000	-	Real estate	None
	Liao Ke Huang	7,700	7,700	7,700	-	Real estate	None
	Chien Lin Lung	8,000	8,000	8,000	-	Real estate	None
	Lin Lai Wang	6,000	4,845	4,845	-	Real estate	None
	Liao Rong Chuan	11,687	7,480	7,480	-	Real estate	None
	Wu Kai Ming	1,440	1,307	1,307	-	Real estate	None
	Wang Yi Ming	2,249	1,947	1,947	-	Real estate	None
	Lu Fu Shan	3,184	1,578	1,578	-	Real estate	None
	Huang Hsin Mao	8,159	7,793	7,793	-	Real estate	None
	Kao Hua Yi	419	384	384	-	Real estate	None
	Chiu Chao Hui Fang	4,000	-	-	-	Real estate	None
	Ku Lin Mei Hui	24,000	12,000	12,000	-	Real estate	None
Others	Yeh Kuo Li Tu	32,256	18,352	18,352	-	Real estate	None
	Yang Mei Ju	60,368	29,625	29,625	-	Real estate	None
	Liao Mei Yun	104,500	96,000	96,000	-	Real estate	None
	Kao Yi Zhang	3,049	2,100	2,100	-	Real estate	None
	Liao Lin su Siang	453	357	357	-	Real estate	None
	Li Yuang Lun	300	-	-	-	Real estate	None
	Lai Wen Cheng	125	-	-	-	Real estate	None

For the years ended December 31, 2012 and 2011, loans to related parties were under the same terms as those to other customers.

For the years ended December 31, 2012 and 2011, interest income recognized for the above loans was \$9,638 and \$9,510, respectively.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

3. Rental revenue

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

Name	Building	Period	Rental Revenue	
			2012	2011
Panhsin Insurance Broker	Zhongzheng Rd., Pan-chiao City, No. 330	March 12, 2009 ~March 11, 2012; March 12, 2012~March 11, 2013	\$ 762	762
Panhsin Asset Management	Zhongzheng Rd., Pan-chiao City, No. 330	January 6, 2009 ~January 5, 2014	144	144
			<u>\$ 906</u>	<u>906</u>

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 have partially transferred from December 27, 2006 to December 31, 2007. As of December 31, 2012 and 2011, the amount of the ownership been transferred was \$550,000, deducting \$110,000, amounts received. 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.

On March 10, 2011, the Bank entered into an order for the purchase of land and building, the total order amount was \$108,016. On April 20, 2011, the Bank has transferred ownership, and left no unpaid amount.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

5. Sale of non-performing loans

Counter-party: 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 its loan amount of \$7,739, its book value of \$7,648, and its selling price of \$6,530.

Counter-party: 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 its loan amount of \$201,910, its book value of \$198,429, and its selling price of \$181,608.

(Continued)

BANK OF PANHSIN**Notes to 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 the 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 term of payment was that Panhsin AMC has 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 buy-backs due to defaults within one months 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, \$24,487 was bought back by the Bank, reducing the contract price to \$1,350,513 as of December 31, 2012 and 2011. In 2012 and 2011 were \$1,302,603 and \$1,168,759, of the price had been received. As of December 31, 2012 and 2011, proceeds not yet received were \$47,910 and \$181,754, recorded under accounts receivable—other.

In addition, on July 26, 2006, the Bank entered into contracts with Panhsin AMC to sell non-performing loans at the 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 has 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 buy-backs 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 of December 31, 2012, \$212,257, had been bought back by the Bank, reducing the contract price to \$1,289,249. The transfer of loans was completed on 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 amount that has been received was \$1,036,858. As of December 31, 2012 and 2011, the proceeds that has not yet been received were \$252,391, recorded under accounts receivable, net

As of December 31, 2012 and 2011, the interest revenue occurred due to the aforementioned transaction were \$23,176 and \$0, respectively.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

6. Other

For the years ended December 31, 2012 and 2011, the details of the Bank's selling a series of subordinated financial debentures to related parties were as follows:

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

Related party	Highest balance	2011		
		Ending balance	Interest rate (%)	Interest expense
Directors, supervisors, and main stockholders	\$ 800	<u>600</u>	2.37~2.59	<u>16</u>

- 3) For the years ended December 31, 2012 and 2011, the details of the Bank's payments to the main managers were as follows:

	2012	2011
Salaries	\$ 30,588	30,438
Cash awards and special allowances	8,695	9,396
Business expense	6,663	6,226

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(26) Pledged Assets

As of December 31, 2012 and 2011, pledged assets were as follows:

Pledged Assets	Pledged for	Book Value	
		2012	2011
Government bonds (recorded as available-for-sale financial assets)	Reserve for trust business	\$ 51,518	50,261
Government bonds (recorded as available-for-sale financial assets)	Provisional seizure	47,370	49,555
	Operating deposits for trading bills	52,046	50,261
	Operating deposits for trading bonds	10,409	10,052
	Deposits for tax administration ministry of finance	96,552	-
Time deposit (recorded as other financial assets)	Deposits for tax administration ministry of finance	-	100,000
Bank deposit (recorded as other financial assets)	Settlement deposits for bonds	7,400	7,400
	Deposits for lawsuits	15,195	34,222
	Reserve for derivative instruments	-	87,841
		<u>\$ 280,490</u>	<u>389,592</u>

- 1) The Bank provided the Central Bank of China with government bonds as reserve for its trust custodian business.
- 2) For executing provisional seizure of debtors' properties, the Bank provided pledged assets to the court.
- 3) Operating deposits for trading bills were deposited with the Central Bank of China for the Bank's securities dealing business.
- 4) Operating deposits for trading bonds were deposited with the GreTai Securities Market for the Bank's treasury sales business. Furthermore, a reserve for trading losses has been set up to conform to securities regulations.
- 5) An overdraft guarantee was deposited with the Central Bank of China as an overnight overdraft guarantee for the transfer of funds among banks.
- 6) Deposits for foreign exchange and reserve for derivative were deposited with counter-parties for the Bank's derivative transactions.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(27) Commitments and Contingent Liabilities

- 1) As of December 31, 2012 and 2011, the Bank had the following construction in progress and significant purchase agreements:

2012		
	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	\$ <u>33,618</u>	<u>17,772</u>
2011		
	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) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2012, estimated future lease contract commitments were as follows:

Fiscal Year	Amount
2013	\$ 96,783
2014	74,967
2015	59,956
2016	43,731
After 2017	<u>45,973</u>
	\$ <u>321,410</u>

Furthermore, the Bank's guarantee deposit for operating leases were \$20,064 and \$18,764 on December 31, 2012 and 2011, respectively. They were recorded under other financial assets.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

3) Other

As of December 31, 2012 and 2011, the other commitments and contingent liabilities was as follows:

	2012	2011
Consignment collection for others	\$ 8,967,545	8,759,253
Consignment released and loans for others	1,294,202	1,118,380
Collateral held as performance bond	71,252	81,963
Traveller's checks held for consignment sale	10,120	13,294
Custodial securities	50,000	50,000
Trust assets	<u>34,527,944</u>	<u>28,986,871</u>
	<u>\$ 44,921,063</u>	<u>39,009,761</u>
Lines of credit provided but not used	<u>\$ 3,071,461</u>	<u>3,398,126</u>
Guarantees	<u>\$ 2,518,124</u>	<u>2,660,766</u>
Letters of credit issued but not yet presented	<u>\$ 1,120,388</u>	<u>903,703</u>
Government bonds purchased under agreements to repurchase sold with the total price that should buy back under agreements	<u>\$ 1,299,394</u>	<u>-</u>
Credit default swap sold	<u>\$ 83,475</u>	<u>302,900</u>

4) In accordance with local regulations, disclosure of accounts in the balance sheet and a summary of trust asset items for trust business are as follows:

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-right of land trust	204,152
Building	717,901	Net income	350,087
Construction in progress	2,554,062	Unappropriated earnings	(418,680)
Right of Land	<u>204,152</u>		
Total trust assets	<u>\$ 34,527,944</u>	Total trust liabilities	<u>34,527,944</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Trust balance sheet

December 31, 2011

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 — right of land trust	204,152
Building	262,651	Net income	469,547
Construction in progress	3,048,405	Unappropriated earnings	(525,105)
Right of land	204,152		
Total trust assets	<u>\$ 28,986,871</u>	Total trust liabilities	<u>28,986,871</u>

Trust income statement

For the years ended December 31, 2012 and 2011

	2012	2011
Trust revenue:		
Interest revenue	\$ 9,269	13,714
Realized investment gain — funds	93,624	208,855
Cash dividends revenue	<u>552,873</u>	<u>570,567</u>
	<u>655,766</u>	<u>793,136</u>
Trust expenses:		
Management expenses	6,704	10,581
Realized investment loss — funds	298,073	311,661
Other expenses	<u>8</u>	<u>3</u>
	<u>304,785</u>	<u>322,245</u>
Net income before income tax	350,981	470,891
Income tax expense	<u>894</u>	<u>1,434</u>
Net income after income tax	<u>\$ 350,087</u>	<u>469,457</u>

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****Schedule of investment for trust business****December 31, 2012**

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

Summary of trust asset items**December 31, 2011**

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
Right of land	<u>204,152</u>
	<u>\$ 28,986,871</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(28) Significant Disaster Loss: none.

(29) Subsequent Events: none.

(30) Others

1) Personnel costs, depreciation, depletion, and amortization

Function Accounts	2012			2011		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel costs:						
Salaries	-	954,787	954,787	-	875,310	875,310
Labor and health insurance	-	74,531	74,531	-	73,363	73,363
Pension	-	61,979	61,979	-	68,240	68,240
Other employment	-	26,920	26,920	-	26,389	26,389
Depreciation	-	80,594	80,594	-	70,612	70,612
Depletion	-	-	-	-	-	-
Amortization	-	69,586	69,586	-	68,326	68,326

Furthermore, the depreciation expense for leased-out assets was \$12,219 and \$857 in 2012 and 2011, respectively, and was recorded under other non-interest income, net.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2) In accordance with SFAS No. 28, the disclosures are as follows:

1. Information on interest-bearing assets and liabilities

	December 31, 2012		December 31, 2011	
	Average amount	Average rate (%)	Average amount	Average rate (%)
Assets:				
Cash due from banks	\$ 932,137	0.59	976,871	0.57
Due from Central Bank and placement to other banks	28,278,610	0.84	27,588,982	0.80
Financial assets at fair value through profit or loss	771,809	0.91	787,517	0.75
Loans and advances to customers	101,965,432	2.73	107,182,961	2.66
Available-for-sale financial assets	5,554,960	1.19	1,604,333	1.39
Held to maturity financial assets	715,827	1.39	399,209	1.29
Bills and bonds purchased under agreements to resell	84,197	0.74	-	-
Liabilities:				
Due to banks	1,840,943	1.00	1,593,552	1.11
Bills and bonds sold under agreements to repurchase	77,228	0.42	134,710	0.41
Demand deposits	19,349,089	0.11	17,462,626	0.10
Time deposits	21,160,032	1.05	19,655,806	0.93
Negotiable time deposits	1,364,030	0.72	2,874,595	0.75
Demand savings deposits	34,976,586	0.37	34,727,673	0.36
Time savings deposits	63,663,060	1.28	65,028,306	1.17
Financial debentures	3,038,235	3.06	3,971,877	2.84

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2. Major foreign currency position, net

Major foreign currency	December 31, 2012		December 31, 2011	
	Amount in foreign currency	Amount in New Taiwan dollars	Amount in foreign currency	Amount in New Taiwan dollars
USD	1,119	32,616	5,202	157,498
JPY	14,638	4,950	44,315	17,317
CNY	1,703	7,961	3,377	16,239
CHF	116	3,709	181	5,843
SGD	-	-	174	4,067
EUR	260	10,052	-	-

3. Profitability

Unit: %

Items		2012	2011
Return on assets	Before income tax	0.15	(0.63)
	After income tax	0.08	(0.53)
Return on net equity	Before income tax	2.92	(12.14)
	After income tax	1.61	(10.13)
Net income to operating revenue ratio		5.13	(35.33)

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

3) The details of the Bank's significant foreign currency assets and liabilities were as follows:

	December 31, 2012			December 31, 2011		
	Foreign currency (thousand dollars)	Exchange rate	New Taiwan dollars	Foreign currency (thousand dollars)	Exchange rate	New Taiwan dollars
Financial assets:						
Monetary item						
USD	229,881	29.1360	6,697,820	191,157	30.290	5,790,153
EUR	2,000	38.6052	77,211	2,593	39.2013	101,652
JPY	115,264	0.3375	38,901	548,701	0.390587	214,315
AUD	5,000	30.2607	151,303	5,000	30.7595	153,797
HKD	2,341	3.7587	8,799	1,925	3.8985	7,506
Financial liabilities:						
Monetary item						
USD	239,739	29.1360	6,955,901	215,768	30.290	6,535,604
EUR	5,081	38.6052	196,170	4,207	39.201318	164,908
JPY	271,489	0.3375	91,627	172,086	0.390587	67,215
HKD	15,687	3.7587	58,962	20,585	3.8985	80,250
AUD	9,290	30.2607	281,136	10,449	30.7595	321,400
GBP	1,435	46.9556	67,381	1,738	46.7496	81,255
CHF	26	31.9474	831	32	32.2268	1,047
NZD	2,499	23.9323	59,796	3,434	23.4051	80,375
SGD	21	23.8409	505	-	-	-
ZAR	96,909	3.4297	332,365	40,931	3.7386	153,026
CAD	1,642	29.2971	48,096	964	29.6844	28,621

(Continued)

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4) Capital adequacy ratio

The capital adequacy ratios of the Bank are disclosed below:

Item			Period-end December 31, 2012	December 31, 2011
Self-owned capital	Tier 1 Capital		7,225,039	7,198,928
	Tier 2 Capital		989,751	571,057
	Tier 3 Capital		-	-
	Capital		8,214,790	7,769,985
Risk-weighted assets	Credit risk	Standardized approach	83,879,425	86,188,342
		Internal-rating-based approach	-	-
		Secularizations	34,484	331,678
	Operational risk	Basic indicator approach	3,925,400	3,799,288
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	4,174,838	2,493,700
		Internal model approach	-	-
	Risk-weighted assets		92,014,147	92,813,008
Capital adequacy ratio			8.93 %	8.37 %
Tier 1 capital / risk-weighted assets			7.85 %	7.76 %
Tier 2 capital / risk-weighted assets			1.08 %	0.61 %
Tier 3 capital / risk-weighted assets			- %	- %
Common stock / total assets (note)			5.97 %	6.01 %
Leverage ratio			4.56 %	4.61 %

(Continued)

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

Item			Period-end	December 31, 2012	December 31, 2011
Self-owned capital	Tier 1 Capital			7,314,262	7,263,218
	Tier 2 Capital			1,078,973	635,347
	Tier 3 Capital			-	-
	Capital			8,393,235	7,898,565
Risk-weighted assets	Credit risk	Standardized approach		83,937,136	86,219,271
		Internal-rating-based approach		-	-
		Secularizations		34,484	331,678
	Operational risk	Basic indicator approach		3,925,400	3,799,288
		Standardized approach / alternative approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		4,174,838	2,493,700
		Internal model approach		-	-
	Risk-weighted assets			92,071,858	92,843,937
Capital adequacy ratio				9.12 %	8.51 %
Tier 1 capital / risk-weighted assets				7.94 %	7.82 %
Tier 2 capital / risk-weighted assets				1.18 %	0.69 %
Tier 3 capital / risk-weighted assets				- %	- %
Common stock / total assets (note)				5.97 %	6.02 %
Leverage ratio				4.62 %	4.65 %

- 5) For 14 years, after the bank has merged with “The 5th Credit Cooperative of Kaohsiung” since September 1997, there were some disputes between the Bank's directors and supervisors, but eventually, everything was settled. The shares of \$86,687 was paid according to the content of the reconciliation letter which was recorded under operating expense, and the letter was sent to the Kaohsiung City Government Bureau of Finance on January 3, 2012 to file for nullification. Therefore, the financial statement did not require any adjustment.

(31) Other Disclosure Items

- 1) Related information on material transaction items:
 1. Information regarding long-term equity investment for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
 2. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

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

Name of company which has the receivables	Counter-party	Relationship with the Bank	Year-end amount	Turnover rate	Overdue receivables from related party		Receivables from related party subsequent to the opinion date	Allowance for bad debt allowance provided
					Amount	Handling method		
The Bank	Panhsin AMC	Subsidiary	740,301 (Note)	-	-	-	-	548,400

Note: Recorded under accounts receivable — notes receivable, net.

6. Information regarding selling non-performing loans for which the amount exceeded NT\$5 billion: none.
 7. Information for issuance of beneficiary certificates approved by the ROC Financial Asset Securitization Law and Real Estate Securitization Law: none.
 8. Other significant transactions that might influence the decision-making of financial statement users: none.
- 2) Information on long-term equity investments:

1. Information on investees' name, location, etc.:

Name of investee	Investee location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	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 %	171,750	117,216	3,095	-	3,095	100 %	subsidiary
Panhsin Asset Management Co., Ltd.	9F, No. 330, Zhongzheng Rd., Panchiao City, Taipei County	Purchasing non-performing loans	29.41 %	6,302	(10,145)	17,000	-	17,000	100 %	subsidiary

2. Lending to other parties: none.
3. Guarantees and endorsements for other parties: none.

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4. Information regarding securities held as of December 31, 2012:

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Company	Amount name	Year-end				Remarks
				Number of shares	Book value	Percentage of shares	Market value	
Panhsin Insurance Broker Co., Ltd.	Stock: Panhsin Asset Management Co., Ltd.	Investee accounted for under the equity method	Long-term investment under equity method	12,000	15,125	70.59 %	15,125	

5. Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
6. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
7. 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: none.
8. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none.
9. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
10. Information regarding trading in derivative instruments: none.
11. Information regarding selling non-performing loans: none.
12. Information for issuance of beneficiary certificates approved by the ROC Financial Asset Securitization Law and Real Estate Securitization Law: none.
13. Other significant transactions that might influence the decision-making of financial statement users: none.

(32) Operating Segment Information

Please refer to the consolidated financial statements for segment financial information.